

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

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2014**



**PREPARED BY: FINANCE DEPARTMENT**

**TOWN OF SOUTH KINGSTOWN, RHODE ISLAND**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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## **Introductory Section**



# Town of South Kingstown, Rhode Island

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

## FINANCE DEPARTMENT

December 27, 2014

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, 2014, 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 BlumShapiro, 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, 2014, 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 unmodified opinion that the Town of South Kingstown's financial statements for the fiscal year ended June 30, 2014, 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 2013-2014 fiscal year budget was the seventh 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 1<sup>st</sup> 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 22<sup>nd</sup> of each year. Two public hearings are required to be conducted on the preliminary budget prior to April 18<sup>th</sup>.

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 21<sup>st</sup> containing no less than twenty-five (25) valid signatures of qualified electors of the Town.

## **PROFILE OF THE GOVERNMENT (Continued)**

The Council shall, on or before May 1<sup>st</sup> 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 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 60-64 and page 65, 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 had an enrollment of 16,123 for the 13/14 academic year and employs more than 2,350 people. South County Hospital and tourism trade are also key components of the South Kingstown economy.

At the University of Rhode Island capital project development has continued over the past year. Recently completed projects include the new Pharmacy Building (\$75,000,000 dollar project, 144,000 square feet) and the Hillside Dormitory, a 419-bed, \$42,000,000 student housing facility. Major projects now under construction include the following:

- New “Chemistry and Forensic Science Building” a \$65,000,000, 133,000 square foot facility expected to open in the fall of 2015
- LGTBQ Center, a 4,300 square foot, \$2,100,000 structure planned to open for the 2015/16 academic year.
- Addition and renovations to Butterfield Dining Hall (project consists of a 6,000 square foot addition to the facility and renovations to 10,000 existing square feet, the value of project is \$7,600,000).

For FY 2012-13 the Building Department issued 2,793 permits with a construction value of \$42,876,457; for FY 2013-2014 the total permits issued was 2,789 with a value of \$34,403,470, (a decrease of 4 permits and a decrease in value of \$8,472,987 or 19.76%).

## **FACTORS AFFECTING FINANCIAL CONDITION (Continued)**

Over the past calendar year South Kingstown has witnessed an increase in building activity in both the residential and commercial building sectors. Active developments include the following:

Wakefield Meadows (age-restricted condominium development) 142 units being built-out by developer, Pulte Homes. More than 90% of the units in this development have been constructed and occupied (132 units).

East Matunuck Farms, 40 lot/unit residential subdivision located off Gooseberry Road in the Snug Harbor section of Town.

Woods at Lauren Lane, 13 lot/unit residential subdivision on the east side of Laurel Lane in West Kingston.

Stone Soup Farm, 17 lot/unit residential development situated off of South Road in Wakefield.

Sheldon Hill, 10 lot (11 units) residential development located off Winter Street in Wakefield.

Construction of a new 7,500 square foot medical (optometry/ophthalmology) building at Hampton Place (Route 1 Special Management District) is complete. The facility opened in the spring of 2014.

New bank facility on Main Street in "Old" Wakefield for Bank RI. The 4,600 square foot, two-story facility opened in the spring of 2014.

Thundermist Health Center, on River Street, has initiated construction of a new 20,000 square foot facility to replace their existing health services clinic. Construction of the facility is supported by a \$5 million federal grant. Project completion is expected in the summer of 2015.

- 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 over the past decade.
- The median sale price of a single-family home in South Kingstown decreased to \$295,000 in the first half of 2013, compared to same period in 2012 during which a median sale price of \$300,000 was recorded. This represents an increase of \$45,000 compared to figures from 2002, when a median priced house was selling for \$250,000.
- 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.

## **FACTORS AFFECTING FINANCIAL CONDITION (Continued)**

- The estimated median income of South Kingstown's households during the time period of 2007-2011, was \$74,147 (Source: American Community Survey, 2007-2011).
- On an annualized basis, private sector jobs totaled 9,698 in 2012, of which 2,609 were in Health Care and Social Assistance, 1,287 were in Retail Trade, 1,394 were in Accommodations and Food Service and 583 were in manufacturing jobs. The private sector job total was an increase of 36 jobs in comparison to the 2011 total of 9,662.
- The 2014 size of the resident workforce is 16,578. The number of employed residents totals 15,335. The July 2014 unemployment rate for South Kingstown was reported at 7.5 percent, a reduction of 1.2 percent when compared to the calendar 2013 local unemployment rate (8.7 percent).

**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 2014-2015 fiscal year capital improvement plan projects needs through fiscal year 2020. 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 \$24,095,000. Financing, net of third party funding sources for these projects by debt issuance, approximates \$11,550,000. In addition, \$12,672,500 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 \$36,767,500.

Major projects to be bonded in the plan include: Recreation and open space programs for \$7,197,000; general municipal improvements for \$8,165,000; school improvements for \$6,533,000; and the East Matunuck By-Pass Water Line for \$2,200,000.

**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.

**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 15 on pages 57-58 of the notes to the financial statements.

## **FACTORS AFFECTING FINANCIAL CONDITION (Continued)**

**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, 2013, the Town of South Kingstown has funded 88.5 percent of the present value of the projected benefits earned by general municipal and non-certified school employees; 75.9 percent of the present value of the projected benefits earned by police employees; and 116.9 percent of the present value of the projected benefits earned by 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.

In November 2011, several major legislative changes were enacted that apply to all MERS municipal and ERSRI school plans. The structure of the retirement program was changed from a traditional defined benefit plan to a hybrid plan designed with a smaller defined benefit plan and a supplemental defined contribution plan. The automatic COLA provisions were changed to a formula contingent on the actual investment performance over time. The COLA provisions have been suspended and reduced during times when the funded ratio is lower than targeted 80% levels. The significantly-reduced Unfunded Actuarial Accrued Liability was re-amortized to 25 years from the 19 year schedule as of June 30, 2010. During the transition to the smaller defined benefit plan going forward, certain retirement eligibility provisions were enacted to allow current benefit accumulations and final average compensation calculations to be preserved with changes to be calculated prospectively. All members who were currently eligible to retire will retain the ability to retire in accordance with the provisions prior to the legislative changes.

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 184 retired School Department and Town employees receiving these benefits. The Town has completed an actuarial valuation of the OPEB obligations with a valuation date of July 1, 2013. 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 47-51 and Note 13 on pages 51-55, 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 the 25 years of payments remaining as of June 30, 2014 was \$3,244,002 of which South Kingstown is responsible for \$1,622,001. During the 2014 year the Town paid \$59,830 towards this liability. The balance of the estimated liability of \$1,614,648 has been included in the government-wide financial statements at June 30, 2014.

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 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, 2013. 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-four consecutive fiscal years (fiscal years ended June 30, 1990-2013). 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 Jeanna Krukowski and Kate Minahan. 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,



Patricia A Sunderland,  
Finance Director

**TOWN OF SOUTH KINGSTOWN, RHODE ISLAND**

**TOWN OFFICIALS**

**JUNE 30, 2014**

**TOWN COUNCIL**

Ella M. Whaley, President

Carol Hagan McEntee, Vice President  
Paul Donnelly

Margaret M. Healy  
James W. O'Neill

**TOWN MANAGER**

Stephen A. Alfred

**TOWN ATTORNEYS**

Michel Ursillo  
Andrew Teitz  
Nancy Letendre  
Terrence G. Simpson

**PROBATE JUDGE**

Merlyn O'Keefe

**DEPARTMENT HEADS**

Town 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  
Patricia A. Sunderland  
Theresa L. Murphy  
L. Vincent Murray  
Aimee Y. Reiner  
Jeffrey T. O'Hara  
Jon R. Schock  
Vincent Vespia, Jr.



Government Finance Officers Association

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

**Town of South Kingstown  
Rhode Island**

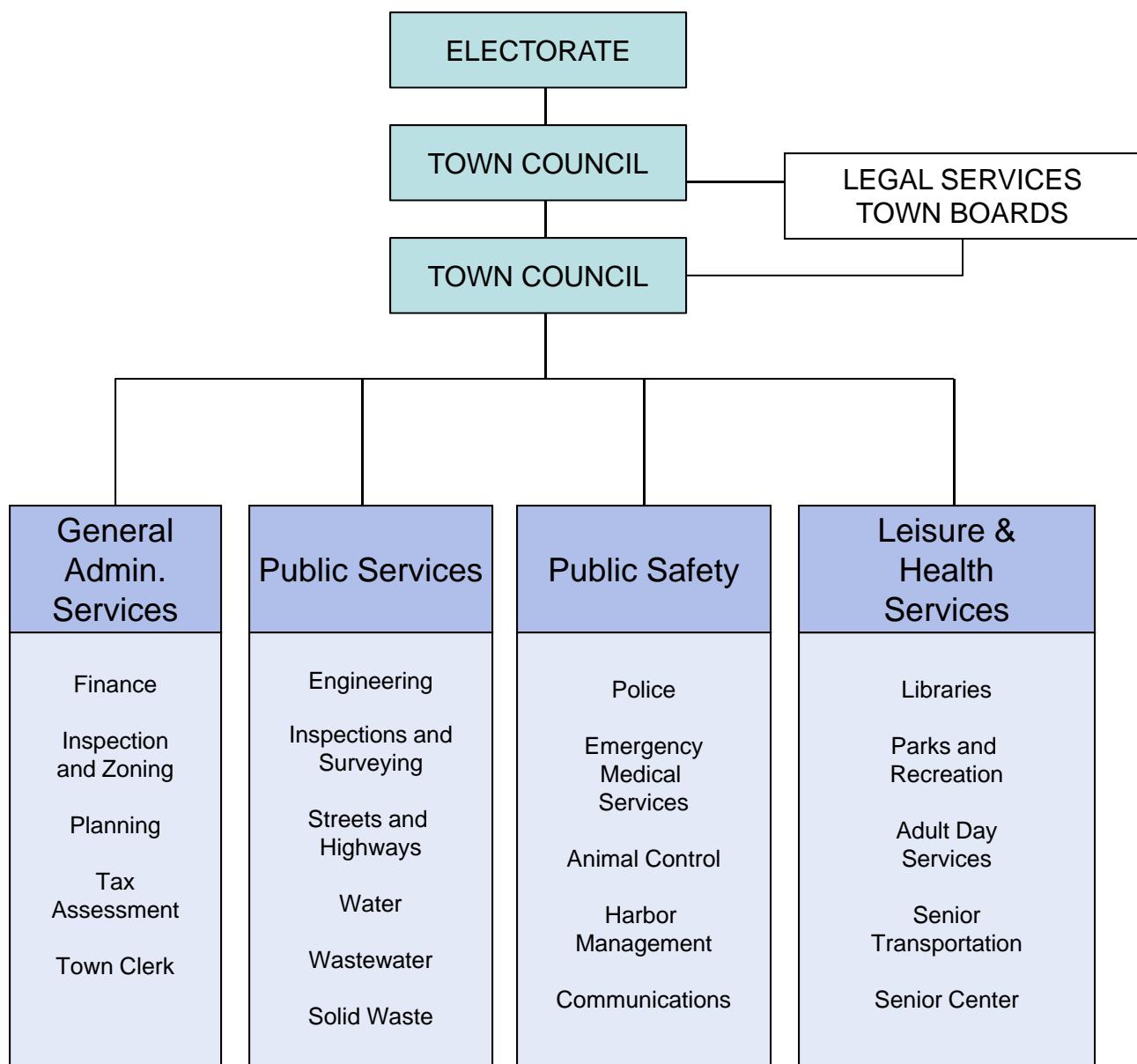
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2013**

A handwritten signature in black ink, appearing to read "Jeffrey P. Ecker".

Executive Director/CEO

# Town of South Kingstown



## **Financial Section**

# BlumShapiro

Accounting | Tax | Business Consulting

## Independent Auditors' Report

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

### Report on the Financial Statements

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, 2014, and the related notes to the financial statements, which collectively comprise the Town of South Kingstown, Rhode Island's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditors' Responsibility*

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the 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 June 30, 2014 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 16, the budgetary comparison information on pages 60 through 65 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, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our 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 and individual nonmajor fund financial statements and schedules, 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 and individual nonmajor fund financial statements and schedules, 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing

and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules, and schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic 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.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2014 on our consideration of the Town of South Kingstown, Rhode Island's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of South Kingstown, Rhode Island's internal control over financial reporting and compliance.

*Blum, Shapiro & Company, P.C.*

West Hartford, Connecticut  
December 27, 2014

## 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, 2014. 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-viii 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 \$148,460,800 (net position). Of this amount, \$44,370,400 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$4,713,275. The major factors in this increase were the positive operating results within the governmental funds and the business-type activity funds. The Town changed the capitalization threshold in FY2014 from \$500 to \$5,000 thus the beginning balance for FY2013 capital assets and net position has been restated.
- As of the close of the current fiscal year, the Town of South Kingstown's governmental funds reported combined ending fund balances of \$49,419,845. Approximately 20.6% of this total amount, \$10,255,621 is available for use at the government's discretion (unassigned fund balance).
- The remaining fund balance of \$39,164,224 includes \$15,785,238 in non-spendable funds, \$11,390,366 in restricted funds and \$11,988,620 in committed funds.
- The Town's total bonded debt declined by \$2,849,118 (14.4%) during the current fiscal year. The key factor in this decline was the retirement of \$2,849,118 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.

**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 position presents information on all of the Town's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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).

## **Overview of the Financial Statements (Continued)**

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 17-18 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.

The Town of South Kingstown maintains fifty 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 and the school trust funds, both of which are considered to be major funds. The School Unrestricted Fund has been included in the General Fund, in the basic governmental financial statements, which can be found on Exhibits III and IV based on GASB Statement #54 criteria. Data from the other forty-eight 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 19-22 of this report.

## **Overview of the Financial Statements (Continued)**

**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 23-25 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 26-27 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 28-59 of this report.

**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. Budget to actual schedules for the General Fund and School Fund are also included. Required supplementary information can be found on pages 60-65 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 66-80.

## Overview of the Financial Statements (Continued)

### Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of South Kingstown, assets and deferred outflow of resources exceeded liabilities by \$148,460,800 at the close of the most recent fiscal year.

#### **TOWN OF SOUTH KINGSTOWN, RHODE ISLAND NET POSITION For the Fiscal Years Ended June 30, 2014 and 2013 (in 000s)**

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 69,702	\$ 61,348	\$ 8,986	\$ 8,261	\$ 78,688	\$ 69,609
Capital assets, net of accumulated depreciation	80,507	81,865	22,572	23,248	103,079	105,113
Total assets	<u>150,209</u>	<u>143,213</u>	<u>31,558</u>	<u>31,509</u>	<u>181,767</u>	<u>174,722</u>
Deferred outflow of resources	345	410			345	410
Current liabilities	13,298	7,544	1,100	1,175	14,398	8,719
Long-term liabilities outstanding	17,255	20,521	1,998	2,145	19,253	22,666
Total liabilities	<u>30,553</u>	<u>28,065</u>	<u>3,098</u>	<u>3,320</u>	<u>33,651</u>	<u>31,385</u>
Net Position:						
Net investment in capital assets	65,788	64,500	20,653	21,169	86,441	85,669
Restricted	17,649	15,969			17,649	15,969
Unrestricted	<u>36,564</u>	<u>35,089</u>	<u>7,807</u>	<u>7,020</u>	<u>44,371</u>	<u>42,109</u>
Total Net Position	<u>\$ 120,001</u>	<u>\$ 115,558</u>	<u>\$ 28,460</u>	<u>\$ 28,189</u>	<u>\$ 148,461</u>	<u>\$ 143,747</u>

By far the largest portion of the Town's net position (58.2%) 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's 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 position (11.9% or \$17,649,052) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$44,370,400) may be used to meet the government's ongoing obligations to citizens and creditors.

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 position, both for the government as a whole, as well as for its separate governmental and business-type activities. The Cafeteria Fund, a business-type activity, has an accumulated deficit position of \$78,277, an increase of (\$3,054) over the prior year.

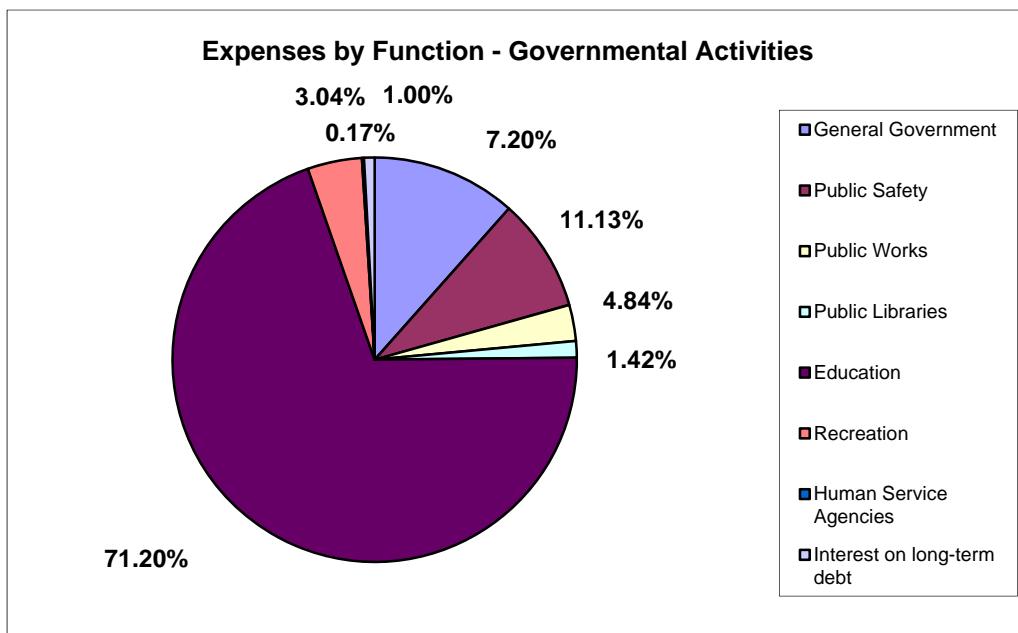
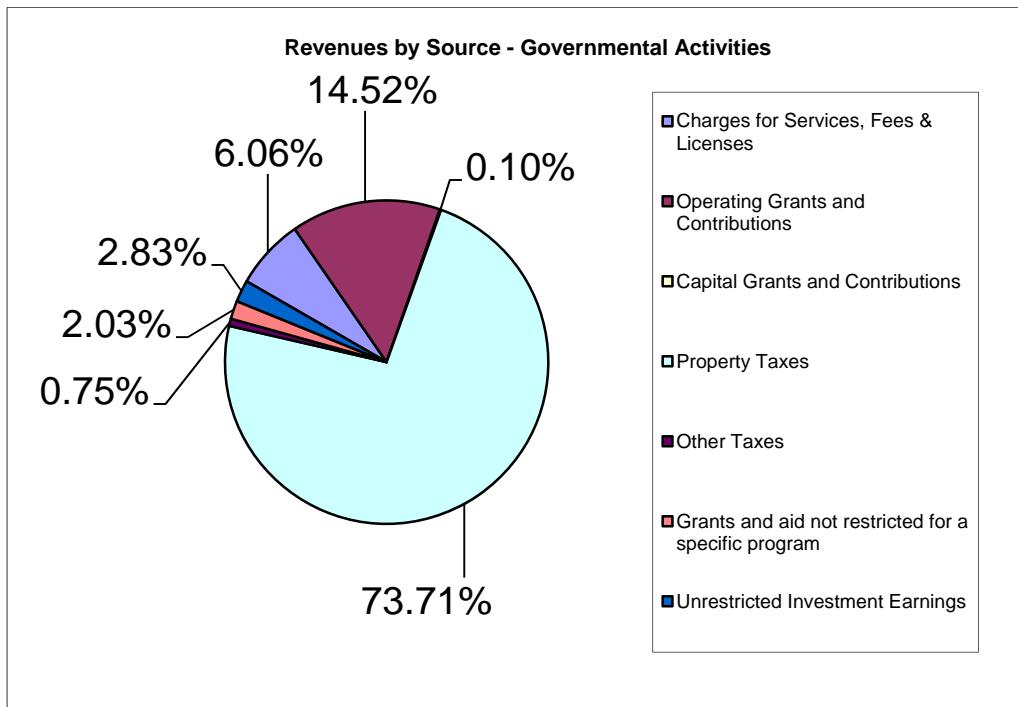
The Town's net position increased by \$4,713,275 during the current fiscal year. Of this amount, governmental activities accounted for \$4,443,093 of the increase while business-type activities accounted for an increase of \$270,182.

## Overview of the Financial Statements (Continued)

### TOWN OF SOUTH KINGSTOWN, RHODE ISLAND CHANGES IN NET POSITION For the Fiscal Years Ended June 30, 2014 and 2013 (in 000s)

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 5,508	\$ 6,425	\$ 5,154	\$ 5,404	\$ 10,662	\$ 11,829
Operating grants and contributions	13,187	13,639	368	325	13,555	13,964
Capital grants and contributions	92	108			92	108
General revenues:						
Property taxes	66,953	66,659			66,953	66,659
Motor vehicle phase-out taxes	171	166			171	166
Telephone and hotel taxes	510	496			510	496
Grants not restricted to specific programs	1,838	1,663			1,838	1,663
Unrestricted investment earnings	2,569	1,990	17	20	2,586	2,010
Total revenues	<u>90,828</u>	<u>91,146</u>	<u>5,539</u>	<u>5,749</u>	<u>96,367</u>	<u>96,895</u>
<b>Expenses:</b>						
General government	6,231	10,085			6,231	10,085
Public safety	9,634	7,077			9,634	7,077
Public works	4,190	3,648			4,190	3,648
Human service agencies	147	145			147	145
Public libraries	1,231	1,052			1,231	1,052
Education	61,623	62,190			61,623	62,190
Recreation	2,631	2,264			2,631	2,264
Interest on long-term debt	861	731			861	731
Wastewater		2,829	2,769	2,829	2,769	
Solid waste		457	474	457	474	
Water		846	768	846	768	
School Cafeteria		973	958	973	958	
Total expenses	<u>86,548</u>	<u>87,192</u>	<u>5,105</u>	<u>4,969</u>	<u>91,653</u>	<u>92,161</u>
Change in net position before transfers	4,280	3,954	434	780	4,714	4,734
Transfers	163	358	(163)	(358)	-	-
Change in net position	<u>4,443</u>	<u>4,312</u>	<u>271</u>	<u>422</u>	<u>4,714</u>	<u>4,734</u>
Net Position at Beginning of Year, as restated	<u>115,558</u>	<u>111,246</u>	<u>28,189</u>	<u>27,767</u>	<u>143,747</u>	<u>139,013</u>
Net Position at End of Year	<u>\$ 120,001</u>	<u>\$ 115,558</u>	<u>\$ 28,460</u>	<u>\$ 28,189</u>	<u>\$ 148,461</u>	<u>\$ 143,747</u>

## Government-wide Financial Analysis (Continued)



### Governmental activities.

Governmental activities increased the Town of South Kingstown's net position by \$4,443,093 thereby accounting for 94.3% of the total growth in the net position of the Town.

Major revenue factors included:

- Property taxes are the largest revenue source for governmental activities accounting for approximately 73.71% of total revenues. Operating grants and contributions and charges for services, fees, and licenses provide approximately 14.52% and 6.06% of total revenues respectively.

## **Government-wide Financial Analysis (Continued)**

- Based on state law, all cities and towns are required to revalue property on a nine-year schedule, including two statistical updates at three-year intervals. South Kingstown completed a full revaluation of all real and tangible property was completed for values as of December 31, 2012, which was used to compute the tax liability for the 2013-2014 fiscal years. This revaluation resulted in a 5.35% decrease in taxable real and personal property. Property tax revenues for the 2014 fiscal year increased by \$682,335 or 1.03%. Based on the revaluation total taxable property declined by \$232,363,152 from \$4,343,828,086 to \$4,111,464,934 due to the current real estate market conditions. Based on the change in values, the property tax rate increased from \$14.50 to \$15.47, a \$0.97 increase, per thousand dollars of assessed value. Motor vehicle values increased by approximately \$3.6 million over the prior year, from \$182,251,511 to \$185,876,659 and assumed utilizing an exemption value of \$3,000 per vehicle. Motor vehicle values are assessed at a rate of \$18.71 per thousand dollars of assessed value. This rate has been frozen by the State since FY1998. Total assessed value of all taxable property decreased by \$228,738,004 from \$4,526,079,597 to \$4,297,341,593.
- Charges for services decreased by \$916,450. The overall decline was attributed to the recognition of FEMA reimbursements in the prior year which were reported within the public safety function. The net impact of the decline is immaterial since the total amount of reimbursement in the prior year was \$800,000. Therefore, the slight decline was mainly attributed to, in the current fiscal year, the general government and education functions, \$259,088 and \$33,467 respectively. Offsetting this decline was an increase in recreation revenue of \$56,456.
- Operating grants and contributions decreased by \$467,651 from the previous fiscal year. The decline was mainly attributable to the reduction in funding of unrestricted state aid of \$304,256 for the School Department, based on the revised State funding formula for education aid. Other state and federal grant programs accounted for the majority of the decrease in this category such as the Community Development Block Grant, Reducing Marijuana Grant and an Energy Efficiency Grant program; \$67,000, \$20,000 and \$214,000 respectively. Offsetting this decrease was an increase of \$17,000 for a Seatbelt Program initiative.
- Investment earnings increased from a gain of \$1,990,301 in the prior fiscal year to a gain of \$2,568,515 in the fiscal year ended June 30, 2014. The increase of \$578,214 was attributable to a significant increase of \$641,345 in 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 \$11,391, as compared to the previous year, due to lower interest rates. The remaining balance of \$63,131 of the decrease was distributed amongst the balance of governmental funds

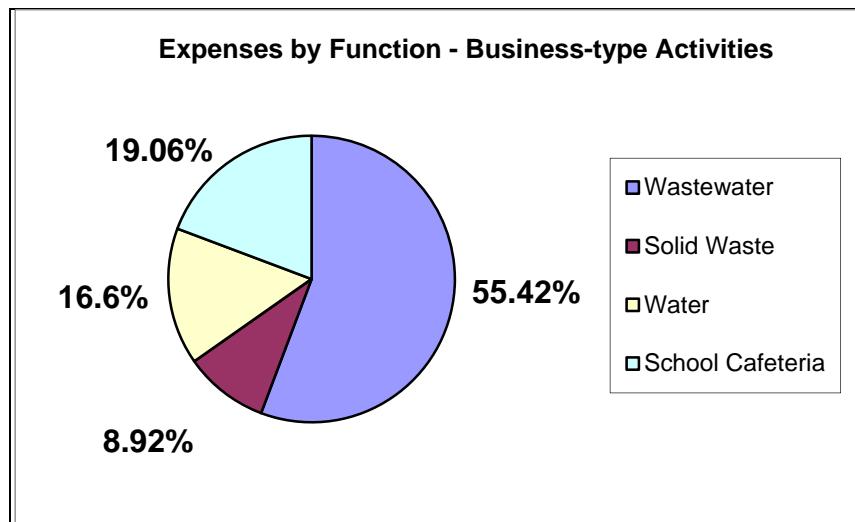
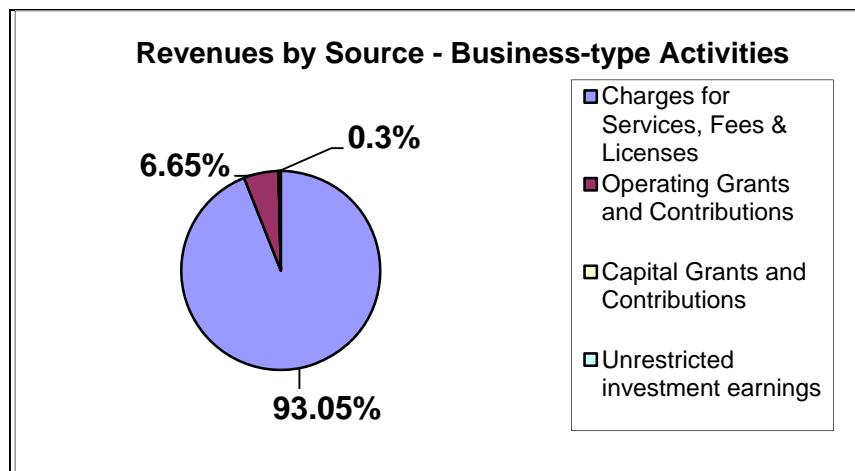
Education expenses account for approximately 71.2% of the total expenses within the governmental funds of the Town of South Kingstown. Public safety and general government expenses account for approximately 11.13% and 7.2% respectively of the total expenses for the 2014 fiscal year. The Town has implemented a new financial system and has undergone a major change in the chart of accounts. The benefits are now accounted for at the departmental level to provide a true cost for services for each function. Major expense factors included:

- Governmental activities expenses decreased by \$643,774 from \$87,191,654 to \$86,547,880. The decline reflected a conservative approach on spending. All labor contracts for the town employees had a 2% cost of living increase.
- Although for FY2014 the general government expenditures appears to have decreased by \$3,853,922, the public safety and public works expenditures have gone up by \$3,099,021, cumulatively, which is indicative of the Town's implementation of a new chart of accounts and reallocating benefits costs at the function level. This is sought throughout all functions.

## Government-wide Financial Analysis (Continued)

- Interest on long term debt increased by \$130,211. This correlates, in part, to the GASB 65 pronouncement in which requires recomputation of deferred amounts from refunding and related amortization. No longer can be considered as a long-term asset available to pay for current period expenditures. Therefore, for FY2014 has been expensed.
- An increase of \$179,723 was attributed to the public libraries function. Recognition of personnel benefit costs attributed to a majority of the increase as well as \$19,936 of additional capital assets and \$8,000 of building maintenance costs.
- An overall decrease of \$566,677 was recognized for education related expenditures. There were several variances, both positive and negative, which accounted for the decrease, however, the majority of the decrease was \$578,687 of depreciation expense recognized.
- The vast majority of the changes from the prior year were due to the recognition of benefit expenses at the function level rather than from a central account.

**Business-type activities.** Net position in business-type activities increased slightly by \$270,182 resulting in a 0.1% increase in business-type net position.



## **Government-wide Financial Analysis (Continued)**

Charges for services for business-type activities accounted for 93.05% of the total revenue sources. The balance of revenues for business-type activities was from operating grants and contributions (6.65%), and investment earnings (.3%).

Wastewater treatment expenses account for approximately 55.42% of the total expenditures within the business-type activities of the Town. The school cafeteria fund, water fund and solid waste fund expenses account for approximately 19.06%, 16.6% and 8.92% respectively of the total business-type activities expenditures for the 2014 fiscal year.

Charges for services for business-type activities decreased slightly from \$5,403,516 to \$5,153,848, a decrease of \$249,668. The wastewater fund accounted for \$202,480, or 81%, of the overall decrease in this category. Several variances to prior year fees resulted in the decrease University of Rhode Island's cost share as well as Diane Drive Customer Debt Principal, Delinquent Payment Penalty and Interest since the debt has matured. Charges for services for the water fund increased by \$36,859 specifically in water sales and cell antennae lease revenues, while the solid waste fund experienced a decrease of \$52,502 in this category. Solid waste fees decline based mainly on a reduction of \$30,776 in RIRRC Recycling Revenue Reimbursement, \$10,173 reduction in commercial tipping fees paid by the third party contractor operating the transfer station and approximately \$9,056 of metered tonnage and residential sticker fees. Several other minor variances contributed to the remaining decrease. Charges for services for the cafeteria fund declined by \$31,545, however, operating grants and contributions increased by \$45,040 in this fund. Unrestricted investment earnings decreased from \$20,351 to \$16,915 for all business-type activities.

Expenses in the wastewater fund increased by \$60,864 due to costs associated with employee sick and vacation accrual payout of \$56,255 and other associated cost increases for chemicals \$8,000, utilities \$9,000, vehicle operation expenses related to the sludge process & disposal division of \$10,000. These increases were offset by a decrease in depreciation of \$17,239. The \$99,339 increase in water fund expenses was related to the reallocation of several personnel-based line items, including FICA, Retirement, Medical/Dental and Life insurance expenses.

The \$17,146 decrease in expenses for the solid waste fund was directly attributable to a decrease in general administration, transportation and disposal cost, and depreciation expense. Costs to operate the cafeteria fund increased by \$15,147 or 15.8%, based on the food service contract entered into by the school department.

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

## **Financial Analysis of the Government's Funds**

**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, unassigned 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 \$49,419,845. Of this amount, \$10,255,621 is available for spending at the government's discretion (unassigned) within the Town. The remaining fund balance of \$39,164,224 includes \$1,225,000 committed to help finance the 2014-2015 fiscal year budgets and \$1,000,000 committed to help pay for Superfund remediation costs. The remaining amount of \$36,963,140 consists of non-spendable fund balance of \$15,785,238, restricted fund balance of \$11,390,366 and committed fund balance of \$9,763,620.

## **Financial Analysis of the Government's Funds (Continued)**

The General Fund is the chief operating fund of the Town of South Kingstown and for the third year reflects the Unrestricted School Fund included within it. At the end of the current fiscal year, excluding the School Fund amount, the total General Fund balance was \$12,261,598 which represents a slight decrease of \$17,620. 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. Unassigned fund balance represents 13.6% of the 2015 FY Adopted General Fund Expenditure Budget, while total fund balance represents 16.4% of that same amount.

The fund balance of the Town of South Kingstown's General Fund, excluding the School Fund, decreased by \$17,620 as compared to the June 30, 2013 fund balance. Key factors in this decrease are as follows:

- The Town committed \$1,000,000 of fund balance to help finance the 2013-2014 General Fund budget. The planned drawdown of fund balance was consistent with the prior year commitment 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 \$1,000,000, as a revenue source under the budgetary basis but not the GAAP basis. In addition, accounting for encumbrances resulted in a decrease of \$26,201 in budgetary basis expenditures being more than the GAAP basis.
- A budgetary basis operating surplus in the General Fund of \$956,179. Expenditures under budget contributed \$948,497 to the surplus, while revenues finished the fiscal year with a \$775,698 surplus. Other financing sources (uses) over budget reduced the surplus by \$768,017.
- Conservative spending patterns allowed the Town to achieve savings of \$948,497 on the expenditure side. Favorable expenditure variances of significance included savings in general government accounts (\$106,780), public safety (\$327,547), public works (\$321,706), and other minor savings.
- Positive budget variances in the revenue accounts such as property taxes (\$516,404), state aid revenues (\$246,556), departmental revenues (\$30,346) contributed to the budgetary surplus. Offsetting these positive variances was a shortfall in licenses, fees and rents (\$12,808).

The school fund has a total fund balance of \$3,716,135 of which \$903,000 is committed to capital projects, \$714,419 is committed to liquidate contracts and purchase orders of the prior period, \$6,000 is committed to the computer system, \$13,340 is recognized as non-spendable for prepaid expenditures and \$400,000 is committed to help finance the 2014-2015 fiscal year budget. The remaining balance of \$1,679,376 is available to help finance future years' school budgets.

**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 position in the wastewater fund at the end of the fiscal year totaled \$5,034,506 an increase of \$678,870. Unrestricted net position in the water fund increased by \$175,187 to a total of \$1,794,566. The school cafeteria operation maintains a deficit position of \$78,277, an accumulated decrease of \$3,054 over the prior year, while the solid waste fund finished the year with unrestricted net position of \$1,057,537 which was a decline in value of \$67,888.

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 2013-2014 fiscal year with a \$948,497 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, 2014 amounts to \$103,078,889 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, infrastructure, and construction in progress. The 2014 fiscal year resulted in a decline in value of investment in capital assets. The reduction was due to the amount of depreciation taken on the capital assets as compared to the amount of assets capitalized in the 2014 fiscal year. The total decline in the Town of South Kingstown's investment in capital assets for the current fiscal year was 1.94% (a 1.66% decrease for governmental activities and a 2.91% decline for business-type activities). During fiscal year ending June 30, 2014 the Town changed the threshold for capital assets from \$500 to \$5,000, as such, the 2013 ending balances have been restated for comparison purposes.

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

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 13,798	\$ 13,798	\$ 1,561	\$ 1,587	\$ 15,359	\$ 15,385
Construction in progress	255	255	92	17	347	272
Land improvements	6,747	6,839	(615)	2,073	6,132	8,912
Buildings	16,267	16,869	20,238	3,644	36,505	20,513
Building improvements	19,816	20,859	(1,057)	1,658	18,759	22,517
Equipment	2,189	2,456	(1,380)	2,626	809	5,082
Vehicles	2,164	2,147	(66)	117	2,098	2,264
Infrastructure	<u>19,271</u>	<u>18,643</u>	<u>3,798</u>	<u>11,526</u>	<u>23,069</u>	<u>30,169</u>
Total	<u>\$ 80,507</u>	<u>\$ 81,866</u>	<u>\$ 22,571</u>	<u>\$ 23,248</u>	<u>\$ 103,078</u>	<u>\$ 105,114</u>

Additional information on the Town of South Kingstown's capital assets can be found in note 8 on pages 41-42 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 \$16,885,895, 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% of net assessed property values. However, all bonds approved through State enabling legislation and voter referendums are exempt from the limit. At June 30, 2014, the Town had a debt limit of \$128,920,248. Of the Town's \$16,885,895 in debt outstanding, \$5,443,192 is subject to the Town's legal debt limit. A balance of \$123,487,056 exists within the legal limit for additional bonds to be issued.

## **Capital Asset and Debt Administration (Continued)**

### **Town of South Kingstown, Rhode Island's Outstanding Debt**

General Obligation Bonds in 000s

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
General Obligation Bonds	\$ 14,967	\$ 17,647	\$ 1,919	\$ 2,088	\$ 16,886	\$ 19,735

The Town's total bonded debt declined by the amount of principal payments made of \$2,849,118 (14.4%) during the 2014 fiscal year. The Town did not issue any new debt during the fiscal year.

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 11 on pages 44-46 of this report.

## **Economic Factors and Next Year's Budgets and Rates**

- The final budget for 2015 was adopted in the amount of \$74,867,253 which represents an increase of \$671,913 from the prior fiscal year. This is considered a modest increase based on the difficult economic environment in which the Town and the State of Rhode Island have been operating.
- Property tax revenues for the fiscal year 2015 reflect an increase in the Town's tax levy of 0.78% or \$525,524 greater than the previous fiscal year. The property tax rate increased slightly from \$15.47 to \$15.48 per thousand dollars of assessed value. Total taxable property increased slightly by \$30,509,440 from \$4,297,341,593 to \$4,327,851,033.
- Based on a declining debt service schedule debt service costs were reduced by \$397,209. The pay-as-you-go portion of the 2014-15 FY Capital Budget increased slightly by \$54,000.

## **Economic Factors and Next Year's Budgets and Rates (Continued)**

During the current fiscal year, the fund balance in the General Fund increased to \$12,279,218. The Town of South Kingstown has committed \$825,000 of this amount for spending in the 2015 fiscal year budget and \$1,000,000 to pay for future Superfund debt service costs, \$75,345 is committed for future municipal planning projects and \$53,614 is committed for outstanding purchase orders at June 30, 2014. The Town also has an unassigned fund balance of \$10,255,621 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.

## **Basic Financial Statements**

## TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

## STATEMENT OF NET POSITION

JUNE 30, 2014

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 43,044,811	\$ 6,573,367	\$ 49,618,178
Investments	18,715,484		18,715,484
Receivables, net of allowance for uncollectibles	5,209,520	765,199	5,974,719
Due from federal and state governments	1,237,058	29,513	1,266,571
Internal balances	(1,618,344)	1,618,344	-
Prepaid items	67,306		67,306
Net OPEB asset	2,657,342		2,657,342
Total current assets	<u>69,313,177</u>	<u>8,986,423</u>	<u>78,299,600</u>
Noncurrent Assets:			
Deposits	388,600		388,600
Capital assets not being depreciated	14,052,925	1,653,270	15,706,195
Capital assets, net of accumulated depreciation	66,454,032	20,918,662	87,372,694
Total noncurrent assets	<u>80,895,557</u>	<u>22,571,932</u>	<u>103,467,489</u>
Total assets	<u>150,208,734</u>	<u>31,558,355</u>	<u>181,767,089</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Deferred charge on refunding	<u>344,563</u>	<u>-</u>	<u>344,563</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	1,236,029	393,812	1,629,841
Accrued liabilities	5,499,463	155,348	5,654,811
Due to federal and state governments	102,736	14,190	116,926
Due to fiduciary trust funds	1,350,071		1,350,071
Unearned revenue	951,014	276,095	1,227,109
Deposits held in custody of others	250,782		250,782
Current maturities of long-term obligations	3,907,600	261,576	4,169,176
Total current liabilities	<u>13,297,695</u>	<u>1,101,021</u>	<u>14,398,716</u>
Noncurrent liabilities:			
Due in more than one year	<u>17,254,443</u>	<u>1,997,693</u>	<u>19,252,136</u>
Total liabilities	<u>30,552,138</u>	<u>3,098,714</u>	<u>33,650,852</u>
<b>NET POSITION</b>			
Net investment in capital assets	65,788,311	20,653,037	86,441,348
Restricted for:			
Endowments:			
Expendable	1,931,120		1,931,120
Nonexpendable	15,717,932		15,717,932
Unrestricted	<u>36,563,796</u>	<u>7,806,604</u>	<u>44,370,400</u>
Total Net Position	<u>\$ 120,001,159</u>	<u>\$ 28,459,641</u>	<u>\$ 148,460,800</u>

The accompanying notes are an integral part of the financial statements

## EXHIBIT II

## TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2014

Function/Program Activities	Program Revenues				Net Revenue (Expense) and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 6,230,581	\$ 3,188,727	\$ 781,221	\$ (2,260,633)	\$ (9,285,676)	\$ (2,260,633)	
Public safety	9,634,673	348,997					(9,983,224)
Public works	4,189,917	139,704		66,989	(3,983,224)		(147,400)
Human service	147,400				(147,400)		(147,400)
Public libraries	1,231,169	24,491	212,756	25,450	(968,472)		(968,472)
Education	61,622,756	791,124	12,192,914		(48,638,718)		(48,638,718)
Recreation	2,630,540	1,015,206			(1,615,334)		(1,615,334)
Interest and fiscal charges	860,844				(860,844)		(860,844)
Total governmental activities	<u>86,547,880</u>	<u>5,508,249</u>	<u>13,186,891</u>	<u>92,439</u>	<u>(67,760,301)</u>	<u>-</u>	<u>(67,760,301)</u>
Business-type activities:							
Wastewater	2,829,421	3,049,347				219,926	219,926
Solid waste	457,313	492,264				34,951	34,951
Water	845,888	1,010,389				164,501	164,501
School cafeteria	973,067	601,848	368,165		(3,054)		(3,054)
Total business-type activities	<u>5,105,689</u>	<u>5,153,848</u>	<u>368,165</u>	<u>-</u>	<u>-</u>	<u>416,324</u>	<u>416,324</u>
Total	<u>\$ 91,653,569</u>	<u>\$ 10,662,097</u>	<u>\$ 13,555,056</u>	<u>\$ 92,439</u>	<u>(67,760,301)</u>	<u>416,324</u>	<u>(67,343,977)</u>
General revenues:							
Property taxes				66,953,388			66,953,388
Motor vehicle phase-out taxes				170,945			170,945
Telephone and hotel taxes				509,604			509,604
Grants and contributions not restricted to specific programs				1,837,885			1,837,885
Unrestricted investment earnings				2,568,515	16,915		2,585,430
Transfers:				163,057	(163,057)		-
Total general revenues and transfers				<u>72,203,394</u>	<u>(146,142)</u>	<u>-</u>	<u>72,057,252</u>
Change in net position				4,443,093	270,182		4,713,275
Net Position at Beginning of Year - as Restated				<u>115,558,066</u>	<u>28,189,459</u>	<u>-</u>	<u>143,747,525</u>
Net Position at End of Year				<u>\$ 120,001,159</u>	<u>\$ 28,459,641</u>	<u>\$ 148,460,800</u>	

The accompanying notes are an integral part of the financial statements

## TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

## BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2014

	General	School Trust Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 35,251,743	\$ 78,109	\$ 7,097,219	\$ 42,427,071
Investments		17,383,884	1,331,600	18,715,484
Accounts and other receivable	1,100,089		155,303	1,255,392
Due from federal and state governments	193,903		1,043,155	1,237,058
Due from other funds	262,730		7,912,461	8,175,191
Prepaid items	63,678		3,628	67,306
<b>Total Assets</b>	<b>\$ 36,872,143</b>	<b>\$ 17,461,993</b>	<b>\$ 17,543,366</b>	<b>\$ 71,877,502</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 825,947	\$ 410,082	\$ 1,236,029	
Accrued liabilities	4,746,314	148,909	4,895,223	
Due to state and federal governments	101,831	905	102,736	
Due to other funds	14,325,169	262,730	14,587,899	
Unearned revenue	210,393	740,621	951,014	
Deposits held in custody of others	250,782		250,782	
<b>Total liabilities</b>	<b>20,460,436</b>	<b>-</b>	<b>1,563,247</b>	<b>22,023,683</b>
Deferred inflows of resources:				
Unavailable revenue - property taxes	433,974			433,974
<b>Total deferred inflows of resources</b>	<b>433,974</b>	<b>-</b>	<b>-</b>	<b>433,974</b>
Fund balances:				
Nonspendable	63,678	15,717,932	3,628	15,785,238
Restricted		1,744,061	9,646,305	11,390,366
Committed	5,656,844		6,331,776	11,988,620
Unassigned	10,257,211		(1,590)	10,255,621
<b>Total fund balances</b>	<b>15,977,733</b>	<b>17,461,993</b>	<b>15,980,119</b>	<b>49,419,845</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 36,872,143</b>	<b>\$ 17,461,993</b>	<b>\$ 17,543,366</b>	<b>\$ 71,877,502</b>

(Continued on next page)

## TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

## BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)

JUNE 30, 2014

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position:

Amounts reported for governmental activities in the statement of net position (Exhibit I) are different because of the following:

Fund balances - total governmental funds (Exhibit III)	\$ 49,419,845
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Governmental capital assets	\$ 144,607,398
Less accumulated depreciation	<u>(64,100,441)</u>
Net capital assets	80,506,957

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds:

Net OPEB asset	2,657,342
Property tax receivables greater than 60 days	433,974

Internal service funds are used by management to charge the costs of risk management to individual funds. The assets and liabilities of the internal service funds are reported with governmental activities in the statement of net position.

	7,800,521
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

Bonds payable	(14,967,000)
Deferred charges on refunding	344,563
Unamortized bond issue premium	(96,209)
Compensated absences	(4,476,833)
Claims and judgments	<u>(1,622,001)</u>

Net Position of Governmental Activities (Exhibit I)	\$ <u>120,001,159</u>
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The accompanying notes are an integral part of the financial statements

## TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2014

	General	School Trust Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes, interest and lien fees	\$ 67,434,952	\$	\$	\$ 67,434,952
Intergovernmental revenues	10,729,040		2,584,738	13,313,778
Licenses and fees	1,348,192		587,937	1,936,129
Investment income	80,038	2,308,313	173,998	2,562,349
Fines and charges	172,689		1,548,040	1,720,729
Departmental	1,131,332			1,131,332
Contributions			44,900	44,900
State on-behalf pension contribution	2,185,581			2,185,581
Other local revenues	602,564		118,040	720,604
Total revenues	<u>83,684,388</u>	<u>2,308,313</u>	<u>5,057,653</u>	<u>91,050,354</u>
Expenditures:				
Current:				
General government	3,632,029			3,632,029
Public safety	9,281,517			9,281,517
Public works	2,491,439			2,491,439
Human service agency contribution	147,400			147,400
Public libraries	1,134,945			1,134,945
Education	59,144,677		1,843,952	60,988,629
Recreation	1,609,075		749,683	2,358,758
Other	896,305	52,156	1,413,414	2,361,875
Debt service:				
Principal retirement	2,630,000		50,000	2,680,000
Interest and other charges	587,475		5,438	592,913
Capital outlay	<u>17,406</u>		<u>2,889,573</u>	<u>2,906,979</u>
Total expenditures	<u>81,572,268</u>	<u>52,156</u>	<u>6,952,060</u>	<u>88,576,484</u>
Excess (Deficiency) of Revenues over Expenditures	<u>2,112,120</u>	<u>2,256,157</u>	<u>(1,894,407)</u>	<u>2,473,870</u>
Other Financing Sources (Uses):				
Transfers in from other funds	1,295,242		3,275,975	4,571,217
Transfers out to other funds	(2,894,841)	(512,096)	(1,101,223)	(4,508,160)
Total other financing sources (uses)	<u>(1,599,599)</u>	<u>(512,096)</u>	<u>2,174,752</u>	<u>63,057</u>
Net Change in Fund Balances	512,521	1,744,061	280,345	2,536,927
Fund Balances at Beginning of Year	<u>15,465,212</u>	<u>15,717,932</u>	<u>15,699,774</u>	<u>46,882,918</u>
Fund Balances at End of Year	<u>\$ 15,977,733</u>	<u>\$ 17,461,993</u>	<u>\$ 15,980,119</u>	<u>\$ 49,419,845</u>

(Continued on next page)

**TOWN OF SOUTH KINGSTOWN, RHODE ISLAND****STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS (CONTINUED)****FOR THE YEAR ENDED JUNE 30, 2014**

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities:

Amounts reported for governmental activities in the statement of activities (Exhibit II) are different because of the following:

Net change in fund balances - total governmental funds (Exhibit IV)	\$ 2,536,927
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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.

Capital outlay	2,548,623
Depreciation expense	(3,874,170)
Loss on disposition of capital assets	(32,852)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes collected after 60 days	(228,604)
Change in Net OPEB asset	1,234,414

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Other	(234,663)
Principal payments	2,680,000

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Amortization of deferred charges in refunding	(65,709)
Amortization of bond premiums	32,441
Change in long-term compensated absences	345,184
Change in claims and judgments	(23,231)

The net expense of the internal service funds is reported with governmental activities. (475,267)

Change in Net Position of Governmental Activities (Exhibit II)	\$ <u>4,443,093</u>
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The accompanying notes are an integral part of the financial statements

## TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

## STATEMENT OF NET POSITION - PROPRIETARY FUNDS

JUNE 30, 2014

	Business-Type Activities - Enterprise Funds					Governmental Activities	
	Major Funds						
	Wastewater	Solid Waste	Water	School Cafeteria	Total		Internal Service Fund
<b>Assets:</b>							
Current assets:							
Cash and cash equivalents	\$ 4,011,520	\$ 920,770	\$ 1,571,437	\$ 69,640	\$ 6,573,367	\$ 617,740	
Accounts and other receivables, net	533,247	40,125	180,216	11,611	765,199	3,954,128	
Due from federal and state governments				29,513	29,513		
Due from other funds	1,251,570	137,666	227,873	1,235	1,618,344	4,444,293	
Total current assets	<u>5,796,337</u>	<u>1,098,561</u>	<u>1,979,526</u>	<u>111,999</u>	<u>8,986,423</u>	<u>9,016,161</u>	
Noncurrent assets:							
Deposits					-	388,600	
Capital assets not being depreciated	177,460	1,005,003	470,807		1,653,270		
Capital assets, net of accumulated depreciation	15,350,912	1,969,266	3,596,756	1,728	20,918,662		
Total noncurrent assets	<u>15,528,372</u>	<u>2,974,269</u>	<u>4,067,563</u>	<u>1,728</u>	<u>22,571,932</u>	<u>388,600</u>	
Total assets	<u>21,324,709</u>	<u>4,072,830</u>	<u>6,047,089</u>	<u>113,727</u>	<u>31,558,355</u>	<u>9,404,761</u>	
<b>Liabilities:</b>							
Current liabilities:							
Accounts payable	71,742	25,382	104,684	192,004	393,812		
Accrued liabilities	141,259	2,861	11,228		155,348	604,240	
Due to federal and state governments	14,190				14,190		
Due to other funds					-	1,000,000	
Unearned revenue	276,095				276,095		
Current portion of compensated absences	59,450	4,052	25,157		88,659		
Current portion of bonds payable	24,000	148,917			172,917		
Total current liabilities	<u>586,736</u>	<u>181,212</u>	<u>141,069</u>	<u>192,004</u>	<u>1,101,021</u>	<u>1,604,240</u>	
Noncurrent liabilities:							
Compensated absences	199,095	8,729	43,891		251,715		
Bonds payable after one year	247,000	1,498,978			1,745,978		
Total noncurrent liabilities	<u>446,095</u>	<u>1,507,707</u>	<u>43,891</u>	<u>-</u>	<u>1,997,693</u>	<u>-</u>	
Total liabilities	<u>1,032,831</u>	<u>1,688,919</u>	<u>184,960</u>	<u>192,004</u>	<u>3,098,714</u>	<u>1,604,240</u>	
<b>Net Position:</b>							
Net investment in capital assets	15,257,372	1,326,374	4,067,563	1,728	20,653,037		
Unrestricted	<u>5,034,506</u>	<u>1,057,537</u>	<u>1,794,566</u>	<u>(80,005)</u>	<u>7,806,604</u>	<u>7,800,521</u>	
Total Net Position	<u>\$ 20,291,878</u>	<u>\$ 2,383,911</u>	<u>\$ 5,862,129</u>	<u>\$ (78,277)</u>	<u>\$ 28,459,641</u>	<u>\$ 7,800,521</u>	

The accompanying notes are an integral part of the financial statements

## TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN NET POSITION - PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2014

	Business-Type Activities - Enterprise Funds					Governmental Activities	
	Major Funds						
	Wastewater	Solid Waste	Water	School Cafeteria	Total	Internal Service Fund	
Operating Revenues:							
Charges for services	\$ 3,026,996	\$ 489,049	\$ 987,575	\$ 601,848	\$ 5,105,468	\$ 11,987,634	
Other	22,351	3,215	22,814		48,380		
Total operating revenues	<u>3,049,347</u>	<u>492,264</u>	<u>1,010,389</u>	<u>601,848</u>	<u>5,153,848</u>	<u>11,987,634</u>	
Operating Expenses:							
Wells			167,507		167,507		
Pumping	366,608		11,032		377,640		
Distribution			22,634		22,634		
Treating and sludge	1,501,055				1,501,055		
Transportation and disposal		230,062			230,062		
Other operating	92,564	74,269	10,900		177,733		
Administrative and general	270,463	60,509	399,563		730,535		
Depreciation	579,820	53,552	185,885	1,079	820,336		
Repairs and maintenance	13,342		48,367		61,709		
Health care management						12,569,067	
School cafeteria operations				971,988	971,988		
Total operating expenses	<u>2,823,852</u>	<u>418,392</u>	<u>845,888</u>	<u>973,067</u>	<u>5,061,199</u>	<u>12,569,067</u>	
Operating Income (Loss)	<u>225,495</u>	<u>73,872</u>	<u>164,501</u>	<u>(371,219)</u>	<u>92,649</u>	<u>(581,433)</u>	
Nonoperating Revenues (Expenses):							
Income on investments	10,599	2,434	3,882		16,915	6,166	
State and federal grants				368,165	368,165		
Interest expense	(5,569)	(38,921)			(44,490)		
Total nonoperating revenues (expenses)	<u>5,030</u>	<u>(36,487)</u>	<u>3,882</u>	<u>368,165</u>	<u>340,590</u>	<u>6,166</u>	
Income (Loss) Before Transfers	230,525	37,385	168,383	(3,054)	433,239	(575,267)	
Transfers In	3,000				3,000	100,000	
Transfers Out	<u>(79,286)</u>	<u>(22,582)</u>	<u>(64,189)</u>		<u>(166,057)</u>		
Change in Net Position	154,239	14,803	104,194	(3,054)	270,182	(475,267)	
Net Position at Beginning of Year	<u>20,137,639</u>	<u>2,369,108</u>	<u>5,757,935</u>	<u>(75,223)</u>	<u>28,189,459</u>	<u>8,275,788</u>	
Net Position at End of Year	<u>\$ 20,291,878</u>	<u>\$ 2,383,911</u>	<u>\$ 5,862,129</u>	<u>\$ (78,277)</u>	<u>\$ 28,459,641</u>	<u>\$ 7,800,521</u>	

The accompanying notes are an integral part of the financial statements

## TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

## STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2014

	Business-Type Activities - Enterprise Funds					Governmental Activities	
	Major Funds						
	Wastewater	Solid Waste	Water	School Cafeteria	Total	Internal Service Fund	
<b>Cash Flows from Operating Activities:</b>							
Receipts from customers and users	\$ 1,724,208	\$ 404,055	\$ 783,042	\$ 599,151	\$ 3,510,456	\$ -	7,582,283
Receipts from providing services							
Payments to suppliers	(1,426,799)	(416,208)	(373,969)	(1,007,014)	(3,223,990)		
Payments to employees	(861,947)	(45,816)	(257,755)		(1,165,518)		
Payments for claims							
Net cash provided by (used in) operating activities	<u>(564,538)</u>	<u>(57,969)</u>	<u>151,318</u>	<u>(407,863)</u>	<u>(879,052)</u>		<u>(3,996,280)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>							
Transfers in from other funds	3,000				3,000		100,000
Transfers to other funds	(79,286)	(22,582)	(64,189)		(166,057)		
Nonoperating grants received	-			368,165	368,165		
Net cash provided (used in) by noncapital financing activities	<u>(76,286)</u>	<u>(22,582)</u>	<u>(64,189)</u>	<u>368,165</u>	<u>205,108</u>		<u>100,000</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>							
Additions to property, plant and equipment	(31,189)		(114,892)		(146,081)		
Principal paid on bonds	(24,000)	(145,119)			(169,119)		
Interest paid on bonds	(5,569)	(30,046)			(35,615)		
Net cash used in capital and related financing activities	<u>(60,758)</u>	<u>(175,165)</u>	<u>(114,892)</u>	<u>-</u>	<u>(350,815)</u>		<u>-</u>
<b>Cash Flows from Investing Activities:</b>							
Interest on investments	10,599	2,434	3,882	-	16,915		6,166
Net cash provided by investing activities	<u>10,599</u>	<u>2,434</u>	<u>3,882</u>	<u>-</u>	<u>16,915</u>		<u>6,166</u>
Net Decrease in Cash and Cash Equivalents	(690,983)	(253,282)	(23,881)	(39,698)	(1,007,844)		(3,890,114)
Cash and Cash Equivalents at Beginning of Year	<u>4,702,503</u>	<u>1,174,052</u>	<u>1,595,318</u>	<u>109,338</u>	<u>7,581,211</u>		<u>4,507,854</u>
Cash and Cash Equivalents at End of Year	<u>\$ 4,011,520</u>	<u>\$ 920,770</u>	<u>\$ 1,571,437</u>	<u>\$ 69,640</u>	<u>\$ 6,573,367</u>		<u>\$ 617,740</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:</b>							
Operating income (loss)	\$ 225,495	\$ 73,872	\$ 164,501	\$ (371,219)	\$ 92,649	\$ (581,433)	
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation	579,820	53,552	185,885	1,079	820,336		
Loss on disposal of capital asset				1,973	1,973		
Change in assets and liabilities:							
(Increase) decrease in accounts receivable	(50,122)	4,916	526	(1,002)	(45,682)	(1,125,756)	
Decrease in due from other governments				(460)	(460)		
Increase in due from other funds	(1,251,570)	(93,125)	(227,873)	(1,235)	(1,573,803)	(3,279,069)	
Increase (decrease) in accounts payable and accrued items	33,847	(98,114)	88,296	(36,999)	(12,970)		
Decrease in due to other governments	(89,962)				(89,962)		
Increase (decrease) in due to other funds	(44,853)		(67,588)		(112,441)	1,000,000	
Decrease in deferred revenue	(23,447)				(23,447)	(526)	
Increase in compensated absences	56,254	930	7,571		64,755		
Decrease in claims payable						(9,496)	
Total adjustments	<u>(790,033)</u>	<u>(131,841)</u>	<u>(13,183)</u>	<u>(36,644)</u>	<u>(971,701)</u>		<u>(3,414,847)</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ (564,538)</u>	<u>\$ (57,969)</u>	<u>\$ 151,318</u>	<u>\$ (407,863)</u>	<u>\$ (879,052)</u>		<u>\$ (3,996,280)</u>

The accompanying notes are an integral part of the financial statements

**TOWN OF SOUTH KINGSTOWN, RHODE ISLAND****STATEMENT OF NET POSITION - FIDUCIARY FUNDS****JUNE 30, 2014**

	<b>Cemetery Care Private - Purpose Trust Funds</b>	<b>OPEB Trust Funds</b>	<b>Agency Funds</b>
<b>Assets:</b>			
Cash and cash equivalents	\$ 161,359	\$ 216,518	\$ 397,733
Investments, at fair value:			
Common stocks		1,647,769	
Corporate bonds		589,465	
Mutual funds		2,860,584	
Certificate of deposits			8,016
Due from other funds	71	1,350,000	
Total assets	<u>161,430</u>	<u>6,664,336</u>	<u>405,749</u>
<b>Liabilities:</b>			
Accounts payable and accrued expenses	1,100	1,350,000	
Deposits held in custody for others			405,749
Total liabilities	<u>1,100</u>	<u>1,350,000</u>	<u>405,749</u>
<b>Net Position:</b>			
Held in Trust and Other Purposes	<u>\$ 160,330</u>	<u>\$ 5,314,336</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements

## EXHIBIT IX

**TOWN OF SOUTH KINGSTOWN, RHODE ISLAND****STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS****FOR THE YEAR ENDED JUNE 30, 2014**

	<b>Cemetery Care Private - Purpose Trust Funds</b>	<b>OPEB Trust Funds</b>
<b>Additions:</b>		
Charges for services	\$ 2,650	\$
Employer contributions		1,350,000
Investment income	389	535,674
<b>Total additions</b>	<b>3,039</b>	<b>1,885,674</b>
<b>Deductions:</b>		
Operating expenses in accordance with agreement	8,404	383,552
Change in Net Position	(5,365)	1,502,122
Net Position at Beginning of Year	<u>165,695</u>	<u>3,812,214</u>
<b>Net Position at End of Year</b>	<b>\$ 160,330</b>	<b>\$ 5,314,336</b>

The accompanying notes are an integral part of the financial statements

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

### **NOTES TO FINANCIAL STATEMENTS**

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#### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **A. Description of Government-Wide Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of Town of South Kingstown, Rhode Island (the Town). All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support.

##### **B. Reporting Entity**

The Town 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 the Town government and is responsible to the Town Council for day-to-day operations of the Town's affairs. All legislative powers of the Town are vested in the Town Council.

##### **C. Basis of Presentation - Government-Wide Financial Statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and transit functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

##### **D. Basis of Presentation - Fund Financial Statements**

The fund financial statements provide information about the Town's funds, including its fiduciary funds. Separate statements for each fund category: governmental, proprietary and fiduciary, are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The Town reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *School Trust Fund* accounts for the activity of various trust funds established for recreational and educational purposes. The fund's major source of revenue comes from donations and investment income.

The Town reports the following major proprietary funds:

The *Wastewater Fund* is a proprietary (enterprise) fund used to account for the operation and maintenance of the regional wastewater treatment facility, which is owned by the Town and is primarily supported through charges to customers.

The *Solid Waste Fund* is a proprietary (enterprise) fund used to account for solid waste disposal operations of the Town. The fund is primarily supported through charges to customers.

The *Water Fund* is a proprietary (enterprise) fund used to account for the supply of public water to the South Shore and Middlebridge area of the Town. The fund is primarily supported through charges to customers.

The *School Cafeteria Fund* is a proprietary (enterprise) fund used to account for the operation of the school breakfast and lunch programs of the South Kingstown School Department. The fund is primarily supported through charges to customers.

Additionally, the Town reports the following fund types:

The *Internal Service Funds* are used to account for the Town's self-insurance program for medical and dental health insurance coverage for persons covered by the health benefit plan of the Town and for payment of accrued compensated absences that arise and are not included in the annual budget.

The *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 activities of the Town's private purpose trust fund are utilized for the care and maintenance of cemeteries within the Town.

The *OPEB Trust Fund* is used to account for funding of future other postemployment benefits such as health, dental and life insurance for the Town's and School Department's retirees.

The *Agency Funds* account for the various student activities and unclaimed probate estate assets.

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

## **E. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, charges for services, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary, other postemployment benefit trust, and private-purpose trust funds are reported using the economic resources measurement focus and the accrual basis of accounting. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

## **F. Assets, Liabilities and Equity**

### **1. Cash and Cash Equivalents**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

### **2. Investments**

Investments for the government are reported at fair value (generally based on quoted market prices).

### **3. Inventories and Prepaid Items**

Inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of donated commodities are stated at fair market value. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

### **4. Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs that are essentially amounts spent in relation to capital assets and that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the government are depreciated using the straight line method over the following estimated useful lives:

<b>Assets</b>	<b>Years</b>
Land Improvements	15
Buildings	30-50
Building Improvements	10-40
Equipment	5-15
Vehicles	3-10
Infrastructure	20-50

## **5. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period or periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town reports a deferred charge on refunding in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period or periods and so will not be recognized as an inflow of resources (revenue) until that time. For governmental funds, the Town reports unavailable revenue, which arises only under the modified accrual basis of accounting. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources (revenue) in the period in which the amounts become available.

## **6. Equity**

Equity in the government-wide financial statements is defined as “net position” and is classified in the following categories:

Net Investment in Capital Assets - This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted - Restrictions are externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Unrestricted - This component consists of net position that does not meet the definition of “restricted” or “net investment in capital assets”.

The equity of the fund financial statements is defined as “fund balance” and is classified in the following categories:

Nonspendable Fund Balance - This represents amounts that cannot be spent due to form (e.g., inventories and prepaid amounts).

Restricted Fund Balance - This represents amounts constrained for a specific purpose by external parties, such as grantors, creditors, contributors, or laws and regulations of their governments.

Committed Fund Balance - This represents amounts constrained for a specific purpose 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 utilized Town Ordinances as a formal procedure to commit fund balance.

Assigned Fund Balance - This represents amounts constrained for the intent to be used for a specific purpose by the Town Manager which has been delegated authority by the Town Council.

Unassigned Fund Balance - This represents fund balance in the General Fund in excess of nonspendable, restricted, committed and assigned fund balance. If another governmental fund has a fund balance deficit, it is reported as a negative amount in unassigned fund balance.

## **7. Fund Balance Policies**

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

## **G. Revenues and Expenditures/Expenses**

### **1. Program Revenues**

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

## **2. Property Taxes**

Property taxes attach as an enforceable lien on real property. Real and personal property taxes are based on values assessed as of each December 31 (lien date) and are levied as of July 1st. The Town completed a statistical revaluation of real property and tangible personal property as of December 31, 2012. The latest assessed values were effective for the property tax levy beginning with fiscal year 2013-2014.

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. Property taxes levied are recorded as receivables in the fiscal year of the levy.

During the year ended June 30, 2014, the Town received \$170,945 from the State of Rhode Island as payment in accordance with legislation regarding the phase-out of motor vehicle tax. Motor vehicle values are assessed at a rate of \$18.71 per thousand dollars of assessed value. This rate has been frozen by the State since FY1998. In addition to freezing the tax rate, the State instituted a program to phase-out the taxation of motor vehicles over a ten-year period, by replacing the loss of motor vehicle tax income with State revenue. This program was restructured in FY 2010-2011 whereby State reimbursement was limited to a maximum of \$500 per vehicle. As a result of this action, State reimbursement under this program was reduced from \$1.87 million in FY 2009-2010 to \$168,739 in FY 2010-2011. In FY 2013-2014, the Town used a \$2,500 per vehicle value in determining the Motor Vehicle Tax Levy.

## **3. Compensated Absences**

### **Vacation and Sick Leave**

The government's policy permits certain employees to accumulate earned but unused vacation and sick benefits. Upon retirement, termination or death, these employees are compensated for unused vacation and sick leave (subject to certain limitations) at their current rates of pay. The liability for such leave is reported as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. 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. The liability for compensated absences is accrued at varying amounts based on the collective bargaining unit contracts of the various unions and includes salary-related benefits, where applicable. The Compensated Absences Reserve Fund was established in June 2008 to account for the accrued liability. It is the recommendation of management to build assets in this reserve fund until 50% of the recorded liabilities are held in reserve. It is the intention of management to minimize property tax requirements to fund these benefits and, as such, transfers from the operating budgets have been recommended.

#### **4. Proprietary Funds Operating and Nonoperating Revenues and Expenses**

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the wastewater fund, solid waste fund, water fund, school cafeteria fund and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

#### **5. Accounting Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### **2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

#### **A. Budgetary Information**

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 1<sup>st</sup> of each year. The Town Council may revise and adopt a recommended budget no later than March 22<sup>nd</sup> of each year. Two public hearings are required to be conducted on the preliminary budget prior to April 18<sup>th</sup>.

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) that were submitted on or before April 21<sup>st</sup> containing no less than 25 valid signatures of qualified electors of the Town.

The Council shall, on or before May 1<sup>st</sup> 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 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 Unrestricted 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 200 of the qualified electors of the Town and shall request an increase or decrease of a sum of at least \$250,000. The qualified electors shall be instructed to vote either for the original total of for one 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 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 School 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.

Budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and the School Unrestricted Fund. The Capital Projects Fund is appropriated on a project-length basis. Other special revenue funds and the permanent funds do not have appropriated budgets since other means control the use of these resources (e.g., grant awards and endowment requirements) and sometimes span a period of more than one fiscal year.

The appropriated budget is prepared by fund, function and department. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

## **B. Deficit Fund Equity**

The following funds had fund equity deficits at June 30, 2014:

Special Revenue funds:	
Asset Forfeiture	\$ 1,590
Enterprise funds:	
School Cafeteria	78,277

The Asset Forfeiture and Seat Belt Enforcement Grant fund deficits will be funded by transfers from other funds, while the School Cafeteria Fund will be funded by transfers from School Unrestricted Fund.

## **3. CASH DEPOSITS WITH FINANCIAL INSTITUTIONS**

### **A. Deposits**

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 that 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.

Deposit Custodial Credit Risk - Custodial credit risk in the case of deposits is the risk that in the event of a bank failure, the government's deposits may not be returned. 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.

As of June 30, 2014, the Town's entire bank balance of \$42,780,932 was covered by either FDIC insurance or collateral held in Town's name.

### **B. Cash Equivalents**

Cash equivalents are short-term, highly liquid investments that are both readily convertible to known amounts of cash and purchased within 90 days of maturity. As of June 30, 2014, the cash equivalent amounted to \$108,249. The cash equivalents consisted of certificate of deposits, subject to coverage by federal depository insurance and collateralization and money market mutual funds held at banking institution and were not rated.

#### 4. INVESTMENTS

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.

Investment Type	Credit Rating	Fair Value	Investment Maturities (Years)		
			Less Than 1	1 - 10	More Than 10
<b>Interest-bearing investments:</b>					
Corporate bonds	A1	\$ 83,811	\$	\$ 83,811	\$
Corporate bonds	A2	28,554		28,554	
Corporate bonds	A3	100,823	45,777	55,046	
Corporate bonds	Aaa	86,418		58,606	27,812
Corporate bonds	Aa1	62,370			62,370
Corporate bonds	Aa2	156,712		132,975	23,737
Corporate bonds	Aa3	48,547		28,297	20,250
Corporate bonds	Baa1	203,290		95,751	107,539
Corporate bonds	Baa2	75,019		75,019	
Corporate bonds	Baa3				
Corporate bonds	N/A	5,039,705	187,174	4,829,866	22,665
Certificates of deposit	*	8,016	8,016		
Total		5,893,265	\$ 240,967	\$ 5,387,925	\$ 264,373
<b>Other investments:</b>					
Common stock		15,004,470			
Real Estate - Public REITs		18,261			
Mutual Funds		2,860,584			
Hedge Funds		34,558			
Tangible Assets		10,180			
Total Investments		\$ 23,821,318			

\* Subject to coverage by federal depository insurance and collateralization.

**Interest Rate Risk** - Approximately 25% of the Town's investments are in long-term foreign and corporate bonds, government bonds and asset-backed securities that 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 approximately 75% of the investments are held in common stock, mutual funds, public real estate investment trusts, hedge funds, and other tangible assets. These investments do not specify an interest rate; rather, the rate of return is dependent on operating results and economic conditions.

**Credit Risk** - State law limits investments in U.S. Treasury bills, U.S. Treasury notes and bonds, U.S. Agency obligations, certificate of deposits, repurchase agreements, commercial paper, money market mutual funds and money market mutual funds. It is the government's policy to limit its investments in these investment types.

**Concentration of Credit Risk** - At June 30, 2014, the Town had a diversified portfolio and was not deemed to be concentrated in any one investment category. Although approximately 75% of the investments were held in common stock, public real estate investment trusts, mutual funds, hedge funds, and other tangible assets, 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 where approximately 80% 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** - For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not believe that it has a significant custodial credit risk as substantially all investment securities are registered and held in the name of the Town.

## 5. RECEIVABLES

Amounts are aggregated into one accounts receivable (net of allowance for uncollectibles) line and for certain funds and aggregated columns. Below is the detail of receivables for each major governmental fund and the aggregate remaining funds, including the applicable allowances for uncollectible accounts:

	<u>General</u>	<u>Wastewater</u>	<u>Solid Waste</u>	<u>Water</u>	<u>School Cafeteria</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
<b>Receivables:</b>							
Accounts	\$ 370,649	\$ 475,217	\$ 40,125	\$ 181,216	\$ 11,611	\$ 4,109,431	\$ 5,188,249
Property taxes	1,050,150						1,050,150
Tax liens	282,530						282,530
Other governments	193,903						
Special assessments		75,530					75,530
Gross receivables	1,897,232	550,747	40,125	181,216	11,611	4,109,431	6,596,459
Less allowance for uncollectibles	(603,240)	(17,500)		(1,000)			(621,740)
Net Total Receivables	<u>\$ 1,293,992</u>	<u>\$ 533,247</u>	<u>\$ 40,125</u>	<u>\$ 180,216</u>	<u>\$ 11,611</u>	<u>\$ 4,109,431</u>	<u>\$ 5,974,719</u>

## 6. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

### A. Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2014 is as follows:

<b>Receivable Fund</b>	<b>Payable Fund</b>	<b>Amount</b>
Wastewater Fund	General Fund	\$ 1,251,570
Solid Waste Fund	General Fund	137,666
Water Fund	General Fund	227,873
School Cafeteria	General Fund	1,235
Internal Service Fund	General Fund	4,444,293
Fiduciary Funds	General Fund	350,071
Fiduciary Funds	Internal Service Fund	1,000,000
Nonmajor governmental funds	General Fund	7,912,461
General Fund	Nonmajor governmental funds	<u>262,730</u>
Total		\$ <u>15,587,899</u>

The outstanding balances between funds result mainly from 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.

### B. Interfund Transfers

The composition of interfund transfers for the year ended June 30, 2014 is as follows:

	<b>Transfers In</b>			<b>Total Transfers Out</b>
	<b>General Fund</b>	<b>Wastewater Fund</b>	<b>Nonmajor Governmental and Other Funds</b>	
Transfers out:				
General Fund	\$ 175,519	\$ 3,000	\$ 2,891,841	\$ 2,894,841
School Trust Fund			336,577	512,096
Wastewater Fund			79,286	79,286
Solid Waste Fund			22,582	22,582
Water Fund	18,500		45,689	64,189
Nonmajor Governmental Funds	<u>1,101,223</u>			<u>1,101,223</u>
Total Transfers In	<u>\$ 1,295,242</u>	<u>\$ 3,000</u>	<u>\$ 3,375,975</u>	<u>\$ 4,674,217</u>

During the year, transfers are used 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.

## 8. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2014 was as follows:

	<u>Restated Beginning Balance</u>	<u>Increases</u>	<u>Adjustments/ Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 13,797,859	\$	\$	\$ 13,797,859
Construction in progress	255,066			255,066
Total capital assets not being depreciated	<u>14,052,925</u>	<u>-</u>	<u>-</u>	<u>14,052,925</u>
Capital assets being depreciated:				
Land improvements	9,642,830			9,642,830
Buildings	31,602,937			31,602,937
Building improvements	39,152,228	75,139		39,227,367
Equipment	4,644,977	199,359	59,200	4,785,136
Vehicles	5,269,282	498,941	266,711	5,501,512
Infrastructure	38,019,507	1,775,184		39,794,691
Total capital assets being depreciated	<u>128,331,761</u>	<u>2,548,623</u>	<u>325,911</u>	<u>130,554,473</u>
Less accumulated depreciation for:				
Land improvements	2,804,309	91,611		2,895,920
Buildings	14,733,974	602,115		15,336,089
Building improvements	18,293,032	1,118,339		19,411,371
Equipment	2,189,125	454,685	47,315	2,596,495
Vehicles	3,122,476	460,399	245,744	3,337,131
Infrastructure	19,376,414	1,147,021		20,523,435
Total accumulated depreciation	<u>60,519,330</u>	<u>3,874,170</u>	<u>293,059</u>	<u>64,100,441</u>
Total capital assets being depreciated, net	<u>67,812,431</u>	<u>(1,325,547)</u>	<u>32,852</u>	<u>66,454,032</u>
Governmental Activities Capital Assets, Net	<u>\$ 81,865,356</u>	<u>\$ (1,325,547)</u>	<u>\$ 32,852</u>	<u>\$ 80,506,957</u>

Depreciation expense was charged to the functions of the governmental activities of the primary government as follows:

Governmental activities:	
General government	\$ 537,376
Public safety	442,841
Public works	1,320,208
Public libraries	98,434
Education	1,176,931
Recreation	<u>298,380</u>
Total	<u>\$ 3,874,170</u>

	<b>Beginning Balance</b>	<b>Adjustments/ Increases</b>	<b>Adjustments/ Decreases</b>	<b>Ending Balance</b>
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 1,586,529	\$	\$ 25,291	\$ 1,561,238
Construction in progress	<u>17,256</u>	<u>74,776</u>		<u>92,032</u>
Total capital assets not being depreciated	<u>1,603,785</u>	<u>74,776</u>	<u>25,291</u>	<u>1,653,270</u>
Capital assets being depreciated:				
Land improvements	2,682,148		2,636,450	45,698
Buildings	10,507,763	16,792,249		27,300,012
Building improvements	2,663,881	35,100	2,663,881	35,100
Equipment	7,289,042	6,935	3,837,383	3,458,594
Vehicles	532,094		157,835	374,259
Infrastructure	<u>19,662,898</u>	<u>29,270</u>	<u>7,513,555</u>	<u>12,178,613</u>
Total capital assets being depreciated	<u>43,337,826</u>	<u>16,863,554</u>	<u>16,809,104</u>	<u>43,392,276</u>
Less accumulated depreciation for:				
Land improvements	608,803	51,919		660,722
Buildings	6,864,164	197,422		7,061,586
Building improvements	1,006,183	85,743		1,091,926
Equipment	4,662,895	215,802	40,173	4,838,524
Vehicles	414,916	25,734		440,650
Infrastructure	<u>8,136,490</u>	<u>243,716</u>		<u>8,380,206</u>
Total accumulated depreciation	<u>21,693,451</u>	<u>820,336</u>	<u>40,173</u>	<u>22,473,614</u>
Total capital assets being depreciated, net	<u>21,644,375</u>	<u>16,043,218</u>	<u>16,768,931</u>	<u>20,918,662</u>
Business-Type Activities Capital Assets, Net	<u>\$ 23,248,160</u>	<u>\$ 16,117,994</u>	<u>\$ 16,794,222</u>	<u>\$ 22,571,932</u>

Depreciation was charged to the following business-type activities:

Business-type activities:	
Wastewater	\$ 579,820
Solid Waste	53,552
Water	185,885
Cafeteria	<u>1,079</u>
Total	<u>\$ 820,336</u>

## 9. FUND BALANCE

The components of fund balance for the governmental funds at June 30, 2014 are as follows:

	<b>General Fund</b>	<b>School Trust Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total</b>
Fund balances:				
Nonspendable for:				
Prepays	\$ 63,678	\$	\$ 3,628	\$ 67,306
Endowment for recreation and educational purposes		15,717,932		15,717,932
Restricted for:				
Recreational and educational		1,744,061		1,744,061
Maintenance of historical records			129,838	129,838
Library operations			53,669	53,669
Recreational programs			114,386	114,386
Recycling program			55,879	55,879
School and recreational capital improvements			1,736,364	1,736,364
Open space acquisition			452,872	452,872
Wastewater facility improvements			5,172,177	5,172,177
Peace Dale library operations			676,303	676,303
Human services			414,440	414,440
Kingston Free Library operations			840,377	840,377
Committed to:				
General government - encumbrances	7,031			7,031
Public works - encumbrances	40,000			40,000
Recreation - encumbrances	6,583			6,583
Municipal planning	75,435			75,435
To balance future budgets - Town	825,000			825,000
Superfund site cleanup	1,000,000			1,000,000
To balance future budgets - Schools	400,000			400,000
Education construction in progress	903,000			903,000
Education Encumbrance	714,419			714,419
Education computer system	6,000			6,000
Education	1,679,376			1,679,376
Affordable housing		10,000		10,000
Animal shelter renovations		197,062		197,062
Elderly services		231,435		231,435
Public safety support		934,947		934,947
Operation of Peacedale Office Building		299,605		299,605
Property revaluation		308,006		308,006
Maintenance os South Road School		419,714		419,714
Reducing marijuana grant		1		1
Capital equipment acquisitions		545,355		545,355
Data processing improvements		440,218		440,218
School improvement		25,000		25,000
Library improvements		146,747		146,747
Public safety building improvement		303,203		303,203
Public service office building improvements		399,886		399,886
Infrastructure improvements		1,578,254		1,578,254
Recreation facility improvement		325,639		325,639
Senior Services Center Construction		14,210		14,210
Town hall improvements		152,494		152,494
Unassigned	<u>10,257,211</u>		<u>(1,590)</u>	<u>10,255,621</u>
Total Fund Balances	<u>\$ 15,977,733</u>	<u>\$ 17,461,993</u>	<u>\$ 15,980,119</u>	<u>\$ 49,419,845</u>

## 10. LEASE OBLIGATIONS

### Operating Lease

The South Kingstown School Department leases a building to provide a facility for the Transition Academy. The annual lease amount is \$46,605 plus a proportionate share of operating costs and property taxes. Total costs for the leases were \$46,605 for the year ended June 30, 2014. The lease has an option for an additional five-year term at the expiration of the initial term, which ends in 2015. Future minimum lease payments for these leases are as follows:

2014	\$ 46,605
2015	<u>7,800</u>
Total	<u><u>\$ 54,405</u></u>

## 11. LONG-TERM LIABILITIES

### A. General Obligation Bonds

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as serial bonds with equal amounts of principal maturing each year with maturities that range from 15 to 20 years. General obligation bonds outstanding at June 30, 2014 are as follows:

Description	Date of Issue	Date of Maturity	Interest Rate (%)	Amount of Original Issue	Balance Outstanding June 30, 2014
Governmental activities:					
General obligation bonds:					
Advance refunding	06/15/03	11/15/15	2.0% - 3.1%	\$ 6,560,000	\$ 605,000
School improvements	06/15/04	06/15/25	3.25% - 5.5%	1,000,000	550,000
Advance refunding	06/15/05	06/15/20	3.25% - 5.5%	9,440,000	3,810,000
Advance refunding	06/15/06	06/15/26	4.0% - 5.0%	5,000,000	3,000,000
School/Open Space/Public Improvement	06/15/07	06/15/27	4.0% - 5.5%	2,200,000	1,430,000
School Improvement Series 2009 A	11/12/09	11/01/29	2.55% - 5.00%	1,200,000	960,000
School Improvement Refunding Series 2009 B	11/12/09	06/15/19	2.25% - 4.5%	2,010,000	930,000
Advance refunding	11/13/12	06/15/24	1.90%	<u>4,263,000</u>	<u>3,682,000</u>
Total governmental activities				<u><u>\$ 31,673,000</u></u>	<u><u>14,967,000</u></u>
Business Type Activities:					
General obligation and revenue bonds:					
Wastewater fund - GO bond	11/13/02	09/01/23	1.38%	500,000	271,000
Solid waste fund - GO bond	09/03/02	09/01/22	1.14%	2,000,000	1,036,895
Solid waste fund - GO bond	11/22/05	09/01/25	1.34%	950,000	611,000
Total business-type activities				<u><u>\$ 3,450,000</u></u>	<u><u>1,918,895</u></u>
Total Outstanding				<u><u>\$ 35,123,000</u></u>	<u><u>\$ 16,885,895</u></u>

The Wastewater 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 these funds.

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 Water Fund.

## **B. Legal Debt Margin**

Of the Town's \$16,885,895 total bonds payable (including bonds payable for the wastewater and solid-waste enterprise funds), approximately \$5,443,195 is subject to its legal debt limits. The \$5,443,195 outstanding does not exceed the Town's legal debt limit of \$128,920,248 which is 3% of the assessed value (\$4,297,341,593) of taxable property of the Town as of December 31, 2012. The total long-term debt bond obligations of the Town (\$16,885,895) represent approximately 0.39% of the assessed value of the taxable property of the Town at June 30, 2014 (assessment date December 31, 2012).

## **C. Authorized But Unissued Bond Authority**

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 \$3,150,000 for community gymnasium. The Town anticipates issuance of these bonds over the next several years.

## E. Changes in Long-Term Liabilities

Changes in the government's long-term liabilities for the year ended June 30, 2014 are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds payable:					
General obligation bonds	\$ 17,647,000	\$	\$ 2,680,000	\$ 14,967,000	\$ 2,371,000
Issuance premium on bonds	128,650	—	32,441	96,209	—
Total bonds payable	<u>17,775,650</u>	<u>—</u>	<u>2,712,441</u>	<u>15,063,209</u>	<u>2,371,000</u>
Compensated absences	4,822,017	153,818	499,002	4,476,833	1,470,789
Claims and judgments	<u>1,598,770</u>	<u>83,121</u>	<u>59,890</u>	<u>1,622,001</u>	<u>65,811</u>
Total Governmental Activities	<u>\$ 24,196,437</u>	<u>\$ 236,939</u>	<u>\$ 3,271,333</u>	<u>\$ 21,162,043</u>	<u>\$ 3,907,600</u>
Long-Term Liabilities					
Business-Type Activities:					
Bonds payable:					
General obligation bonds	\$ 2,088,013	\$	\$ 169,118	\$ 1,918,895	\$ 172,916
Compensated absences	<u>275,619</u>	<u>105,822</u>	<u>41,067</u>	<u>340,374</u>	<u>88,660</u>
Total Business-Type Activities	<u>\$ 2,363,632</u>	<u>\$ 105,822</u>	<u>\$ 210,185</u>	<u>\$ 2,259,269</u>	<u>\$ 261,576</u>
Long-Term Liabilities					

Compensated absences are normally liquidated by the General Fund inclusive of the School Department. Claims and judgments are liquidated by Solid Waste Fund.

The debt service requirements for the government's bonds are as follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 2,371,000	\$ 502,951	\$ 172,916	\$ 32,679
2016	2,014,000	428,882	177,795	29,645
2017	1,670,000	361,659	181,753	26,525
2018	1,647,000	306,729	185,793	23,320
2019	1,532,000	252,014	190,919	20,018
2020-2024	4,493,000	655,314	895,719	48,223
2025-2029	1,180,000	110,425	114,000	2,311
2030-2034	<u>60,000</u>	<u>1,350</u>	<u>—</u>	<u>—</u>
Total	<u>\$ 14,967,000</u>	<u>\$ 2,619,324</u>	<u>\$ 1,918,895</u>	<u>\$ 182,721</u>

## **12. DEFINED BENEFIT PENSION PLANS**

### **A. Municipal Employees' Retirement System of the State of Rhode Island - General, Police and EMT**

**Plan Description** - All full-time town, noncertified school department general employees, police and emergency medical technicians participate in MERS, an agent multiple-employer defined benefit plan administered by the Employees' Retirement System of Rhode Island (the System). The plan provides retirement, death and disability benefits and an optional cost of living adjustment (COLA) as outlined in Chapter 45-21 (and Chapter 45-21.2 if police and fire) of the Rhode Island General Laws (RIGL). The benefits may be amended by the Rhode Island General Assembly.

Retirement eligibility and plan benefits for each employee groups participating in MERS are as follows:

**General** - Service credits accrued at June 30, 2012 are protected under the Rhode Island Retirement Security Act. Beginning July 1, 2012, members receive a benefit accrual of 1.0% per year. Effective July 1, 2012 the retirement age mirrors the Social Security Normal Retirement Age not to exceed age 67. Benefits are based on the five-year average compensation multiplied by the accumulated service credit percentage. Joint and survivor retirement benefit options are available.

**Police and EMT** - Effective July 1, 2012 the benefit accrual for all plans is 2.0% per year based on the five-year average compensation, exclusive of overtime. Retirement age is 55 years old with 25 years of total service or for members with five years of service but less than 25 years of service the new retirement age will mirror the Social Security Normal Retirement Age not to exceed 67. Police officers or firefighters who were at least 45 years old, had 10 or more years of contributing service and were eligible to retire prior to age 52 under the law in effect on June 30, 2012, may retire at age 52. Police and fire employees may retire with a reduced pension benefit if they have 20 years of service and are within five years of their retirement eligibility. The actuarially reduced benefit is calculated based on how close the member is to the eligibility date that is prescribed in the Rhode Island Retirement Security Act. Joint and survivor retirement benefit options are available.

**Cost of Living Adjustments** - Pursuant to the Rhode Island Retirement Security Act, the Cost of Living Adjustment (COLA) has been suspended for any unit whose funding level is less than 80%. The COLA provision can be reviewed in a five-year interval. When the funding level of a plan exceeds 80%, eligible retirees may receive a COLA annually effective on their date of retirement plus one month. The COLA will be calculated as the five (5) year smoothed investment rate of return less 5.50%, with a 0.00% floor and a 4.00% cap. COLA will be delayed until the later of age 55 or three years after retirement. The COLA will be applied to the first \$25,000 of benefits indexed annually.

**Disability retirement provisions** - The plan also provides nonservice-connected disability benefits after 5 years of service; service-connected disability pensions with no minimum service requirement.

**Funding Policy** - The funding policy is outlined in RIGL sections 45-21-41, 45-21-42, and 45-21-52 (which can be amended by the Rhode Island General Assembly). Active non-police and fire members must contribute 2% of his/her compensation. Active police and fire members must contribute 8% of his/her compensation. The Town is required to contribute at an actuarially determined rate expressed as a percentage of total compensation paid to the active membership. The rate for fiscal year 2014 was 10.75% for general employees, 15.02% for Police and 4.16% for EMT.

**Annual Pension Cost** - The town's annual pension cost of \$1,249,659 for MERS was equal to the town's required and actual contributions.

Fiscal Year Ending	Annual Pension Cost (APC)	Actual Contribution	Percentage Of APC Contributed	Net Pension Obligation
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General Employees Plan:

6/30/2014	\$ 749,712	\$ 749,712	100 %	\$ -
6/30/2013	710,122	710,122	100	-
6/30/2012	1,029,936	1,029,936	100	-

Police Plan:

6/30/2014	\$ 468,675	\$ 468,675	100 %	\$ -
6/30/2013	430,576	430,576	100	-
6/30/2012	444,719	444,719	100	-

EMT Plan:

6/30/2014	\$ 31,272	\$ 31,272	100 %	\$ -
6/30/2013	21,210	21,210	100	-
6/30/2012	36,781	36,781	100	-

The required contribution for fiscal 2014 was determined as part of the actuarial valuation performed as of June 30, 2010. The most recent valuation of the plans within the system was performed as of June 30, 2013. The actuarial methods and assumptions used in those valuations are summarized in the following table.

### Summary of Actuarial Assumptions Used in the MERS

#### June 30, 2010 and June 30, 2013 Valuations

Actuarial Cost Method	Individual Entry Age Actuarial Cost
Amortization Method	Level Percent of Payroll - Closed
Equivalent Single Remaining	25 years as of June 30, 2010
Amortization Period	22 years as of June 30, 2013
Asset Valuation Method	5 Year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return	7.50%
Net real rate of return	4.75%
Projected Salary Increases	<i>General Employees</i> 4.00% to 8.00% <i>Police &amp; Fire Employees</i> 4.25% to 14.25%
Inflation	2.75%

Cost of Living Adjustments are equal to the average five-year fund asset performance (percent) greater than 5.5% up to a maximum of 4% - the COLA is to be applied to the first \$25,000 of benefits, indexed over time. COLA for the calendar year 2014 will be 0.67%. COLA is delayed until the later of Social Security eligibility age or 3 years after retirement. For MERS Police and Fire, COLA is delayed until the later of age 55 or 3 years after retirement. A 2% COLA is assumed after July 1, 2013.

## Funded Status and Funding Progress

The schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
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### *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%
6/30/2010	43,514,017	56,931,248	(13,417,231)	76.4%	11,816,781	-113.5%
6/30/2011	43,670,582	49,220,820	(5,550,238)	88.7%	11,710,184	-47.4%
6/30/2012	45,016,206	51,041,274	(6,025,068)	88.2%	11,883,378	-50.7%
6/30/2013	46,756,665	52,829,436	(6,072,771)	88.5%	12,253,273	-49.6%

### *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%
6/30/2010	20,539,351	27,031,306	(6,491,955)	76.0%	2,750,448	-236.0%
6/30/2011	20,300,855	23,349,756	(3,048,901)	86.9%	2,889,318	-105.5%
6/30/2012	20,524,828	25,813,485	(5,288,657)	79.5%	2,742,094	-192.9%
6/30/2013	20,416,885	26,901,814	(6,484,929)	75.9%	2,863,971	-226.4%

### *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%
6/30/2010	2,456,506	2,247,141	209,365	109.3%	742,205	28.2%
6/30/2011	2,769,964	2,298,368	471,596	120.5%	767,645	61.4%
6/30/2012	2,957,953	2,507,988	449,965	117.9%	778,204	57.8%
6/30/2013	3,157,299	2,700,901	456,398	116.9%	745,180	61.2%

### Changes affecting the June 30, 2013 actuarial valuation:

The assumptions for the Municipal Employees' Retirement System are consistent with the 2011 valuation, with the exception of certain assumption changes that resulted from the enactment of the Rhode Island Retirement Security Act of 2011. The marriage assumption was modified to reflect the expected percentage of members that will be eligible for survivor benefits upon their death, the incidence of disability was lowered to incorporate a continued trend of significantly fewer incidents of disability than anticipated by the current assumption, and the missing data assumption was updated to incorporate an assumption for missing beneficiary data.

The method used to determine the actuarial value of assets is the five-year smoothed market method. A small adjustment was made to the method used to smooth investment gains and losses to allow gains and losses to offset each other immediately. This modification will reduce future volatility in the actuarial value of assets while ensuring that the actuarial value always trends directly towards the market value of assets.

Changes affecting the June 30, 2011 actuarial valuation:

The retirement rates were modified to be consistent with the retirement eligibility changes instituted by the Rhode Island Retirement Security Act of 2011. Members that were assumed to retire prior to the Act, but before the earliest allowable age under the Act, are assumed to retire once eligible.

The System issues an annual financial report that includes financial statements and required supplementary information for all of the plans it administers. The reports can be obtained at [www.ersri.org](http://www.ersri.org).

## **B. State and TIAA-CREF Administered Defined Contribution Benefit Plan Covering Teachers in ERS and Certain Municipal Employees Participating in MERS**

**Plan Description** - Employees participating in the defined benefit plan(s), as described above, also participate in a defined contribution plan of the Employees' Retirement System as authorized by General Law Chapter 36-10.3. The defined contribution plan is established under IRS section 401(a) and is administered by TIAA-CREF and the Employees' Retirement System of Rhode Island (the System). Employees may choose among various investment options available to plan participants.

Employee contributions are immediately vested while employer contributions are vested after three years of contributory service. Contributions required under the plan by both the employee and employer are established by the General Laws, which are subject to amendment by the General Assembly.

Amounts in the defined contribution plan are available to participants in accordance with Internal Revenue Service guidelines for such plans.

### **Teachers that Contribute to Social Security:**

**Plan Funding Policy** - The funding policy is outlined in RIGL chapter 36-10.3 (which can be amended by the Rhode Island General Assembly). Active plan members must contribute 5% of his/her compensation and the town is required to contribute 1%. The plan members and town contributed \$1,446,051 and \$289,209, respectively, during the fiscal year ended June 30, 2014.

### **General Employees in MERS that Contribute to Social Security:**

**Plan Funding Policy** - The funding policy is outlined in RIGL chapter 36-10.3 (which can be amended by the Rhode Island General Assembly). Active non-police and fire members must contribute 5% of his/her compensation and the town is required to contribute 1%. The plan members and town contributed \$308,474 and \$59,150, respectively, during the fiscal year ended June 30, 2014.

The System issues an annual financial report that includes financial statements and required supplementary information for all of the plans it administers. The reports can be obtained at [www.ersri.org](http://www.ersri.org).

## **C. Municipal Employees' Retirement System of the State of Rhode Island - Teachers**

**Plan Description** - All full-time teachers, principals, school nurses and certain other school officials (including the superintendent) in the town's school system must participate in ERS, a cost-sharing multiple employer defined benefit plan administered by the Employees' Retirement System of Rhode Island (the System). The plan provides retirement, death and disability benefits (as well as annual cost of living allowances if certain conditions have been met) as outlined in Chapters 36-10 and 16-16 of the Rhode Island General Laws (RIGL). The benefits may be amended by the Rhode Island General Assembly.

**Funding Policy** - The funding policy is outlined in RIGL sections 16-16-22 and 36-10-2 (which can be amended by the Rhode Island General Assembly). Active plan members must contribute 3.75% of his/her compensation. The town and the State are collectively required to contribute at an actuarially determined rate expressed as a percentage of total compensation paid to the active membership. The employer contribution is split and paid 40% by the State and 60% by the school district with the exception of teachers who work in federally funded programs where 100% is paid by the school district and reimbursed by the federal government. For fiscal 2014, the total employer rate 20.68% (8.42% State share and 12.26% local share). The State share of the employer contribution rate includes the total cost of prior contribution deferrals which was .28% for fiscal 2014.

The town contributed \$3,288,945, \$3,173,397 and \$3,653,857 during the fiscal years 2014, 2013 and 2012, respectively, equal to 100% of the actuarially required contributions for those respective years. For financial reporting purposes, the State's share of contributions are reflected as on behalf-payments and are included as both revenue and expenditures in the accompanying financial statements.

The System issues an annual financial report that includes financial statements and required supplementary information for all of the plans it administers. The reports can be obtained at [www.ersri.org](http://www.ersri.org).

## **13. OTHER POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATIONS**

### **The Town of South Kingstown OPEB Trust (the Trust)**

#### **Plan Description**

The Trust is a single-employer defined benefit healthcare plan administered by the Town. The Trust provides medical, dental and life insurance benefits to eligible retirees and their spouses. Most full-time employees of the Town and School Department are eligible to participate in the plan. Benefit provisions are established through negotiations between the Town and the various unions representing the employees.

The plan is considered to be part of the Town's financial reporting entity and is included in the Town's financial report as the Other Postemployment Benefits Trust Fund. The plan does not issue a stand-alone financial report.

## **Summary of Significant Accounting Policies**

Basis of Accounting - The financial statements of the Trust are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Administrative costs of the plan are paid by the Town.

Investments are reported at fair value. Investment income is recognized as earned.

The Trust is administered by the Town.

At July 1, 2013, plan membership consisted of the following:

	<u>Participants</u>
Active employees	756
Retirees	111
Spouses of retirees	<u>73</u>
 Total	940

## **Funding Policy**

### *Town Employees hired before July 1, 2006 -*

30 years of service: For 4 years, the Town shall pay \$5,000 per year toward the annual cost, and the retiree shall pay the difference, payable on a monthly basis;

25 years of service: For 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;

20 years of service: For 3 years, the Town shall pay \$2,000 per year toward the annual cost, and the retiree shall pay the difference, payable on a monthly basis.

### *Town Employees hired after July 1, 2006 -*

30 years of service: For 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;

25 years of service: For 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;

20 years of service: For 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.

*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 70% of the health care premium co-share that they were paying as an active employee at the time of their retirement.

*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.

*Public Works Employees hired before July 1, 2005* - These employees 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.

*Public Works Employees hired after July 1, 2005* -

30 years of service: For 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;

25 years of service: For 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;

20 years of service: For 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.

*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.

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

## **Eligibility**

*General Employees* - Members who have retired under the Municipal Employee 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.

*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. Minimum eligibility for retirement is completion of 20 years of service regardless of age. A member of the police department may retire provided they have earned a retirement allowance of at least 50%.

*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 July 1, 2005 (Schedule A), eligibility is the earlier of 28 years of service, or age 60 with 10 years of service. If vested after July 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.

## Annual OPEB Cost and Net OPEB Obligations

The Town of South Kingstown's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the Town's net OPEB obligation (asset):

	<b>Retiree Trust</b>
Annual required contribution (ARC)	\$ 1,722,851
Interest on net OPEB obligation	(106,720)
Adjustment to annual required contribution	<u>97,509</u>
Annual OPEB cost	1,713,640
Contributions made	<u>2,948,054</u>
Increase in net OPEB asset	1,234,414
Net OPEB asset, beginning of year	<u>1,422,928</u>
Net OPEB Asset, End of Year	<u>\$ 2,657,342</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.

For the year ended June 30, 2014, plan members contributed \$87,529 of premium payments. The Town is required to contribute the balance of the current premium cost and may contribute an additional amount as determined by the Town in order to prefund benefits.

During the year ended June 30, 2014, expenditures of \$1,292,703 were recognized for post-retirement benefits. Of this amount, \$5,699 was paid for life insurance premiums, and \$1,287,004 was paid for health and dental insurance premiums.

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation (asset) three-year trend information is presented below.

<b>Fiscal Year Ending</b>	<b>Annual OPEB Cost (AOC)</b>	<b>Actual Contribution</b>	<b>Percentage of AOC Contributed</b>	<b>Net OPEB Asset</b>
6/30/2012	\$ 1,872,284	\$ 1,986,031	\$ 106.08 %	\$ 397,828
6/30/2013	1,871,604	2,896,704	154.77	1,422,928
6/30/2014	1,713,640	2,948,054	172.03	2,657,342

## Funding Status and Funding Progress

The funded status of the plan as of July 1, 2013, the most recent actuarial valuation date, is as follows:

<b>Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
7/1/2007	\$ -	\$ 15,988,000	\$ (15,988,000)	- %	\$ 40,978,967	(0.39) %
7/1/2008	-	16,484,000	(16,484,000)	-	42,961,106	(0.38)
7/1/2009	-	18,700,000	(18,700,000)	-	41,868,678	(0.45)
7/1/2011	1,650,000	19,260,000	(17,610,000)	8.57	43,016,000	(0.41)
7/1/2013	3,811,845	18,517,664	(14,705,819)	20.58	42,546,253	(0.35)

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These actuarially determined amounts are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented immediately following the financial statements as required supplementary information, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

## Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the type of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial calculations of the OPEB plan reflect a long-term perspective. Consistent with this perspective, actuarial valuations, after this initial year, will use actuarial methods and assumptions that include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The ARC for the plan was determined as part of the July 1, 2013 actuarial valuation using the following methods and assumptions:

Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Percentage Open
Remaining Amortization Period	25 Years
Investment Rate of Return	8.00%
Projected Salary Increases	4.25%
Healthcare Cost Trend Rate	4.4% - 5.8%

## **14. SIGNIFICANT COMMITMENTS**

### **Community Septic System Loan Program**

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 nonrestoring 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). RIHFMC, 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, 2014, there are \$300,000 in loans issued and an available (nonrestoring) line-of-credit balance of \$-0-.

In June 2005, the Town Council authorized and entered into a second agreement with 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 nonrestoring 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, 2014, there are \$119,170 in loans issued and an available line-of-credit balance of \$102,712.

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, 2014, there are \$55,900 in loans issued and, as such, the available line-of-credit balance is \$921,882.

## **15. RISK MANAGEMENT**

### **A. Rhode Island Inter-Local Risk Management Trust**

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.

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

Upon joining the trust, members sign a participation agreement that 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.

### **B. Internal Service Fund**

During September 1992, the Town established the Health Care Management Fund to account for its health and dental coverage programs.

Over the past 20 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 School Department and their dependents. The plans consist of the following:

- Prospective Premium Basis - a fully insured plan that was used by the Town in fiscal 2008, and
- Cost Plus Basis - 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 2013-2014 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.

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 their Town and School Department Funds for fiscal year 2014 were \$11,690,444. At June 30, 2014, the Town has estimated a liability for claims incurred but not reported (IBNR) based on actual claims paid subsequent to year end but related to claims incurred prior to June 30, 2014. Changes in the balance of claims liabilities during the past two years are as follows:

<b>Fiscal Year</b>	<b>Accrued Liability Beginning of Fiscal Year</b>	<b>Current Year Claims and Changes in Estimates</b>	<b>Accrued Liability Claim Payments</b>	<b>Accrued Liability End of Fiscal Year</b>
2013-14	\$ 613,736	\$ 12,569,067	\$ 12,578,563	\$ 604,240
2012-13	541,288	11,305,753	11,233,305	613,736

## 16. 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 Environmental Protection Agency (EPA) 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 is \$1,622,001 at June 30, 2014. Accordingly, this amount has been reported as a liability in the government-wide financial statements. This balance will be paid off during fiscal year ending 2037.

The West Kingston/URI Disposal Area Landfills, both located on Plains Road, were also added to the NPL on July 29, 1992. The West Kingston town dump began operation in the 1950s and ceased operations in 1978. The University of Rhode Island 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 that will be paid out on an annual basis as part of the annual operating budget.

In addition to the above, the government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the government's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the government.

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 requests 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 to the financial statements.

## **17. PRIOR PERIOD RESTATEMENTS**

During fiscal year ending June 30, 2014 the Town changed the capitalization threshold for capital assets from \$500 to \$5,000. As a result of this policy change, the total capital assets and net position of the governmental activities at the beginning of the year were restated. The following restatements were recorded to the beginning net position of the governmental activities:

		<b><u>Governmental Activities</u></b>
Net Position - June 30, 2013 as previously reported		\$ 118,146,829
Adjustments:		
Capital assets, below new capitalization threshold		(8,100,372)
Accumulated depreciation		<u>5,511,609</u>
Net Position - July 1, 2013, as Restated		<u>\$ 115,558,066</u>

## **Required Supplementary Information**

**TOWN OF SOUTH KINGSTOWN, RHODE ISLAND****SCHEDULE OF REVENUES, EXPENDITURES AND OTHER FINANCING SOURCES (USES) -  
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND****FOR THE YEAR ENDED JUNE 30, 2014**

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues and Use of Fund Balance:</b>				
Property taxes:				
Current taxes	\$ 65,785,386	\$ 65,785,386	\$ 66,246,788	\$ 461,402
Prior taxes	545,000	545,000	600,002	55,002
Total taxes current and prior	66,330,386	66,330,386	66,846,790	516,404
Pilot - Federal Aid	15,000	15,000	8,059	(6,941)
Interest on taxes	345,000	345,000	335,202	(9,798)
Payment in lieu of taxes	233,000	233,000	244,901	11,901
Total property taxes	66,923,386	66,923,386	67,434,952	511,566
State aid - Town:				
General state aid	145,900	145,900	163,865	17,965
Telephone tax	368,741	368,741	381,247	12,506
Meals and beverage tax	650,000	650,000	687,712	37,712
Chapter 26 - school housing	710,892	710,892	733,348	22,456
State incentive aid			144,389	144,389
State library construction	8,811	8,811	8,811	-
State library general aid	190,519	190,519	190,519	-
State library endowment aid	13,426	13,426	13,426	-
State motor vehicle phase-out	167,774	167,774	170,945	3,171
Hotel tax	120,000	120,000	128,357	8,357
Total state aid - Town	2,376,063	2,376,063	2,622,619	246,556
Licenses, fees and rents:				
Business licensed and fees	471,000	471,000	493,921	22,921
Nonbusiness licenses and fees	380,000	418,000	373,441	(44,559)
Real Estate conveyance fees	67,000	67,000	79,928	12,928
Rental of Town properties	405,000	405,000	400,902	(4,098)
Total licenses, fees and rents	1,323,000	1,361,000	1,348,192	(12,808)
Investment income - short term	80,000	80,000	80,038	38

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**TOWN OF SOUTH KINGSTOWN, RHODE ISLAND****SCHEDULE OF REVENUES, EXPENDITURES AND OTHER FINANCING SOURCES (USES) -  
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (CONTINUED)****FOR THE YEAR ENDED JUNE 30, 2014**

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues and Use of Fund Balance:</b>				
Departmental revenues:				
Police department revenue	193,700	199,700	272,357	72,657
Park rental revenue	21,525	21,525	24,979	3,454
Town beach parking	117,650	117,650	132,674	15,024
Boat and mooring	30,000	30,000	29,700	(300)
Animal control fees	3,000	3,000	1,510	(1,490)
Libraries	27,000	27,000	24,491	(2,509)
Dog/cat licenses and fines	4,000	4,000	5,130	1,130
Recreation department	220,511	220,511	226,022	5,511
Recreation self-support program	136,800	136,800	137,535	735
Planning department	200	200	14	(186)
Wastewater department	38,100	38,100		(38,100)
Finance department revenue		36,000	43,348	7,348
Public service revenue		31,000	10,340	(20,660)
Interfund computer	19,350	19,350	13,750	(5,600)
Communications department revenue	2,000	2,000	2,269	269
Copy charges	28,000	28,000	26,129	(1,871)
Recreation department - Outside sponsors	17,575	17,575	10,843	(6,732)
Stepping stone - creative	66,575	66,575	65,639	(936)
Stepping stone - self supported	2,500	2,500	3,197	697
Geographic information systems program	500	500	437	(63)
Narragansett - Dog Pound	70,000	70,000	70,000	-
Miscellaneous - Town	140,000	29,000	30,968	1,968
Total departmental revenues	1,138,986	1,100,986	1,131,332	30,346
Use of fund balance	1,000,000	1,000,000	1,000,000	-
Total revenues and use of fund balance	72,841,435	72,841,435	73,617,133	775,698

(Continued on next page)

**TOWN OF SOUTH KINGSTOWN, RHODE ISLAND****SCHEDULE OF REVENUES, EXPENDITURES AND OTHER FINANCING SOURCES (USES) -  
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (CONTINUED)****FOR THE YEAR ENDED JUNE 30, 2014**

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget - Positive (Negative)</b>	
	<b>Original</b>	<b>Final</b>	<b>Actual</b>		
<b>Expenditures:</b>					
General government:					
Town council	\$ 14,050	\$ 15,083	\$ 14,473	\$ 610	
Financial town meeting	10,169	10,067		10,067	
Legal staff	171,200	171,200	173,917	(2,717)	
Probate judge	4,000	4,306	4,000	306	
Town clerk	273,843	394,796	395,403	(607)	
Public information	14,180	14,180	13,473	707	
Canvassing authority	42,100	66,048	65,869	179	
Town manager's office	345,337	471,506	411,614	59,892	
Personnel administration	82,446	101,867	103,094	(1,227)	
League of cities and towns	11,115	11,115	11,115	-	
Town hall operations	133,713	166,339	143,320	23,019	
Finance department	496,728	693,462	732,747	(39,285)	
Tax assessor's office	262,093	350,536	362,866	(12,330)	
Assessment board of review	1,900	2,038	180	1,858	
Data processing division	262,765	327,132	291,724	35,408	
Geographic information systems	90,659	119,619	118,148	1,471	
Planning board	4,680	5,038	2,600	2,438	
Planning department	287,000	386,753	360,999	25,754	
Conservation commission	850	850	850	-	
Zoning board of review	11,900	12,145	8,397	3,748	
Zoning/building inspection	239,292	338,823	341,334	(2,511)	
Celebrations	7,000	7,000	7,000	-	
Fire company donation	3,600	3,600	3,600	-	
Miscellaneous boards and agencies	21,500	21,500	21,500	-	
Total general government	2,792,120	3,695,003	3,588,223	106,780	
Public safety:					
Police department	5,340,569	7,526,942	7,265,882	261,060	
Animal control - RD/shelter	238,924	306,016	283,944	22,072	
Radio/communication	188,222	243,144	227,465	15,679	
Harbor patrol	29,945	31,475	29,906	1,569	
Emergency medical services	1,213,417	1,542,166	1,514,999	27,167	
Total public safety	7,011,077	9,649,743	9,322,196	327,547	
Public works:					
Public works administration	267,476	347,531	337,495	10,036	
Streets and highway	1,807,964	2,260,112	1,946,209	313,903	
Tree warden/ Street lighting	192,450	215,645	217,878	(2,233)	
Total public works	2,267,890	2,823,288	2,501,582	321,706	

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**TOWN OF SOUTH KINGSTOWN, RHODE ISLAND****SCHEDULE OF REVENUES, EXPENDITURES AND OTHER FINANCING SOURCES (USES) -  
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (CONTINUED)****FOR THE YEAR ENDED JUNE 30, 2014**

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Expenditures:</b>				
Human service agency contributions:				
South Shore Mental Health	\$ 15,000	\$ 15,000	\$ 15,000	\$ -
Hospice of Washington County	1,500	1,500	1,500	-
Visiting Nurses Association	24,000	24,000	24,000	-
Thundermist Health Center	24,000	24,000	24,000	-
Phoenix Marathon House	12,000	12,000	12,000	-
Jonnycake Center	22,000	22,000	22,000	-
Cane Day Care Center	9,000	9,000	9,000	-
South County Community Action	24,000	24,000	24,000	-
Welcome House of South County	8,000	8,000	8,000	-
Domestic Violence Resource Center	5,000	5,000	5,000	-
Washington County Coalition for Children	400	400	400	-
Education Exchange	2,500	2,500	2,500	-
Total human service agency contributions	<u>147,400</u>	<u>147,400</u>	<u>147,400</u>	<u>-</u>
Recreation:				
Recreation department	1,387,103	1,618,433	1,615,558	2,875
Public libraries	<u>936,897</u>	<u>1,138,724</u>	<u>1,134,945</u>	<u>3,779</u>
Capital improvements/projects	<u>18,000</u>	<u>18,000</u>	<u>17,406</u>	<u>594</u>
Miscellaneous:				
Unemployment insurance	25,000	25,000	23,912	1,088
Life insurance	11,000			-
FICA	842,500			-
Contribution to Town retirement	1,195,037		9,615	(9,615)
Health insurance	3,044,545	202,498		202,498
Workers' compensation	127,334	127,334	136,087	(8,753)
Total miscellaneous	<u>5,245,416</u>	<u>354,832</u>	<u>169,614</u>	<u>185,218</u>
Debt service	<u>3,217,473</u>	<u>3,217,473</u>	<u>3,217,475</u>	<u>(2)</u>
Total expenditures	<u>23,023,376</u>	<u>22,662,896</u>	<u>21,714,399</u>	<u>948,497</u>
Excess of Revenues over Expenditures	<u>49,818,059</u>	<u>50,178,539</u>	<u>51,902,734</u>	<u>1,724,195</u>

(Continued on next page)

**TOWN OF SOUTH KINGSTOWN, RHODE ISLAND****SCHEDULE OF REVENUES, EXPENDITURES AND OTHER FINANCING SOURCES (USES) -  
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (CONTINUED)****FOR THE YEAR ENDED JUNE 30, 2014**

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget - Positive (Negative)</b>	
	<b>Original</b>	<b>Final</b>	<b>Actual</b>		
<b>Other Financing Sources (Uses):</b>					
Transfers in:					
From Capital Project Funds	\$ 295,000	\$ 295,000	\$ 295,000		\$ -
From Special Revenue Funds	1,058,905	1,058,905	1,140,051		81,146
From Permanent Trust Funds					-
Transfers out:					
Wastewater Fund	(3,000)	(3,000)	(3,000)		-
Elderly services	(363,332)	(363,332)	(363,331)		(1)
Tax Transfer to School	(49,131,442)	(49,131,442)	(49,131,442)		-
Transfers to Other Funds	(460,190)	(820,670)	(1,669,833)		849,163
To Capital Project Funds	(1,214,000)	(1,214,000)	(1,214,000)		-
Total other financing sources (uses)	<u>(49,818,059)</u>	<u>(50,178,539)</u>	<u>(50,946,555)</u>		<u>930,308</u>
Excess of Revenues, Other Sources and Uses of Fund Balance over Expenditures and Other Financing Uses					
	\$ <u>      -</u>	\$ <u>      -</u>		\$ 956,179	\$ <u>2,654,503</u>
Budgetary excess of revenues over expenditures is different than GAAP net change in fund balance because of the following reconciling items:					
Use of fund balance is not a GAAP revenue					(1,000,000)
Planning Development Expenditures not budgeted					(23,916)
Change in encumbrances					<u>50,117</u>
Total Net Change in Fund Balance - GAAP basis				\$ <u>(17,620)</u>	

**TOWN OF SOUTH KINGSTOWN, RHODE ISLAND****SCHEDULE OF REVENUES, EXPENDITURES AND OTHER FINANCING SOURCES -  
BUDGET AND ACTUAL - BUDGETARY BASIS - SCHOOL UNRESTRICTED FUND****FOR THE YEAR ENDED JUNE 30, 2014**

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget - Positive (Negative)</b>	
	<b>Original</b>	<b>Final</b>	<b>Actual</b>		
<b>Revenues and Designated Fund Balance:</b>					
State aid	\$ 8,131,786	\$ 8,131,786	\$ 8,106,421	\$ (25,365)	
Tuition	210,272	210,272	172,689	(37,583)	
Miscellaneous	597,000	597,000	567,758	(29,242)	
Total revenues	<u>8,939,058</u>	<u>8,939,058</u>	<u>8,846,868</u>	<u>(92,190)</u>	
Use of fund balance	<u>535,000</u>	<u>535,000</u>	<u>535,000</u>	<u>-</u>	
Total Revenues and Use of Fund Balance	<u>9,474,058</u>	<u>9,474,058</u>	<u>9,381,868</u>	<u>(92,190)</u>	
<b>Expenditures:</b>					
Salaries	34,221,480	34,188,639	33,137,391	1,051,248	
Employee benefits	13,631,041	13,353,674	13,322,841	30,833	
Purchased services	8,634,667	8,789,075	8,464,208	324,867	
Supplies and materials	1,621,436	1,565,743	1,405,603	160,140	
Capital outlay	516,876	728,369	633,119	95,250	
Total expenditures	<u>58,625,500</u>	<u>58,625,500</u>	<u>56,963,162</u>	<u>1,662,338</u>	
Excess (Deficiency) of Revenues over Expenditures	<u>(49,151,442)</u>	<u>(49,151,442)</u>	<u>(47,581,294)</u>	<u>1,570,148</u>	
<b>Other Financing Sources:</b>					
Transfers in:					
Town of South Kingstown General Fund	49,131,442	49,131,442	49,131,442	-	
Trust Fund Income	20,000	20,000	20,069	69	
Total other financing sources	<u>49,151,442</u>	<u>49,151,442</u>	<u>49,151,511</u>	<u>69</u>	
Excess of Revenues, Other Sources and Uses of Fund Balance over Expenditures and Other Financing Uses	\$ <u>      </u>	\$ <u>      </u>	1,570,217	\$ <u>      </u>	\$ <u>1,570,217</u>
Budgetary excess of revenues over expenditures is different than GAAP net change in fund balance because of the following reconciling items:					
Use of fund balance is not a GAAP revenue			(535,000)		
Summer school revenue not budgeted			34,806		
Change in encumbrances			<u>(539,882)</u>		
Total Net Change in Fund Balance - GAAP basis	\$ <u>      </u>	\$ <u>      </u>	<u>530,141</u>		

## **Combining and Individual Fund Statements and Schedules**

## **General Fund**

## **GENERAL FUND**

The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund utilizes the modified accrual basis of accounting.

The School Unrestricted Fund is used to report all financial transactions of the South Kingstown School Department, which is not legally required to be accounted for separately.

**TOWN OF SOUTH KINGSTOWN, RHODE ISLAND****COMBINING BALANCE SHEET - GENERAL FUND****JUNE 30, 2014**

	<b>General Fund</b>	<b>School Unrestricted Fund</b>	<b>Eliminations</b>	<b>Total General Fund</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 35,250,684	\$ 1,059	\$	\$ 35,251,743
Accounts and other receivable, net	978,100	121,989		1,100,089
Due from federal and state governments	144,805	49,098		193,903
Due from other funds	35,394	7,928,486	(7,701,150)	262,730
Prepaid items	50,338	13,340		63,678
<b>Total Assets</b>	<b>\$ 36,459,321</b>	<b>\$ 8,113,972</b>	<b>\$ (7,701,150)</b>	<b>\$ 36,872,143</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 269,763	\$ 556,184	\$	\$ 825,947
Accrued liabilities	993,201	3,753,113		4,746,314
Due to state and federal governments	101,831			101,831
Due to other funds	22,024,754	1,565	(7,701,150)	14,325,169
Unearned revenue	179,943	30,450		210,393
Deposits held in custody of others	194,257	56,525		250,782
Total liabilities	23,763,749	4,397,837	(7,701,150)	20,460,436
Deferred inflows of resources:				
Unavailable revenue - property taxes	433,974			433,974
Total deferred inflows of resources	433,974	-	-	433,974
Fund balances:				
Nonspendable	50,338	13,340		63,678
Committed	1,954,049	3,702,795		5,656,844
Unassigned	10,257,211			10,257,211
Total fund balances	12,261,598	3,716,135	-	15,977,733
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 36,459,321</b>	<b>\$ 8,113,972</b>	<b>\$ (7,701,150)</b>	<b>\$ 36,872,143</b>

## TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2014

	General Fund	School Unrestricted Fund	Eliminations	Total General Fund
<b>Revenues:</b>				
Property taxes, interest and lien fees	\$ 67,434,952	\$ 8,106,421	\$	\$ 67,434,952
Intergovernmental revenues	2,622,619			10,729,040
State Federal Stabilization Fund				-
Licenses and fees	1,348,192			1,348,192
Investment income	80,038			80,038
Fines and charges for services		172,689		172,689
Departmental	1,131,332			1,131,332
Contributions				-
State on behalf pension contribution		2,185,581		2,185,581
Other local revenues		602,564		602,564
<b>Total revenues</b>	<b>72,617,133</b>	<b>11,067,255</b>	<b>-</b>	<b>83,684,388</b>
<b>Expenditures:</b>				
Current:				
General government	3,632,029			3,632,029
Public safety	9,281,517			9,281,517
Public works	2,491,439			2,491,439
Human service agency contribution	147,400			147,400
Public libraries	1,134,945			1,134,945
Education		59,144,677		59,144,677
Recreation	1,609,075			1,609,075
Other	896,305			896,305
Debt service:				
Principal retirement	2,630,000			2,630,000
Interest and other charges	587,475			587,475
Capital outlay	17,406			17,406
<b>Total expenditures</b>	<b>22,427,591</b>	<b>59,144,677</b>	<b>-</b>	<b>81,572,268</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>50,189,542</b>	<b>(48,077,422)</b>	<b>-</b>	<b>2,112,120</b>
<b>Other Financing Sources (Uses):</b>				
Transfers in from other funds	1,435,051	49,151,511	(49,291,320)	1,295,242
Transfers out to other funds	(51,642,213)	(543,948)	49,291,320	(2,894,841)
<b>Total other financing sources (uses)</b>	<b>(50,207,162)</b>	<b>48,607,563</b>	<b>-</b>	<b>(1,599,599)</b>
Net Change in Fund Balances	(17,620)	530,141	-	512,521
Fund Balances at Beginning of Year	12,279,218	3,185,994	-	15,465,212
<b>Fund Balances at End of Year</b>	<b>\$ 12,261,598</b>	<b>\$ 3,716,135</b>	<b>\$ -</b>	<b>\$ 15,977,733</b>

## **Nonmajor Governmental Funds**

## 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.

**Other Town Funds** - Outlined below are the remaining Special Revenue Funds that are restricted for various programs maintained by the Town.

Affordable Housing	Reducing Marijuana Grant
Alcohol Grant	Seat Belt Enforcement Grants
Asset Forfeiture Fund	Statewide Planning Grant
Animal Shelter Benefit	South Road School Reserve Fund
Energy Efficiency and Conservation Grant	Substance Abuse
Governor's Justice Commission Grants	Tobacco Compliance Investigation Project
Historical and Vital Recording Fees	

#### SCHOOL FUNDS

**Nancy Brown Memorial Fund** - This fund is used to account for the proceeds to construct and maintain 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.

## 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 transfers. The following capital project funds are reported as nonmajor governmental funds.

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

**Capital Equipment and 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.

**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.

## 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.

**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.

## TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2014

	Special Revenue Funds											
	Affordable Housing	Alcohol Grant	Animal Shelter Benefit	Asset Forfeiture	Community Development Block Grant	Elderly Services	EMS Billing Services	Governor's Justice Commission Grants	Historical and Vital Records	Narragansett Library	Neighborhood Guild	
<b>ASSETS</b>												
Cash and cash equivalents	\$	\$	\$	\$	\$	49,905	\$	\$	\$	21,200	\$	45,397
Investments										33,394		
Accounts and other receivables						47,478				1,176		95,625
Due from federal and state governments				8,976	369,058	42,399						
Due from other funds	10,000	13	224,724	59,050		128,348	4,263	9,714	129,838	13,458		72,024
Prepads												3,628
Total Assets	\$ <u>10,000</u>	\$ <u>13</u>	\$ <u>224,724</u>	\$ <u>68,766</u>	\$ <u>369,058</u>	\$ <u>268,130</u>	\$ <u>936,222</u>	\$ <u>9,714</u>	\$ <u>129,838</u>	\$ <u>69,228</u>	\$ <u>216,674</u>	
<b>LIABILITIES AND FUND BALANCES</b>												
§ Liabilities:												
Accounts payable	\$	\$	\$	410	\$	10,482	\$	9,655	\$	1,275	\$	32,057
Accrued liabilities				16,317				24,198				14,840
Due to federal and state governments				905								
Due to other funds				10,030		2,868				1,800		
Unearned revenue												
Total liabilities	\$ <u>-</u>	\$ <u>13</u>	\$ <u>27,662</u>	\$ <u>70,356</u>	\$ <u>355,708</u>	\$ <u>2,842</u>	\$ <u>36,695</u>	\$ <u>1,275</u>	\$ <u>9,714</u>	\$ <u>-</u>	\$ <u>15,559</u>	\$ <u>51,763</u>
Fund Balances:												
Nonspendable												3,628
Restricted												
Committed												
Unassigned												
Total fund balances	\$ <u>10,000</u>	\$ <u>-</u>	\$ <u>197,062</u>	\$ <u>(1,590)</u>	\$ <u>-</u>	\$ <u>231,435</u>	\$ <u>934,947</u>	\$ <u>-</u>	\$ <u>129,838</u>	\$ <u>53,669</u>	\$ <u>118,014</u>	
Total Liabilities and Fund Balances	\$ <u>10,000</u>	\$ <u>13</u>	\$ <u>224,724</u>	\$ <u>68,766</u>	\$ <u>369,058</u>	\$ <u>268,130</u>	\$ <u>936,222</u>	\$ <u>9,714</u>	\$ <u>129,838</u>	\$ <u>69,228</u>	\$ <u>216,674</u>	

(Continued on next page)

## TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

COMBINING BALANCE SHEET (CONTINUED)  
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2014

	Special Revenue Funds										
	Peace Dale Office Building	Property Revaluation Reserve	RI Resource Recovery Grant	Seat Belt Enforcement Grant	South Road School Reserve	Substance Abuse	Tobacco Compliance Investigation Project	Reducing Marijuana Grant	Energy Efficiency and Conservation Grant	Statewide Planning Grant	Nancy Brown Memorial Fund
<b>ASSETS</b>											
Cash and cash equivalents	\$ 254,275	\$	\$ 12	\$	\$	\$	\$	\$	\$	\$	\$ 3,133
Investments											
Accounts and other receivables	8,105										
Due from federal and state governments				36,228							
Due from other funds	48,680	313,945	55,867	224	419,714	7,723	471	75,687		18,411	
Prepays											
Total Assets	\$ 311,060	\$ 313,945	\$ 55,879	\$ 36,452	\$ 419,714	\$ 7,723	\$ 471	\$ 75,687	\$ -	\$ 18,411	\$ 3,133
<b>LIABILITIES AND FUND BALANCES</b>											
§ Liabilities:											
Accounts payable	\$ 889	\$	\$	\$ 7,619	\$	\$ 5,524	\$	\$ 3,934	\$	\$ 2,560	\$
Accrued liabilities	5,690		5,939	599							3,133
Due to federal and state governments											
Due to other funds						2,199	471	18,687		4,050	
Unearned revenue	4,876			28,234				53,065		11,801	
Total liabilities	\$ 11,455	\$ 5,939	\$ -	\$ 36,452	\$ -	\$ 7,723	\$ 471	\$ 75,686	\$ -	\$ 18,411	\$ 3,133
Fund Balances:											
Nonspendable											
Restricted				55,879							
Committed	299,605	308,006			419,714			1			
Unassigned											
Total fund balances	\$ 299,605	\$ 308,006	\$ 55,879	\$ -	\$ 419,714	\$ -	\$ -	\$ 1	\$ -	\$ -	\$ -
Total Liabilities and Fund Balances	\$ 311,060	\$ 313,945	\$ 55,879	\$ 36,452	\$ 419,714	\$ 7,723	\$ 471	\$ 75,687	\$ -	\$ 18,411	\$ 3,133

(Continued on next page)

## TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

COMBINING BALANCE SHEET (CONTINUED)  
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2014

	Special Revenue Funds				Capital Project Funds				
	School Restricted Fund	Total Special Revenue Funds	Animal Shelter Addition	Capital Equipment and Replacement	Technology Improvement	Fair Share Development	Library Building Construction	Open Space Reserve	Public Safety Improvement
<b>ASSETS</b>									
Cash and cash equivalents	\$	\$ 1,303,708	\$ 33,394	\$	\$	\$	\$ 25,765	\$	\$
Investments									
Accounts and other receivables									
Due from federal and state governments	446,343	1,015,010							
Due from other funds		1,480,148	10,030	723,465	466,273	1,736,364	140,156	452,872	305,827
Prepays		3,628							
Total Assets	\$ 446,343	\$ 3,991,185	\$ 10,030	\$ 723,465	\$ 466,273	\$ 1,736,364	\$ 165,921	\$ 452,872	\$ 305,827
<b>LIABILITIES AND FUND BALANCES</b>									
Liabilities:									
Accounts payable	\$ 29,870	\$ 104,875	\$ 4,711	\$ 178,110	\$ 26,055	\$	\$ 19,174	\$	\$ 2,624
Accrued liabilities	78,193	148,909							
Due to federal and state governments									
Due to other funds	227,336	267,441	5,319						
Unearned revenue	110,944	712,475							
Total liabilities	\$ 446,343	\$ 1,234,605	\$ 10,030	\$ 178,110	\$ 26,055	\$ -	\$ 19,174	\$ -	\$ 2,624
Fund Balances:									
Nonspendable									
Restricted									
Committed									
Unassigned									
Total fund balances	-	2,756,580	-	545,355	440,218	1,736,364	146,747	452,872	303,203
Total Liabilities and Fund Balances	\$ 446,343	\$ 3,991,185	\$ 10,030	\$ 723,465	\$ 466,273	\$ 1,736,364	\$ 165,921	\$ 452,872	\$ 305,827

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## TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

COMBINING BALANCE SHEET (CONTINUED)  
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2014

	Capital Project Funds									
	Public Services	Office Building Improvement	Public Works Improvement	Recreation Minor Improvement	Recreation Major Projects	School Improvement	Senior Services Improvement	Town Hall Improvement	Wastewater Construction	Total Capital Project Funds
<b>ASSETS</b>										
Cash and cash equivalents	\$		\$		\$		\$		\$	5,136,607 \$ 5,162,372
Investments										-
Accounts and other receivables					28,145					-
Due from federal and state governments				338,356						28,145
Due from other funds	399,886		1,579,817		57,335	25,000	14,210	152,494	35,570	6,437,655
Prepays										-
Total Assets	\$ 399,886	\$ 1,579,817	\$ 366,501	\$ 57,335	\$ 25,000	\$ 14,210	\$ 152,494	\$ 5,172,177	\$ 11,628,172	
<b>LIABILITIES AND FUND BALANCES</b>										
Liabilities:										
Accounts payable	\$		\$ 1,563	\$ 70,051	\$		\$		\$	\$ 302,288
Accrued liabilities										-
Due to federal and state governments										-
Due to other funds										5,319
Unearned revenue				28,146						28,146
Total liabilities	\$ -	\$ 1,563	\$ 98,197							\$ 335,753
Fund Balances:										
Nonspendable										-
Restricted										7,361,413
Committed	399,886		1,578,254	268,304	57,335	25,000	14,210	152,494		3,931,006
Unassigned										-
Total fund balances	\$ 399,886	\$ 1,578,254	\$ 268,304	\$ 57,335	\$ 25,000	\$ 14,210	\$ 152,494	\$ 5,172,177	\$ 11,292,419	
Total Liabilities and Fund Balances	\$ 399,886	\$ 1,579,817	\$ 366,501	\$ 57,335	\$ 25,000	\$ 14,210	\$ 152,494	\$ 5,172,177	\$ 11,628,172	

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## TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

COMBINING BALANCE SHEET (CONTINUED)  
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2014

	Permanent Funds						Eliminations	Total
	Hazard Memorial Trust	Irving Knowles Trust	Oliver Watson Home	Walter W. Watson Trust	Kingston Free Library Trust	Total Permanent Funds		
<b>ASSETS</b>								
Cash and cash equivalents	\$ 189,225	\$ 220,123	\$ 194,178	\$ 27,613	\$ 631,139	\$ 7,097,219		
Investments	271,344	214,098	6	812,764	1,298,206	1,331,600		
Accounts and other receivables						155,303		
Due from federal and state governments						1,043,155		
Due from other funds	2,517		97	2,074		4,688	(10,030)	7,912,461
Prepads						-		3,628
Total Assets	\$ 463,086	\$ 214,098	\$ 220,226	\$ 196,252	\$ 840,377	\$ 1,934,039	\$ (10,030)	\$ 17,543,366
<b>LIABILITIES AND FUND BALANCES</b>								
Liabilities:								
Accounts payable	\$ 881	\$ 38	\$ 2,000	\$ 2,919	\$ 2,919	\$ 410,082		
Accrued liabilities						-		148,909
Due to federal and state governments						-		905
Due to other funds						-	(10,030)	262,730
Unearned revenue						-		740,621
Total liabilities	-	881	38	2,000	-	2,919	(10,030)	1,563,247
Fund Balances:								
Nonspendable						-		3,628
Restricted	463,086	213,217	220,188	194,252	840,377	1,931,120		9,646,305
Committed						-		6,331,776
Unassigned						-		(1,590)
Total fund balances	463,086	213,217	220,188	194,252	840,377	1,931,120	-	15,980,119
Total Liabilities and Fund Balances	\$ 463,086	\$ 214,098	\$ 220,226	\$ 196,252	\$ 840,377	\$ 1,934,039	\$ (10,030)	\$ 17,543,366

## 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, 2014

	Special Revenue Funds										
	Affordable Housing	Alcohol Grant	Animal Shelter Benefit Fund	Asset Forfeiture Fund	Community Development Block Grant	Elderly Services	EMS Billing Services Fund	Governor's Justice Commission Grants	Historical and Vital Recording Fees	Narragansett Library Association	Neighborhood Guild
Revenues:											
Intergovernmental revenues	\$	\$ 6,878	\$ 24,040	\$ 10,261	\$ 103,248	\$ 313,925	\$ 913,247	\$ 11,825	\$ 32,135	\$	\$
Licenses and fees											
Fines and charges						86,562					347,153
Investment income (loss)						230	1,392				102
Contributions			2,595								6,797
Other revenue			13,026								40,326
Total revenues	-	6,878	39,661	12,611	103,248	400,717	914,639	11,825	32,135	47,123	347,255
Expenditures:											
Education											
Recreation											749,683
Other expenditures		6,878	3,471	14,201	103,248	775,818	232,412	11,825	24,134	19	
Debt service:											
Principal retirement											50,000
Interest and other charges											5,438
Capital outlay											
Total expenditures	-	6,878	3,471	14,201	103,248	775,818	232,412	11,825	24,134	19	805,121
Excess (Deficiency) of Revenues over Expenditures	-	-	36,190	(1,590)	-	(375,101)	682,227	-	8,001	47,104	(457,866)
Other Financing Sources (Uses):											
Transfers in						368,331					1,176
Transfers out			(10,030)			(13,942)	(566,500)				(41,527)
Total other financing sources (uses)	-	-	(10,030)	-	-	354,389	(566,500)	-	-		(40,351)
Net Change in Fund Balances	-	-	26,160	(1,590)	-	(20,712)	115,727	-	8,001	6,753	3,456
Fund Balances at Beginning of Year	10,000	-	170,902	-	-	252,147	819,220	-	121,837	46,916	114,558
Fund Balances at End of Year	\$ 10,000	\$ -	\$ 197,062	\$ (1,590)	\$ -	\$ 231,435	\$ 934,947	\$ -	\$ 129,838	\$ 53,669	\$ 118,014

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## TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES (CONTINUED)**  
**NONMAJOR GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED JUNE 30, 2014

	Special Revenue Funds										
	Peace Dale Office Building	Property Revaluation Fund	RI Resource Recovery Grant	Seat Belt Enforcement Grant	South Road School Reserve Fund	Substance Abuse	Tobacco Compliance Investigation Project	Reducing Marijuana Grant	Energy Efficiency and Conservation Grant	Statewide Planning Grant	Nancy Brown Memorial Fund
Revenues:											
Intergovernmental revenues	\$	\$	\$	\$	75,210	\$	\$	471	\$	37,029	\$
Licenses and fees											
Fines and charges	94,317					20,000					
Investment income (loss)		647									
Contributions											
Other revenue											
Total revenues	94,964	-	20	75,210	20,000	29,107	471	37,029	3,347	6,610	-
Expenditures:											
Education											
Recreation											
Other expenditures	67,315			75,210		29,107	471	36,974		6,610	
Debt service:											
Principal retirement											
Interest and other charges											
Capital outlay											
Total expenditures	67,315	-	-	75,210	-	29,107	471	36,974	3,347	6,610	-
Excess (Deficiency) of Revenues over Expenditures	27,649	-	20	-	20,000	-	-	55	-	-	-
Other Financing Sources (Uses):											
Transfers in											
Transfers out	(3,767)					(10,468)					
Total other financing sources (uses)	(3,767)	-	-	-	(10,468)	-	-	-	-	-	-
Net Change in Fund Balances	23,882	-	20	-	9,532	-	-	55	-	-	-
Fund Balances at Beginning of Year	275,723	308,006	55,859	-	410,182	-	-	(54)	-	-	-
Fund Balances at End of Year	\$ 299,605	\$ 308,006	\$ 55,879	\$ -	\$ 419,714	\$ -	\$ -	\$ 1	\$ -	\$ -	\$ -

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## TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES (CONTINUED)  
NONMAJOR GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED JUNE 30, 2014

	<b>Special Revenue Funds</b>		<b>Capital Projects Funds</b>						
	<b>School Restricted Fund</b>	<b>Total Special Revenue Funds</b>	<b>Animal Shelter Addition</b>	<b>Capital Equipment and Replacement</b>	<b>Data Processing Improvement</b>	<b>Impact Fee Reserve</b>	<b>Library Building Construction</b>	<b>Open Space Reserve</b>	<b>Police Building Construction</b>
Revenues:									
Intergovernmental revenues	\$ 1,900,912	\$ 2,494,823	\$ 56,175	\$	\$	\$ 270,539	\$ 25,450	\$ 261,223	\$
Licenses and fees									
Fines and charges									
Investment income (loss)									
Contributions									
Other revenue	15,871	35,267							
Total revenues	<u>1,916,783</u>	<u>4,099,633</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>270,539</u>	<u>25,510</u>	<u>261,223</u>	<u>-</u>
Expenditures:									
Education	1,843,952	1,843,952							
Recreation									
Other expenditures									
Debt service:									
Principal retirement		50,000							
Interest and other charges		5,438							
Capital outlay	72,831	76,178	10,030	329,073	396,665		29,134		42,583
Total expenditures	<u>1,916,783</u>	<u>4,112,944</u>	<u>10,030</u>	<u>329,073</u>	<u>396,665</u>	<u>-</u>	<u>29,134</u>	<u>-</u>	<u>42,583</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>(13,311)</u>	<u>(10,030)</u>	<u>(329,073)</u>	<u>(396,665)</u>	<u>270,539</u>	<u>(3,624)</u>	<u>261,223</u>	<u>(42,583)</u>
Other Financing Sources (Uses):									
Transfers in		844,445	10,030	378,000	629,000		12,000		140,000
Transfers out		(659,850)				(188,124)		(225,000)	
Total other financing sources (uses)	<u>-</u>	<u>184,595</u>	<u>10,030</u>	<u>378,000</u>	<u>629,000</u>	<u>(188,124)</u>	<u>12,000</u>	<u>(225,000)</u>	<u>140,000</u>
Net Change in Fund Balances	<u>-</u>	<u>171,284</u>	<u>-</u>	<u>48,927</u>	<u>232,335</u>	<u>82,415</u>	<u>8,376</u>	<u>36,223</u>	<u>97,417</u>
Fund Balances at Beginning of Year	<u>-</u>	<u>2,585,296</u>	<u>-</u>	<u>496,428</u>	<u>207,883</u>	<u>1,653,949</u>	<u>138,371</u>	<u>416,649</u>	<u>205,786</u>
Fund Balances at End of Year	<u>\$ -</u>	<u>\$ 2,756,580</u>	<u>\$ -</u>	<u>\$ 545,355</u>	<u>\$ 440,218</u>	<u>\$ 1,736,364</u>	<u>\$ 146,747</u>	<u>\$ 452,872</u>	<u>\$ 303,203</u>

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## TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES (CONTINUED)**  
**NONMAJOR GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED JUNE 30, 2014

<b>Capital Project Funds</b>									
	<u>Public Services Office Building Improvement</u>	<u>Public Works Improvement</u>	<u>Recreation Development and Restoration</u>	<u>Recreation Improvement</u>	<u>School Improvement</u>	<u>Senior Services Center Construction</u>	<u>Town Hall Improvement</u>	<u>Wastewater Construction</u>	<u>Total Capital Project Funds</u>
Revenues:									
Intergovernmental revenues	\$	\$	64,465	\$	\$	\$	\$	\$	\$ 89,915
Licenses and fees									531,762
Fines and charges									86,761
Investment income (loss)									86,761
Contributions									12,323
Other revenue									1,979
Total revenues			42,603	37,464	-	1,979	-	99,084	80,612
			<u>107,068</u>	<u>37,464</u>	<u>-</u>	<u>545</u>	<u>-</u>	<u>99,084</u>	<u>803,412</u>
Expenditures:									
Education									-
Recreation									-
Other expenditures									-
Debt service:									
Principal retirement									-
Interest and other charges									-
Capital outlay	19,377	1,817,753	84,951	-	-	5,064	78,765	-	2,813,395
Total expenditures	<u>19,377</u>	<u>1,817,753</u>	<u>84,951</u>	<u>-</u>	<u>-</u>	<u>5,064</u>	<u>78,765</u>	<u>-</u>	<u>2,813,395</u>
Excess (Deficiency) of Revenues over Expenditures	(19,377)	(1,710,685)	(47,487)	-	-	(2,540)	(78,765)	99,084	(2,009,983)
Other Financing Sources (Uses):									
Transfers in	142,500	955,000	95,000	10,000	25,000	10,000	25,000		2,431,530
Transfers out									(413,124)
Total other financing sources (uses)	<u>142,500</u>	<u>955,000</u>	<u>95,000</u>	<u>10,000</u>	<u>25,000</u>	<u>10,000</u>	<u>25,000</u>	<u>-</u>	<u>2,018,406</u>
Net Change in Fund Balances	123,123	(755,685)	47,513	10,000	25,000	7,460	(53,765)	99,084	8,423
Fund Balances at Beginning of Year	<u>276,763</u>	<u>2,333,939</u>	<u>220,791</u>	<u>47,335</u>	<u>-</u>	<u>6,750</u>	<u>206,259</u>	<u>5,073,093</u>	<u>11,283,996</u>
Fund Balances at End of Year	<u>\$ 399,886</u>	<u>\$ 1,578,254</u>	<u>\$ 268,304</u>	<u>\$ 57,335</u>	<u>\$ 25,000</u>	<u>\$ 14,210</u>	<u>\$ 152,494</u>	<u>\$ 5,172,177</u>	<u>\$ 11,292,419</u>

(Continued on next page)

## TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES (CONTINUED)  
NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2014

	Permanent Funds							
	Hazard Memorial Trust	Irving Knowles Trust	Oliver Watson Home	Walter W. Watson Trust	Kingston Free Library Trust	Total Permanent Funds	Eliminations	Total
Revenues:								
Intergovernmental revenues	\$	\$	\$	\$	\$	-	\$	2,584,738
Licenses and fees						-		587,937
Fines and charges						-		1,548,040
Investment income (loss)	36,001	34,365	536	459	81,086	152,447		173,998
Contributions						-		44,900
Other revenue	2,161					2,161		118,040
Total revenues	<u>38,162</u>	<u>34,365</u>	<u>536</u>	<u>459</u>	<u>81,086</u>	<u>154,608</u>	<u>-</u>	<u>5,057,653</u>
Expenditures:								
Education						-		1,843,952
Recreation						-		749,683
Other expenditures	20,330		1,157	4,234		25,721		1,413,414
Debt service:								
Principal retirement						-		50,000
Interest and other charges						-		5,438
Capital outlay						-		2,889,573
Total expenditures	<u>20,330</u>	<u>-</u>	<u>1,157</u>	<u>4,234</u>	<u>-</u>	<u>25,721</u>	<u>-</u>	<u>6,952,060</u>
Excess (Deficiency) of Revenues over Expenditures	<u>17,832</u>	<u>34,365</u>	<u>(621)</u>	<u>(3,775)</u>	<u>81,086</u>	<u>128,887</u>	<u>-</u>	<u>(1,894,407)</u>
Other Financing Sources (Uses):								
Transfers in						-		3,275,975
Transfers out		<u>(1,176)</u>	<u>(5,000)</u>	<u>-</u>	<u>(22,073)</u>	<u>(28,249)</u>	<u>-</u>	<u>(1,101,223)</u>
Total other financing sources (uses)	<u>-</u>	<u>(1,176)</u>	<u>(5,000)</u>	<u>-</u>	<u>(22,073)</u>	<u>(28,249)</u>	<u>-</u>	<u>2,174,752</u>
Net Change in Fund Balances	17,832	33,189	(5,621)	(3,775)	59,013	100,638	-	280,345
Fund Balances at Beginning of Year	<u>445,254</u>	<u>180,028</u>	<u>225,809</u>	<u>198,027</u>	<u>781,364</u>	<u>1,830,482</u>	<u>-</u>	<u>15,699,774</u>
Fund Balances at End of Year	<u>\$ 463,086</u>	<u>\$ 213,217</u>	<u>\$ 220,188</u>	<u>\$ 194,252</u>	<u>\$ 840,377</u>	<u>\$ 1,931,120</u>	<u>\$ -</u>	<u>\$ 15,980,119</u>

## **Agency Funds**

## **AGENCY FUNDS**

Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Agency Funds are as follows:

**Unclaimed Estates** - To account for unclaimed estates that are in probate

**Student Activities Fund** - To account for all funds held in various school programs.

**TOWN OF SOUTH KINGSTOWN, RHODE ISLAND****AGENCY FUNDS****COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES****FOR THE YEAR ENDED JUNE 30, 2014**

	<b>Balance</b>		<b>Balance</b>	
	<b>July 1, 2013</b>	<b>Additions</b>	<b>Deductions</b>	<b>June 30, 2014</b>
<b>Unclaimed Estates</b>				
Assets:				
Cash	\$ 125,042	\$ 13	\$	\$ 125,055
Liabilities:				
Deposits held in custody for others	\$ 125,042	\$ 13	\$	\$ 125,055
<b>Student Activities Fund</b>				
Assets:				
Cash	\$ 258,975	\$ 509,771	\$ 496,068	\$ 272,678
Investments	\$ 8,344	\$	\$ 328	\$ 8,016
Total Assets	\$ 267,319	\$ 509,771	\$ 496,396	\$ 280,694
Liabilities:				
Deposits held in custody for others	\$ 267,319	\$ 509,771	\$ 496,396	\$ 280,694
<b>Total All Agency Funds</b>				
Assets:				
Cash	\$ 384,017	\$ 509,784	\$ 496,068	\$ 397,733
Investments	\$ 8,344	\$	\$ 328	\$ 8,016
Total Assets	\$ 392,361	\$ 509,784	\$ 496,396	\$ 405,749
Liabilities:				
Deposits held in custody for others	\$ 392,361	\$ 509,784	\$ 496,396	\$ 405,749

## **Other Schedules**

## TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

SCHEDULE OF PROPERTY TAXES RECEIVABLE  
FOR THE YEAR ENDED JUNE 30, 2014

Year	Mill Rate	Property Taxes Receivable July 1, 2013	Current Year Assessment	Transfers Addendum (Net)	Abatements and Adjustments	Amount to be Collected	Collections Net of Refunds	Property Taxes Receivable June 30, 2014
2013	15.470	\$ 996,866	\$ 67,082,117	\$ 175,914	\$ 647,311	\$ 66,610,720	\$ 65,965,478	\$ 645,242
2012	14.501	98,603	6,859	790	1,002,935	890,719	112,216	
2011	14.510	79,229	5,323	455	103,471	41,783	61,688	
2010	14.190	19,660	5,811		85,040	11,394	73,646	
2009	12.090	20,489	5,226		24,886	6,101	18,785	
2008	11.970	18,973			20,489	618	19,871	
2007	11.510	15,089			18,973	10	18,963	
2006	13.650	21,220			15,089	77	15,012	
2005	13.130	19,045			21,220	199	21,021	
2004	12.580	23,634			19,045	215	18,830	
2003	19.910	21,553			23,634	280	23,354	
2002					21,553	31	21,522	
Subtotal		\$ 1,334,361	\$ 67,082,117	\$ 199,133	\$ 648,556	\$ 67,967,055	\$ 66,916,905	1,050,150
Less: estimated allowance for uncollectable accounts			<u>306,197</u>				<u>320,710</u>	
Net property taxes receivable		\$ <u>1,028,164</u>					\$ <u>729,440</u>	

(Continued on next page)

## TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

SCHEDULE OF PROPERTY TAXES RECEIVABLE (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014

<b>Schedule of Net Assessed Property Value by Category</b>			<b>Reconciliation of Current Year Property Tax Revenue</b>	
<b>Assessed December 31, 2012</b>				
<u>Description of Property</u>	<u>Valuations</u>	<u>Levy</u>		
Real property	\$ 3,946,264,414	\$ 61,048,710	Current year collections	\$ 66,916,905
Motor vehicle	186,858,255	3,496,118	Revenue received 60 days subsequent to fiscal year ending June 30, 2014	<u>295,471</u>
Tangible property	174,040,007	2,692,399	Subtotal	67,212,376
Wholesale and retail inventory				
Total	4,307,162,676	67,237,227	Prior year revenue received in current year (2013 60 day rule)	<u>(365,586)</u>
Exemptions and adjustments	<u>9,821,083</u>	<u>155,110</u>		
Net Assessed Value	<u><u>\$ 4,297,341,593</u></u>	<u><u>\$ 67,082,117</u></u>	Current Year Property Tax Revenue	\$ <u><u>66,846,790</u></u>

## **Statistical Section**

## Statistical Section Information

The objectives of statistical section information are to provide financial statement users with additional historical perspective, context and detail to assist in using the information in the financial statements, notes to financial statements and required supplementary information to understand and assess economic condition.

Statistical section information is presented in the following categories:

- *Financial trends information* is intended to assist users in understanding and assessing how financial position has changed over time.
- *Revenue capacity information* is intended to assist users in understanding and assessing the factors affecting the ability to generate *own-source revenues* (property taxes, charges for services, etc.).
- *Debt capacity information* is intended to assist users in understanding and assessing debt burden and the ability to issue additional debt.
- *Demographic and economic information* is intended 1) to assist users in understanding the socioeconomic environment and 2) to provide information that facilitates comparisons of financial statement information over time and among governments.
- *Operating information* is intended to provide contextual information about operations and resources to assist readers in using financial statement information to understand and assess economic condition.

The accompanying tables are presented in the above order. Refer to the Table of Contents for applicable page number locations.

Sources: Unless otherwise noted, the information in the tables is derived from the comprehensive annual financial reports for the relevant year.

TABLE 1

## TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

NET POSITION BY COMPONENT  
LAST TEN YEARS

	Fiscal Year Ended June 30									
	2014	2013	2012	2011	2010	2009	2008	Restated 2007	2006	2005
<b>Governmental activities:</b>										
Net investment in capital assets	\$ 65,788,311	\$ 67,088,741	\$ 66,167,452	\$ 64,187,374	\$ 59,514,637	\$ 58,268,229	\$ 55,954,948	\$ 53,793,454	\$ 57,027,194	\$ 37,770,093
Restricted	17,649,052	15,968,722	15,885,876	15,927,670	14,457,291	13,627,269	15,981,878	17,131,006	15,430,240	15,107,822
Unrestricted	36,563,796	35,089,366	31,781,810	28,956,645	28,760,016	25,159,357	23,644,356	22,077,926	19,337,021	14,219,435
Total governmental activities net position	<u>120,001,159</u>	<u>118,146,829</u>	<u>113,835,138</u>	<u>109,071,689</u>	<u>102,731,944</u>	<u>97,054,855</u>	<u>95,581,182</u>	<u>93,002,386</u>	<u>91,794,455</u>	<u>67,097,350</u>
<b>Business-type activities:</b>										
Net investment in capital assets	20,653,037	21,169,022	21,551,897	21,529,486	21,683,245	21,953,466	22,481,289	21,425,967	21,673,567	20,470,817
Unrestricted	7,806,604	7,020,437	6,215,290	5,705,043	5,107,329	4,699,813	4,065,992	3,732,628	3,630,933	3,754,258
Total business-type activities net position	<u>28,459,641</u>	<u>28,189,459</u>	<u>27,767,187</u>	<u>27,234,529</u>	<u>26,790,574</u>	<u>26,653,279</u>	<u>26,547,281</u>	<u>25,158,595</u>	<u>25,304,500</u>	<u>24,225,075</u>
<b>Primary government:</b>										
Net investment in capital assets	86,441,348	88,257,763	87,719,349	85,716,860	81,197,882	80,221,695	78,436,237	75,219,421	78,700,761	58,240,910
Restricted	17,649,052	15,968,722	15,885,876	15,927,670	14,457,291	13,627,269	15,981,878	17,131,006	15,430,240	15,107,822
Unrestricted	44,370,400	42,109,803	37,997,100	34,661,688	33,867,345	29,859,170	27,710,348	25,810,554	22,967,954	17,973,693
Total Primary Government Net Position	<u>\$ 148,460,800</u>	<u>\$ 146,336,288</u>	<u>\$ 141,602,325</u>	<u>\$ 136,306,218</u>	<u>\$ 129,522,518</u>	<u>\$ 123,708,134</u>	<u>\$ 122,128,463</u>	<u>\$ 118,160,981</u>	<u>\$ 117,098,955</u>	<u>\$ 91,322,425</u>

TABLE 2

## TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**CHANGES IN NET POSITION, LAST TEN FISCAL YEARS**  
**GOVERNMENTAL ACTIVITIES**  
**(Accrual Basis of Accounting)**

	For the Fiscal Year Ended June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Expenses</b>										
Governmental activities:										
General government	\$ 6,230,581	\$ 10,084,503	\$ 8,998,934	\$ 8,762,355	\$ 9,181,646	\$ 8,773,435	\$ 8,806,804	\$ 8,559,664	\$ 7,794,143	\$ 7,164,843
Public safety	9,634,673	7,077,376	6,982,529	6,842,338	6,586,666	6,809,682	6,784,029	6,701,924	6,163,017	5,975,342
Public works	4,189,917	3,648,193	2,867,358	3,267,543	3,123,570	3,381,225	2,905,202	3,221,185	2,726,315	2,437,890
Human service agency contributions	147,400	145,400	145,400	145,400	166,750	188,927	183,987	178,356	183,015	197,073
Public libraries	1,231,169	1,051,446	1,033,043	1,049,444	1,015,013	1,039,152	1,039,669	988,273	953,482	916,825
Education	61,622,756	62,189,433	62,121,226	62,708,323	62,584,202	63,199,438	62,853,934	60,131,860	55,630,802	52,654,614
Recreation	2,630,540	2,264,670	2,242,208	2,274,394	2,238,241	2,301,367	2,322,764	2,319,532	2,281,584	2,138,627
Interest on long-term debt	860,844	730,633	916,407	1,067,569	1,236,605	1,369,147	1,520,722	1,560,963	1,499,745	1,658,708
Total governmental activities	<u>86,547,880</u>	<u>87,191,654</u>	<u>85,307,105</u>	<u>86,117,366</u>	<u>86,132,693</u>	<u>87,062,373</u>	<u>86,417,111</u>	<u>83,661,757</u>	<u>77,232,103</u>	<u>73,143,922</u>
Business-type activities:										
Wastewater	2,829,421	2,768,557	3,024,608	2,941,505	3,084,902	3,152,653	3,144,544	2,972,625	2,792,376	2,747,416
Solid Waste	457,313	474,459	522,638	511,132	471,896	477,435	945,596	948,464	893,562	891,292
Water	845,888	768,278	852,845	831,549	805,924	784,999	835,913	713,784	679,376	658,923
School Cafeteria	973,067	957,920	984,046	1,022,540	956,998	992,566	1,041,418	1,095,906	1,056,629	970,996
Total business-type activities	<u>5,105,689</u>	<u>4,969,214</u>	<u>5,384,137</u>	<u>5,306,726</u>	<u>5,319,720</u>	<u>5,407,653</u>	<u>5,967,471</u>	<u>5,730,779</u>	<u>5,421,943</u>	<u>5,268,627</u>
<b>Total Primary Government Expense</b>	<b>\$ 91,653,569</b>	<b>\$ 92,160,868</b>	<b>\$ 90,691,242</b>	<b>\$ 91,424,092</b>	<b>\$ 91,452,413</b>	<b>\$ 92,470,026</b>	<b>\$ 92,384,582</b>	<b>\$ 89,392,536</b>	<b>\$ 82,654,046</b>	<b>\$ 78,412,549</b>
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	\$ 3,188,727	\$ 3,447,815	\$ 3,140,696	\$ 3,568,036	\$ 3,544,928	\$ 3,170,376	\$ 3,617,841	\$ 3,794,768	\$ 4,534,120	\$ 3,734,779
Public safety	348,997	1,169,260	689,271	920,046	878,852	888,425	989,173	1,001,582	806,200	784,245
Human service	139,704		150							
Public works			5,500	114,780	77,269	65,465	62,935	61,100	59,500	58,050
Public libraries	24,491	24,283	24,784	27,877	28,448	30,186	28,348	28,478	28,106	29,117
Education	791,124	824,591	734,695	758,360	915,874	988,731	1,003,973	1,141,449	1,203,376	1,010,984
Recreation	1,015,206	958,750	980,159	921,171	863,176	821,301	800,684	820,278	885,410	847,241
Operating grants and contributions	13,186,891	13,639,256	14,373,951	14,624,647	14,597,929	14,971,735	16,321,642	16,188,793	15,030,606	14,490,072
Capital grants and contributions	92,439	107,725	877,125	1,002,922	678,310	105,831	272,145	292,834	4,186,452	729,799
Total governmental activities program revenues	<u>18,787,579</u>	<u>20,171,680</u>	<u>20,826,331</u>	<u>21,937,839</u>	<u>21,584,786</u>	<u>21,042,050</u>	<u>23,096,741</u>	<u>23,329,282</u>	<u>26,733,770</u>	<u>21,684,287</u>
Business-type activities:										
Charges for services:										
Wastewater	3,049,347	3,251,827	3,248,469	3,055,955	3,093,623	3,080,743	3,065,229	2,660,233	2,474,993	2,354,188
Solid Waste	492,264	544,766	565,191	483,873	425,240	478,540	789,355	950,248	956,613	928,736
Water	1,010,389	973,530	946,523	954,815	922,164	940,327	866,797	749,067	814,374	765,853
School Cafeteria	601,848	633,393	680,055	728,897	679,823	721,789	760,830	787,352	795,794	747,852
Operating grants and contributions	368,165	325,227	293,285	321,307	274,624	265,866	504,696	234,927	202,997	210,425
Capital grants and contributions			168,650	154,650			307,075		404,100	
Total business-type activities	<u>5,522,013</u>	<u>5,728,743</u>	<u>5,902,173</u>	<u>5,699,497</u>	<u>5,395,474</u>	<u>5,487,265</u>	<u>6,293,982</u>	<u>5,381,827</u>	<u>5,648,871</u>	<u>5,007,054</u>
Total Primary Government Program Revenues	<b>\$ 24,309,592</b>	<b>\$ 25,900,423</b>	<b>\$ 26,728,504</b>	<b>\$ 27,637,336</b>	<b>\$ 26,980,260</b>	<b>\$ 26,529,315</b>	<b>\$ 29,390,723</b>	<b>\$ 28,711,109</b>	<b>\$ 32,382,641</b>	<b>\$ 26,691,341</b>

(Continued on next page)

TABLE 2

## TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**CHANGES IN NET ASSETS, LAST TEN FISCAL YEARS (CONTINUED)**  
**GOVERNMENTAL ACTIVITIES**  
**(Accrual Basis of Accounting)**

	For the Fiscal Year Ended June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$ (67,760,301)	\$ (67,019,974)	\$ (64,480,774)	\$ (64,179,527)	\$ (64,547,907)	\$ (66,020,323)	\$ (63,320,370)	\$ (60,332,475)	\$ (50,498,333)	\$ (51,459,635)
Business-type activities	<u>416,324</u>	<u>759,529</u>	<u>518,036</u>	<u>392,771</u>	<u>75,754</u>	<u>79,612</u>	<u>326,511</u>	<u>(348,952)</u>	<u>226,928</u>	<u>(261,573)</u>
Total Primary Government Net Expense	<u><u>\$ (67,343,977)</u></u>	<u><u>\$ (66,260,445)</u></u>	<u><u>\$ (63,962,738)</u></u>	<u><u>\$ (63,786,756)</u></u>	<u><u>\$ (64,472,153)</u></u>	<u><u>\$ (65,940,711)</u></u>	<u><u>\$ (62,993,859)</u></u>	<u><u>\$ (60,681,427)</u></u>	<u><u>\$ (50,271,405)</u></u>	<u><u>\$ (51,721,208)</u></u>
<b>General Revenues and Other Changes in Net Assets</b>										
Governmental activities:										
Property taxes	\$ 66,953,388	\$ 66,659,301	\$ 66,472,251	\$ 65,797,804	\$ 64,729,407	\$ 63,974,336	\$ 60,903,094	\$ 58,032,552	\$ 54,828,438	\$ 51,441,569
Motor vehicle phase-out taxes	170,945	165,446	167,774	168,739	1,876,190	2,178,075	2,167,848	2,165,338	1,828,726	1,578,608
Telephone and hotel taxes	509,604	495,631	463,552	414,890	372,981	357,171	339,967	337,594	389,466	425,192
Grants and aid not restricted for a specific program	1,837,885	1,663,378	1,657,207	1,413,742	1,440,551	1,737,177	2,295,069	2,396,341	2,400,435	2,131,825
Unrestricted investment earnings	2,568,515	1,990,301	481,121	2,733,097	1,822,022	(834,736)	1,073,334	4,000,792	2,084,407	1,373,108
Miscellaneous									7,385	
Transfers	<u>163,057</u>	<u>357,608</u>	<u>2,318</u>	<u>(9,000)</u>	<u>(16,155)</u>	<u>81,973</u>	<u>(880,146)</u>	<u>25,197</u>	<u>1,087,993</u>	<u>32,607</u>
Total governmental activities	<u><u>\$ 72,203,394</u></u>	<u><u>\$ 71,331,665</u></u>	<u><u>\$ 69,244,223</u></u>	<u><u>\$ 70,519,272</u></u>	<u><u>\$ 70,224,996</u></u>	<u><u>\$ 67,493,996</u></u>	<u><u>\$ 65,899,166</u></u>	<u><u>\$ 66,957,814</u></u>	<u><u>\$ 62,626,850</u></u>	<u><u>\$ 56,982,909</u></u>
Business-type activities:										
Unrestricted investment earnings	16,915	20,351	16,940	42,184	45,386	108,359	182,029	228,244	155,843	98,366
Transfers	<u>(163,057)</u>	<u>(357,608)</u>	<u>(2,318)</u>	<u>9,000</u>	<u>16,155</u>	<u>(81,973)</u>	<u>880,146</u>	<u>(25,197)</u>	<u>(1,087,993)</u>	<u>(32,607)</u>
Total business type activities	<u><u>\$ (146,142)</u></u>	<u><u>\$ (337,257)</u></u>	<u><u>\$ 14,622</u></u>	<u><u>\$ 51,184</u></u>	<u><u>\$ 61,541</u></u>	<u><u>\$ 26,386</u></u>	<u><u>\$ 1,062,175</u></u>	<u><u>\$ 203,047</u></u>	<u><u>\$ (932,150)</u></u>	<u><u>\$ 65,759</u></u>
Total primary government	<u><u>\$ 72,057,252</u></u>	<u><u>\$ 70,994,408</u></u>	<u><u>\$ 69,258,845</u></u>	<u><u>\$ 70,570,456</u></u>	<u><u>\$ 70,286,537</u></u>	<u><u>\$ 67,520,382</u></u>	<u><u>\$ 66,961,341</u></u>	<u><u>\$ 67,160,861</u></u>	<u><u>\$ 61,694,700</u></u>	<u><u>\$ 57,048,668</u></u>
<b>Change in Net Position</b>										
Governmental activities	\$ 4,443,093	\$ 4,311,691	\$ 4,763,449	\$ 6,339,745	\$ 5,677,089	\$ 1,473,673	\$ 2,578,796	\$ 6,625,339	\$ 12,128,517	\$ 5,523,274
Business-type activities	<u>270,182</u>	<u>422,272</u>	<u>532,658</u>	<u>443,955</u>	<u>137,295</u>	<u>105,998</u>	<u>1,388,686</u>	<u>(145,905)</u>	<u>(705,222)</u>	<u>(195,814)</u>
Total primary government	<u><u>\$ 4,713,275</u></u>	<u><u>\$ 4,733,963</u></u>	<u><u>\$ 5,296,107</u></u>	<u><u>\$ 6,783,700</u></u>	<u><u>\$ 5,814,384</u></u>	<u><u>\$ 1,579,671</u></u>	<u><u>\$ 3,967,482</u></u>	<u><u>\$ 6,479,434</u></u>	<u><u>\$ 11,423,295</u></u>	<u><u>\$ 5,327,460</u></u>

TABLE 3

## TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

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

	Fiscal Year Ended June 30,									
	2014	2013	2012 **	2011 *	2010	2009	2008	2007	2006	2005
<b>General Fund:</b>										
Reserved	\$ 63,678	\$ 21,926	\$ 30,361	\$ 2,579	\$ 22,133	\$ 45,788	\$ 211,673	\$ 55,127	\$ 286,935	\$ 366,988
Unreserved	<u>15,914,055</u>	<u>15,443,286</u>	<u>15,048,648</u>	<u>11,661,554</u>	<u>11,485,482</u>	<u>11,535,780</u>	<u>12,151,623</u>	<u>12,145,834</u>	<u>10,875,912</u>	<u>9,587,047</u>
Total General Fund	<u>\$ 15,977,733</u>	<u>\$ 15,465,212</u>	<u>\$ 15,079,009</u>	<u>\$ 11,664,133</u>	<u>\$ 11,507,615</u>	<u>\$ 11,581,568</u>	<u>\$ 12,363,296</u>	<u>\$ 12,200,961</u>	<u>\$ 11,162,847</u>	<u>\$ 9,954,035</u>
<b>All Other Governmental Funds:</b>										
Reserved	\$ 27,111,926	\$ 25,031,275	\$ 23,540,103	\$ 23,737,218	\$ 15,179,653	\$ 12,524,961	\$ 15,431,321	\$ 16,419,082	\$ 16,183,103	\$ 15,131,361
Unreserved, reported in:										
Special revenue funds	2,399,180	2,246,126	2,453,669	5,318,787	7,708,064	6,132,249	5,025,971	3,957,611	2,974,177	2,257,829
Capital project funds	3,931,006	4,140,305	4,134,410	3,376,356	9,576,489	9,966,576	9,022,455	8,629,412	6,481,448	5,207,698
Permanent funds	<u>                </u>	<u>                </u>	<u>                </u>	<u>                </u>	<u>1,415,680</u>	<u>1,447,322</u>	<u>1,390,717</u>	<u>1,390,975</u>	<u>1,363,510</u>	<u>1,341,590</u>
Total All Other Governmental Funds	<u>\$ 33,442,112</u>	<u>\$ 31,417,706</u>	<u>\$ 30,128,182</u>	<u>\$ 32,432,361</u>	<u>\$ 33,879,886</u>	<u>\$ 30,071,108</u>	<u>\$ 30,870,464</u>	<u>\$ 30,397,080</u>	<u>\$ 27,002,238</u>	<u>\$ 23,938,478</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 and School fund balances were combined for reporting purposes beginning 6/30/12 in accordance with the audit firm's interpretation of GASB 54.

TABLE 4

## TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

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

	For the Fiscal Year Ended June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Revenues:</b>										
Property Taxes and Interest	\$ 67,434,952	\$ 66,626,623	\$ 66,517,515	\$ 65,767,357	\$ 64,686,811	\$ 63,897,316	\$ 60,825,348	\$ 57,995,337	\$ 54,798,227	\$ 51,575,179
Intergovernmental revenues	13,313,778	13,809,380	15,000,408	14,625,902	16,477,182	16,796,121	18,853,974	19,128,068	22,294,882	17,736,296
Licenses, Fees and Rents	1,936,129	2,122,082	1,850,827	2,037,196	2,024,285	1,789,384	2,235,837	2,350,971	3,171,720	2,783,009
Interest on Investments	2,562,349	1,913,743	463,169	2,716,487	1,808,819	(853,653)	1,059,327	3,978,764	2,076,026	1,359,435
Fines and Charges	1,720,729	1,707,372	1,514,469	1,178,269	1,135,127	1,114,872	1,163,767	1,229,691	1,135,148	930,264
Department Revenue	1,131,332	924,693	1,255,012	1,064,987	1,002,911	1,028,183	1,146,290	1,115,818	1,047,988	1,084,946
Other Revenue	765,504	1,812,880	1,015,744	1,591,105	1,670,698	1,507,728	1,450,458	1,679,028	1,712,282	1,594,264
State On-behalf Pension	2,185,581	2,119,728	2,478,404	2,098,130	2,008,361	2,439,868	2,406,682	2,091,234	1,393,981	1,420,597
Total revenues	91,050,354	91,036,501	90,095,548	91,079,433	90,814,194	87,719,819	89,141,683	89,568,911	87,630,254	78,483,990
<b>Expenditures:</b>										
Current:										
General Government	3,632,029	2,660,861	2,549,948	2,578,103	2,486,301	2,732,722	2,643,256	2,562,378	2,392,210	2,402,451
Public Safety	9,281,517	6,672,979	6,743,188	6,563,358	6,036,189	6,383,435	6,343,310	6,105,953	5,894,514	5,562,270
Public Services	2,491,439	2,398,155	1,644,637	2,081,960	1,951,422	2,219,582	1,794,767	2,140,379	1,789,493	2,110,290
Public Health Contributions	147,400	145,400	145,400	145,400	166,750	188,927	183,987	178,356	183,015	197,073
Recreation	2,358,758	2,035,546	2,029,877	2,043,091	1,995,969	2,032,015	2,044,667	2,056,094	2,023,334	1,900,685
Public Libraries	1,134,945	914,695	943,655	928,496	918,449	936,811	909,506	873,701	840,886	835,864
Educational	60,988,629	61,524,508	61,576,314	61,820,390	61,519,957	61,776,284	60,874,616	58,544,022	53,788,014	49,817,652
Capital Improvements	2,906,979	1,842,708	2,229,942	4,319,515	2,091,968	1,445,008	1,833,299	3,418,724	11,582,846	3,322,808
Miscellaneous	2,361,875	7,550,463	6,965,814	6,382,023	6,386,655	6,786,000	6,739,952	6,269,940	5,838,673	6,527,815
Debt Service: (2)										
Principal	2,680,000	2,981,000	3,260,000	3,435,000	3,523,093	3,590,000	3,715,000	3,705,000	3,690,000	3,485,000
Interest	592,913	717,211	898,394	1,020,227	1,270,377	1,292,092	1,443,667	1,506,605	1,422,690	1,813,748
Total expenditures	88,576,484	89,443,526	88,987,169	91,317,563	88,347,130	89,382,876	88,526,027	87,361,152	89,445,675	77,975,656
Excess of revenues over (under) expenditures	2,473,870	1,592,975	1,108,379	(238,130)	2,467,064	(1,663,057)	615,656	2,207,759	(1,815,421)	508,334
<b>Other Financing Sources (Uses):</b>										
Proceeds from borrowing						1,283,916				
Issuance of refunding bonds	4,263,000							2,200,000	5,000,000	1,191,757
Payment to refunding debt escrow	(4,207,856)									
Transfers in	4,571,217	3,907,648	3,513,401	52,192,383	52,425,977	52,080,623	49,870,629	47,029,050	44,856,027	40,612,725
Transfers out	(4,508,160)	(3,880,040)	(3,511,083)	(52,201,383)	(52,442,132)	(51,998,650)	(49,850,566)	(47,003,853)	(43,768,034)	(40,580,118)
Total other financing sources (uses)	63,057	82,752	2,318	(9,000)	1,267,761	81,973	20,063	2,225,197	6,087,993	1,224,364
Net Change in Fund Balances	\$ 2,536,927	\$ 1,675,727	\$ 1,110,697	\$ (247,130)	\$ 3,734,825	\$ (1,581,084)	\$ 635,719	\$ 4,432,956	\$ 4,272,572	\$ 1,732,698
Debt Service as a Percentage of Noncapital Expenditures (1)	3.80%	4.24%	4.81%	5.18%	5.61%	5.63%	6.05%	6.29%	6.57%	7.10%

## Notes:

(1) 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.

(2) 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.

TABLE 5

## TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

ASSESSED VALUES AND ACTUAL VALUES OF TAXABLE PROPERTY  
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30	Assessed Value							Total Taxable Assessed Value	Total Direct Tax Rate
	Residential Property	Commercial Property	Industrial/Utility Property	Tangible Personal Property	Inventory	Motor Vehicles	Less Tax Exempt Property		
2014	\$ 4,327,013,284	\$ 420,199,912	\$ 40,682,402	\$ 117,242,736	\$ 185,876,659	\$ 793,673,400	\$ 4,297,341,593	\$ 15.47	
2013	4,434,004,364	476,108,659	41,715,054	202,728,309	182,251,511	810,728,300	4,526,079,597	14.50	
2012	4,438,109,285	440,496,805	40,110,400	232,546,219	170,642,925	814,832,689	4,507,072,945	14.67	
2011	4,423,285,263	440,530,005	40,110,400	236,046,336	220,747,096	813,898,457	4,546,820,643	14.41	
2010	5,229,586,265	494,226,005	46,754,260	257,930,859	99,835,185	846,367,997	5,281,964,577	12.21	
2009	5,185,491,136	492,945,505	46,824,460	239,650,476	122,641,096	832,047,183	5,255,505,490	12.13	
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
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
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
2005	4,340,743,030			180,488,307	13,501,930	105,413,915	620,197,948	4,019,949,234	12.72

§ 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% for fiscal year 2014.

The Town had a full revaluation of real property as of December 31, 2012, effective for the 2013-14 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, 2009 for the 2010-2011 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 2014, the property tax rate, exclusive of motor vehicles, was \$15.47

(Continued on next page)

TABLE 5

## TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**ASSESSED VALUES AND ACTUAL VALUES OF TAXABLE PROPERTY (CONTINUED)**  
**CALCULATION OF TOTAL DIRECT TAX RATE FOR FISCAL YEAR ENDED JUNE 30, 2014**

Note: Exclude Exempt Property

Category	Assessed Value	Assessed Value	Per \$1000	Direct Rate	Total Tax Levy
Real Estate	\$ 3,946,264,414				
Less Exemptions	8,839,487				
Net Real Estate		\$ 3,937,424,927	\$ 15.4700	\$ 60,911,964	
Tangible/Personal		174,040,007	15.4700	2,692,399	
Motor Vehicle	186,858,255				
Less Exemptions	981,596				
Net Motor Vehicle		185,876,659	18.71	3,477,752	
		<hr/> \$ 4,297,341,593		<hr/> \$ 67,082,115	
Total Assessed Value:		\$ 4,297,341,593			
Divided by Total Levy:		67,082,115			
(Times 1000)		<hr/> \$ 15.61		Weighted Avg/Total Direct Rate	

TABLE 6

## TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

PRINCIPAL PROPERTY TAX PAYERS  
CURRENT YEAR AND NINE YEARS AGO

	2014				2005			
			Percent of Total City				Percent of Total City	
	Taxable Assessed Value	Rank	Taxable Assessed Value		Taxable Assessed Value	Rank	Taxable Assessed Value	
Grandville At The Commons LP	\$ 33,467,700	1	0.78%		\$ 10,000,000	7	0.25%	
Schneider Electric (formerly APC)	28,538,974	2	0.66%		51,826,730	1	1.29%	
Narragansett Electric	21,695,900	3	0.50%		13,685,590	3	0.34%	
SHP III South Kingstown LLC	16,329,100	4	0.38%					
HCP HB2 South Bay Manor LLC	13,696,500	5	0.32%		14,649,100	2	0.36%	
Wakefield Mall Associates	12,524,800	6	0.29%		11,171,000	5	0.28%	
Jerry Brown Farm Association	12,313,800	7	0.29%		12,070,000	4		
SCC Investments II, LLC	11,107,600	8	0.26%					
United Water of RI	7,880,000	9	0.18%					
Indian Run Village RIH LLC	6,952,600	10	0.16%					
Green Tree Realty					10,122,500	6	0.25%	
AKG Inc					7,971,400	8	0.20%	
Hallkeen CDT Kingston LTD Part					7,482,700	9	0.19%	
Matunuck Beach Properties, Inc.					7,059,985	10	0.18%	
Total	\$ 164,506,974		4.09%		\$ 146,039,005		3.40%	

Source: Town of South Kingstown Assessor

TABLE 7

## TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS

<b>Fiscal Year</b>	<b>Actual Tax Rate</b>	<b>Gross Levy</b>	<b>Addendums and Adjustments</b>	<b>Abatements and Adjustments</b>	<b>Net Levy</b>	<b>Uncollected (2)</b>			
						<b>End of Year Levy (1)</b>	<b>% of Net Levy</b>	<b>As of 8/30/14</b>	<b>% of Net Levy</b>
2013-14	\$ 15.47	\$67,082,117	\$175,914	\$348,216	\$66,909,815	\$940,714	1.41%	\$661,996	0.99%
2012-13	14.50	66,399,782	99,701	372,420	65,885,154	647,955	0.98%	97,657	0.15%
2011-12	14.51	66,120,832	124,683	360,361	65,199,289	618,926	0.95%	59,888	0.09%
2010-11	14.19	65,499,433	109,275	409,419	64,231,377	702,456	1.09%	73,249	0.11%
2009-10	12.09	64,504,174	122,736	395,533	64,231,377	647,960	1.01%	18,786	0.03%
2008-09	11.97	63,726,992	103,533	441,796	63,388,729	616,114	0.97%	19,871	0.03%
2007-08	11.51	60,692,561	115,434	528,939	60,279,056	529,770	0.88%	18,964	0.03%
2006-07	13.65	57,665,644	254,220	393,867	57,525,997	400,959	0.70%	15,013	0.03%
2005-06	13.13	54,722,908	138,292	487,838	54,373,362	358,734	0.66%	21,020	0.04%
2004-05	12.58	51,148,277	225,887	402,320	50,971,844	318,634	0.63%	18,830	0.04%

§

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.
- Uncollected @ 6/30/12 is net of the following adjustments: write off of uncollectible tangible and motor vehicle taxes for tax years 1997-2001 and misc. taxes for tax years 2006-2009 in the amount of \$30,015; reclassification of 2010 and 2011 Town-held tax liens in the amount of \$270.

TABLE 8

## TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS

<b>General Bonded Debt</b>							
Fiscal Year June 30,	General Obligation Bonds	Taxable Assessed Value	Percent of Taxable Assessed Value	U.S. Census Estimated Population	(2010 is actual) Per Capita		
2014	\$ 14,967,000	\$ 4,297,341,593	0.35%	30,615	\$ 489		
2013	17,647,000	4,526,079,597	0.39%	30,363	581		
2012	20,390,000	4,507,072,945	0.45%	30,378	671		
2011	23,650,000	4,546,820,643	0.52%	30,639	772		
2010	27,085,000	5,281,964,577	0.51%	30,639	884		
2009	29,405,000	5,255,505,490	0.56%	29,195	1,007		
2008	32,995,000	5,215,698,720	0.63%	29,188	1,130		
2007	36,710,000	4,193,188,291	0.88%	29,238	1,256		
2006	38,215,000	4,123,048,580	0.93%	29,374	1,301		
2005	36,905,000	4,019,949,234	0.92%	29,235	1,262		

<b>Business-Type Activities</b>										
Fiscal Year June 30,	Wastewater		Solid Waste		Water		Total Primary Government	Total Personal Income	Percent of Personal Income *	Per Capita
	Bonds	Bonds	Bonds	Bonds	Bonds	Bonds				
2014	\$ 271,000	\$ 1,647,896	\$ -	\$ -	\$ 16,885,896	Not Available	Not Available	Not Available	\$ 552	
2013	295,000	1,793,014			19,735,014	Not Available	Not Available	Not Available	650	
2012	380,205	1,934,409		84,000	22,788,614	1,569,257,000	1,45%	750		
2011	463,465	2,072,154		166,000	26,351,619	1,304,884,371	2.02%	860		
2010	543,843	2,207,323		246,000	30,082,166	1,423,242,828	2.11%	982		
2009	622,398	2,338,985		324,000	32,366,383	1,342,386,100	2.41%	1,109		
2008	699,189	2,467,208		400,000	36,161,397	1,355,928,540	2.67%	1,239		
2007	773,271	2,593,058			40,076,329	1,299,132,054	3.08%	1,371		
2006	845,699	2,715,600			41,776,299	1,238,760,328	3.37%	1,422		
2005	916,525	1,845,898			39,667,423	1,187,788,815	3.34%	1,357		

## 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.

TABLE 9

## TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

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

<b>Fiscal Year Ended June 30</b>	<b>Total Direct Tax Rate</b>	<b>Overlapping Rates</b>					
		<b>Union Fire District</b>		<b>Indian Lake Fire District</b>		<b>Kingston Fire District</b>	
		\$	0.79	\$	1.13	\$	0.92
2014	\$ 15.61	\$	0.79	\$ 1.13	\$ 0.92		
2013	14.67		0.71	0.95		0.87	
2012	14.41		0.62	1.02		0.82	
2011	14.41		0.52	0.80		0.81	
2010	12.21		0.44	0.70		0.65	
2009	12.13		0.46	0.70		0.61	
2008	11.64		0.40	0.73		0.58	
2007	13.75		0.54	1.13		0.67	
2006	13.27		0.45	1.05		0.62	
2005	12.72		0.41	1.35		0.62	

**Notes:**

For the 2012-2013 fiscal year, the Town's basic tax rate increase cannot exceed 4% 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.

TABLE 10

## TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

LEGAL DEBT MARGIN INFORMATION  
LAST TEN FISCAL YEARS

	Fiscal Year Ended June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Total assessed value	\$ 4,297,341,593	\$ 4,526,079,597	\$ 4,507,072,945	\$ 4,546,820,643	\$ 5,281,964,577	\$ 5,255,505,490	\$ 5,215,698,720	\$ 4,193,188,291	\$ 4,123,048,580	\$ 4,019,949,234
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	128,920,248	135,782,388	135,212,188	136,404,619	158,458,937	157,665,165	156,470,962	125,795,649	123,691,457	120,598,477
Total net debt applicable to the limit	5,443,192	4,299,513	4,747,717	5,338,372	5,911,770	6,564,785	7,240,508	8,013,858	7,755,901	6,686,300
Legal debt margin	\$ 123,477,056	\$ 131,482,875	\$ 130,464,471	\$ 131,066,247	\$ 152,547,167	\$ 151,100,380	\$ 149,230,454	\$ 117,781,791	\$ 115,935,556	\$ 113,912,177
Total net debt applicable to the limit as a percentage of debt limit	4.22%	3.17%	3.51%	3.91%	3.73%	4.16%	4.63%	6.37%	6.27%	5.54%

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**Notes:**

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

TABLE 11

## TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN FISCAL YEARS

<b>Fiscal Year June 30,</b>	<b>(3) Population</b>	<b>Per Capita Personal Income (1)</b>	<b>ESTIMATED</b>		
			<b>Total Personal Income (1) (thousands)</b>	<b>School Enrollment</b>	<b>Unemployment Rate (2)</b>
2014	30,615	Not Available	Not Available	3,397	8.7%
2013	30,363	Not Available	Not Available	3,357	9.1%
2012	30,378	\$ 34,007	\$ 1,569,257	3,443	9.7%
2011	30,639	42,589	1,304,884	3,523	10.3%
2010	30,639	46,452	1,423,243	3,548	9.2%
2009	29,195	45,980	1,342,386	3,599	6.6%
2008	29,188	46,455	1,355,929	3,658	4.3%
2007	29,238	44,433	1,299,132	3,803	4.4%
2006	29,374	42,172	1,238,760	3,875	4.3%
2005	29,235	40,629	1,187,789	4,056	4.3%

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(1) Per Bureau of Economic Analysis - Washington County. The income data released in April 2012 represents 2010 data. Personal income is only available at the county level. The Town's population is 24% 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 2010. The 2010 fiscal year census statistic is actual U.S. census figure.

TABLE 12

## TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

PRINCIPAL EMPLOYERS  
CURRENT YEAR AND NINE YEARS AGO

2014 (1)				2005 (1)			
Employment Sector	Employees	Rank	Percentage of Total Town Employment	Employment Sector	Employees	Rank	Percentage of Total Town Employment
Government	3,802	1	28.3%	Government	3,661	1	27.2%
Health Care & Social Assistance	2,760	2	20.5%	Health Care & Social Assistance	2,087	2	15.5%
Accommodation & Food Services	1,431	3	10.6%	Retail Trade	1,508	3	11.2%
Retail Trade	1,276	4	9.5%	Accommodation & Food Services	1,130	4	8.4%
Wholesale Trade	771	5	5.7%	Manufacturing	796	5	5.9%
Other Services (except Public Administration)	708	6	5.3%	Other Services (except Public Administration)	763	6	5.7%
Manufacturing	569	7	4.2%	Wholesale Trade	668	7	5.0%
Construction	325	8	2.4%	Construction	417	8	3.1%
Administrative Support & Waste Management	311	9	2.3%	Professional & Technical Services	313	9	2.3%
Finance & Insurance	277	10	2.1%	Finance & Insurance	275	10	2.0%
Total	<u>12,230</u>		<u>91.0%</u>	Total	<u>11,618</u>		<u>86.5%</u>

## NOTES

(1) RI Department of Labor & Training Quarterly Census of Employment & Wages, City & Town Summary - previous year  
 Data by individual employer has been unavailable since 2010. Therefore, beginning with the 2012 CAFR, the principal employer data will be displayed by sector.

TABLE 13

## TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

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

	Fiscal Year Ended June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General Government:	33	33	33	33	33	36	38	38	37	37
Public Safety:										
Police - Officers	51	51	51	51	53	54	54	54	54	56
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	2	2	2	2	2	3	3	3	3	3
	<u>92</u>	<u>92</u>	<u>92</u>	<u>92</u>	<u>94</u>	<u>96</u>	<u>96</u>	<u>96</u>	<u>96</u>	<u>97</u>
Public Works:										
Streets & Highways	17	17	17	17	18	19	19	19	20	20
Administration	4	4	4	4	4	4	4	4	4	4
	<u>21</u>	<u>21</u>	<u>21</u>	<u>21</u>	<u>22</u>	<u>23</u>	<u>23</u>	<u>23</u>	<u>24</u>	<u>24</u>
Parks & Recreation	11	11	11	11	11	12	12	12	11	11
Libraries	10	10	11	11	12	12	11	12	12	12
<b>TOTAL GENERAL FUND</b>	<b>167</b>	<b>167</b>	<b>168</b>	<b>168</b>	<b>172</b>	<b>179</b>	<b>180</b>	<b>181</b>	<b>180</b>	<b>181</b>
Water	4	4	4	4	4	4	4	4	4	4
Wastewater	17	17	17	18	18	18	18	18	19	19
Neighborhood Guild	5	5	5	5	5	5	5	5	5	5
Senior Services	7	7	7	8	8	8	9	9	9	9
Other	1	1	1	1	1	1	1	1	1	1
Public education:										
Certified	323	341	345	347	348	367	373	381	371	379
Non-certified	158	174	172	180	195	203	208	207	195	205
Administrative	24	24	20	21	21	22	21	21	21	22
	<u>505</u>	<u>539</u>	<u>537</u>	<u>549</u>	<u>564</u>	<u>592</u>	<u>601</u>	<u>608</u>	<u>587</u>	<u>606</u>
Total	<b>706</b>	<b>740</b>	<b>739</b>	<b>752</b>	<b>772</b>	<b>807</b>	<b>819</b>	<b>827</b>	<b>805</b>	<b>825</b>

TABLE 14

## TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

OPERATING INDICATORS BY FUNCTION/PROGRAM  
LAST TEN FISCAL YEARS

<u>Function/Program</u>	Fiscal Year Ended June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Police:										
Physical arrests	645	626	682	661	718	714 (3)	667	738	856	1,179
Traffic violations	2,696	2,764	3,718	2,354	3,147	4,650 (3)	8,197	7,621	6,755	6,814
Parking violations	1,257	742	987	1,032	1,239	1,145 (3)	1,046	715	716	1,263
Emergency Medical Services:										
Number of calls answered	2,852	2,807	2,652	2,707	2,703	2,637	2,584	2,487	2,531	2,191
Animal Control:										
Number of complaints	1,357	1,260	1,457	1,332	1,324	1,334	1,408	1,447	1,288	1,386
Number of impoundments	318	383	382	390	418	401	601	588	614	673
Communications:										
Fire alarm activations	227	262	222	241	254	227	240	261	186	193
Streets & Highways:										
Street Sweeping (miles)	151	151	151	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)	1,568	1,965	344	2,394	1,666	2,500	1,836	931	2,314	4,574
Culture & Recreation:										
Programs/Classes (enroll/attend)	30,550	28,745	32,978	35,652	33,345	35,716 (2)	46,528	60,707	66,846	61,584
Libraries:										
Volumes in Collection	70,599	68,916	68,634	69,223	68,721	66,769	67,700	66,865	66,469	65,542
Volumes borrowed	267,491	262,456	278,828	287,607	301,834	313,716	302,654	306,722	295,807	306,506
Reference requests filled	29,025	28,136	27,949	26,362	26,865	28,221	29,088	28,052	29,139	28,840
Water:										
New connections (net)	12	4	0	16	9	35	60	0	15	11
Average daily consumption (1) (thousands of gallons)	324	315	313	325	317	364	376	313	340	400
Wastewater:										
Average daily sewage treatment (thousands of gallons)	2,589	2,520	2,700	2,517	3,052	2,733	2,473	2,967	2,985	2,992
Senior Services:										
Adult Day Care services (client days)	2,961	3,554	3,321	3,783	4,109	2,304	3,210	3,834	4,017	3,573
Senior transportation (trips)	6,246	7,730	7,645	6,244	7,631	9,269	6,706	8,293	9,124	8,935
Congregate meals served	9,648	11,149	11,977	11,422	11,512	12,765	13,587	15,379	15,136	14,645

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.

TABLE 15

## TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

## CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

<u>Function/Program</u>	Fiscal Year Ended June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	16	16	16	16	16	16	16	16	16	16
Public works:										
Streets (miles)	151	151	149	149	149	148	148	147	147	145
Culture and recreation:										
Park acreage	453	453	453	453	453	440	440	440	440	440
Tennis courts	25	25	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)	49	49	49	49	49	49	49	48	48	48
Fire hydrants	252	252	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)	54	54	54	53	53	53	53	53	53	53
Storm drains (miles)	53	53	53	53	53	53	47	47	46	46
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.

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

### **FEDERAL SINGLE AUDIT SECTION**

**JUNE 30, 2014**

This section contains information regarding federal grant activity for the year ended June 30, 2014, 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 CircularA-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, 2014**

<b>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>United States Department of Agriculture</b> <i>Passed Through the State of Rhode Island Department of Education:</i>		
Child Nutrition Cluster: National School Lunch Program	10.555	\$ <u>368,165</u>
<b>United States Department of Education</b> <i>Passed Through the State of Rhode Island Department of Education:</i>		
Title I, Part A I Cluster		
Title I Grants to Local Educational Agencies	84.010	371,968
Title II	84.367A	165,530
Special Education Cluster:		
Special Education - Grants to States (IDEA, Part B)	84.027	\$ 877,324
Special Education - Preschool Grants (IDEA Preschool)	84.173	<u>24,620</u>
		901,944
Title III Consortium	84.365	7,242
Race to the Top:		
Race to the Top - Educator Effectiveness	84.395	4,031
Race to the Top - Instructor Improvement Set Aside	84.395	12,016
Race to the Top - Educator Effectiveness Set Aside	84.395	3,880
Race to the Top - Human Capital Set Aside	84.395	24,295
Race to the Top - Early Learning Challenge	84.395	<u>19,198</u>
		63,420
Total United States Department of Education		<u>1,510,104</u>
<b>United States Department of Health and Human Services</b> <i>Passed Through the State of Rhode Island Department of Health:</i>		
Block Grants for Community Mental Health - Reducing Marijuana Grant	93.959	36,975
Underage Drinking and Alcohol Grant	93.XXX	6,878
Tobacco Compliance Investigation Grant	93.XXX	<u>471</u>
Total United States Department of Health and Human Services		<u>44,324</u>

(Continued on next page)

**TOWN OF SOUTH KINGSTOWN, RHODE ISLAND**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2014**

<b>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>United States Department of Homeland Security</b> <i>Passed through the Rhode Island Emergency Management Agency</i>		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	\$ <u>3,500</u>
<b>United States Department of Housing and Urban Development</b> <i>Passed Through the State of Rhode Island Governor's Office of Housing, Energy &amp; Intergovernmental Relations</i>		
CDBG-State-Administered Small Cities Program Cluster:		
Community Development Block Grant/Small Cities Program - 2011	14.219	58,922
Community Development Block Grant/Small Cities Program - 2012	14.219	<u>44,326</u>
Total United States Department of Housing and Urban Development		<u>103,248</u>
<b>United States Department of Justice</b> <i>Passed Through the State of Rhode Island Governor's Justice Commission</i>		
Governor Justice Commission Grant	16.XXX	11,825
US Department of Justice, DEA	16.001	9,381
SOLEMN - U.S. Marshalls Grant	16.203	<u>2,597</u>
Total United States Department of Justice		<u>23,803</u>
<b>United States Department of Transportation</b> <i>Passed Through the State of Rhode Island Department of Transportation:</i>		
Highway Safety Cluster: Seat-Belt Enforcement	20.604	<u>75,210</u>
<b>United States Department of Energy</b> <i>Passed Through the State of Rhode Island Office of Energy Resources:</i>		
Energy Efficiency and Conservation Block Grant Program	81.128	<u>3,347</u>
<b>Total Federal Awards Expended</b>		\$ <u>2,131,701</u>

The accompanying notes are an integral part of this schedule

**TOWN OF SOUTH KINGSTOWN, RHODE ISLAND**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**NOTE 1 - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Town of South Kingstown, Rhode Island, under programs of the federal government for the year ended June 30, 2014. The information in the Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Because the Schedule presents only a selected portion of the operations of the Town of South Kingstown, Rhode Island, it is not intended to, and does not, present the financial position, changes in fund balance, changes in net position or cash flows of the Town of South Kingstown, Rhode Island.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported using the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 3 - NONCASH AWARDS**

Donated commodities in the amount of \$34,810 are included in the Department of Agriculture's National School Lunch Program, CFDA #10.555. The amount represents the market value of commodities received.

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## **Independent Auditors' 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 Members of the Town Council  
Town of South Kingstown, Rhode Island

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the 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, 2014, and the related notes to the financial statements, which collectively comprise the Town of South Kingstown, Rhode Island's basic financial statements, and have issued our report thereon dated December 27, 2014.

### **Internal Control over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

*Blum, Shapiro & Company, P.C.*

West Hartford, Connecticut

December 27, 2014

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## **Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with OMB Circular A-133**

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

### **Report on Compliance for Each Major Federal Program**

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, 2014. The Town of South Kingstown, Rhode Island's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

#### ***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the Town of South Kingstown, Rhode Island's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Town of South Kingstown, Rhode Island's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the Town of South Kingstown, Rhode Island, complied, in all material respects, with the types of 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, 2014.

### **Report on 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 the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of South Kingstown, Rhode Island's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Blum, Shapiro & Company, P.C.*

West Hartford, Connecticut  
December 27, 2014

**TOWN OF SOUTH KINGSTOWN, RHODE ISLAND**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**I. SUMMARY OF AUDITORS' RESULTS**

**Financial Statements**

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- |   |                          |     |                                     |               |
|---|--------------------------|-----|-------------------------------------|---------------|
| • Material weakness(es) identified?                   | <input type="checkbox"/> | yes | <input checked="" type="checkbox"/> | no            |
| • Significant deficiency(ies) identified?             | <input type="checkbox"/> | yes | <input checked="" type="checkbox"/> | none reported |
| Noncompliance material to financial statements noted? | <input type="checkbox"/> | yes | <input checked="" type="checkbox"/> | no            |

**Federal Awards**

Internal control over major programs:

- |   |                          |     |                                     |               |
|---|--------------------------|-----|-------------------------------------|---------------|
| • Material weakness(es) identified?       | <input type="checkbox"/> | yes | <input checked="" type="checkbox"/> | no            |
| • Significant deficiency(ies) identified? | <input type="checkbox"/> | yes | <input checked="" type="checkbox"/> | none reported |

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

yes  no

Identification of major programs:

CFDA #	Name of Federal Program or Cluster
84.010	Title I Grants to Local Educational Agencies
10.555	National School Lunch Program

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee?  yes  no

**II. FINANCIAL STATEMENT FINDINGS**

No matters were reported.

**III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters were reported.