

THE TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2010



PREPARED BY: FINANCE DEPARTMENT

TOWN OF SOUTH KINGSTOWN

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TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

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Town of South Kingstown, Rhode Island

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

FINANCE DEPARTMENT

November 24, 2010

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, 2010, is hereby submitted as mandated by both state statutes and the Town charter. State laws require that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants licensed to practice in the State of Rhode Island.

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

The Town of South Kingstown's financial statements have been audited by Braver PC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town of South Kingstown for the fiscal year ended June 30, 2010, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Town of South Kingstown's financial statements for the fiscal year ended June 30, 2010, 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 2009-2010 fiscal year budget was the third year that the budget was approved under the new procedures. It is the responsibility of the Town Manager to submit a proposed budget for the following fiscal year to the Town Council on or before March 1st of each year. The Town Council holds several budget work sessions in March to discuss the details of his proposed budget document. The Town Council may revise and adopt a preliminary budget not later than March 22nd of each year. Two public hearings are required to be conducted on the preliminary budget prior to April 18th.

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

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

Following final approval of the budget by the Town Council, any qualified elector of the Town may circulate a petition requesting that a referendum be held on the appropriation for the general fund or

PROFILE OF THE GOVERNMENT (Continued)

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 22-25 and page 26 respectively as part of the basic financial statements.

FACTORS AFFECTING FINANCIAL CONDITION

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

Local economy. The economy is centered on the University of Rhode Island, which has an enrollment in excess of 16,000 and employs more than 2,450 people. South County Hospital and tourism trade are also key components of the South Kingstown economy. According to the latest employment data available for the 2009 calendar year, as reported by the RI Department of Labor and Training, the Town experienced an increase in private sector employment between 2002 and 2009 amounting to 1,219 new jobs. Total annual employment in the private sector increased from 8,414 to 9,633.

In December 2009 the University of Rhode Island (URI) completed construction of a new \$59,000,000 Center for Biotechnology and Life Sciences facility. The building totals 140,000 square feet. Construction of a new College of Pharmacy building began in the Fall of 2010. Estimated cost of the new pharmacy facility is \$75,000,000. University officials hope the facility is part of URI's goal to become a leading center of biomedical research and have an ambitious plan to develop the north district of the campus into a health and life sciences center. Conceptual plans for a Research and Technology Park are currently under review. The 2009 Capital Improvement Plan for the University includes \$290 million dollars in active projects.

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

- According to the 2000 Census, the Town's population grew by 3,309 people from 24,612 to 27,921, an increase of 13.5 percent from 1990 to 2000. The Town experienced the largest numerical population increase among all Rhode Island cities and towns with the exception of the City of Providence. The 2010 estimated population is 31,409.

FACTORS AFFECTING FINANCIAL CONDITION (Continued)

- The median sale price of a single-family home in South Kingstown increased to \$292,000 in the first half of 2010, compared to the mid-year 2009 median sales price of \$286,250. This represents a ten year increase of \$127,000 from the year 2000, when a median priced house was selling for \$165,000.
- With the addition of 18 new housing units constructed through June 2010, the Town's total housing count has reached 12,454 units. Construction activity since calendar year 2000 has resulted in the addition of 1,727 units or an average of 165 new units annually over the ten and one half-year period. Single Household unit construction amounted to 1,045 units or an average of 100 units per year. Non-Single Household construction amounted to 682 units or an average of 65 units per year. It should be noted that over the last three full years construction activity has slowed considerably, averaging less than 100 total new units per year.
- Estimated median household family income in 2008 was \$78,108, which is \$22,407 or 40.2 percent more than the statewide median income of \$55,701.
- Private sector jobs totaled 9,633 in 2009, of which 2,524 were in Health Care and Social Assistance, 1,330 were in Retail Trade, 1,279 were in Accommodations and Food Service and 739 were in manufacturing jobs.
- The size of the resident workforce increased from 14,766 to 16,230 between 2000 and September 2010. The number of employed residents increased slightly from 14,242 to 14,384. The September 2010 unemployment rate for South Kingstown was reported at 9.2 percent, compared to the statewide average of 10.6 percent.
- Fifty-three percent (53%) of South Kingstown residents, older than age 25, had a college degree in 2000, another 38% had completed high school and 9% did not have a high school diploma.

Long-term capital financial planning. As a part of the annual budget process, the Town Manager prepares and presents a six-year capital improvement plan. This plan identifies costs and financing methods for those capital projects that the Town anticipates funding over the next six years. The 2010-2011 fiscal year capital improvement plan projects needs through fiscal year 2016. 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 \$19,538,260. Financing, net of third party funding sources for these projects by debt issuance, approximates \$8,250,000. In addition, \$12,783,500 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 \$32,321,760.

Major projects to be bonded in the plan include: Recreation and open space programs for \$7,950,000; general municipal improvements for \$8,558,260; and school building improvements for \$3,000,000.

Cash management policies and practices. It is the policy of the Town to invest funds in a manner which will provide the highest investment return, with the maximum amount of security, while meeting the daily cash flow needs of the Town and conforming to all state statutes governing the investment of municipal funds. Cash temporarily idle during the year was invested in certificates of deposit, obligations of the U.S. Treasury and money market mutual funds. In addition, some trust funds held corporate stocks and bonds in their investment portfolios. The maturities of the investments range from 1 day to 30 years. Investment income includes appreciation in the fair value of investments. Increases in fair value during the current year, however, do not necessarily represent trends that will

FACTORS AFFECTING FINANCIAL CONDITION (Continued)

continue; nor is it always possible to realize such amounts, especially in the case of temporary changes in the fair value of investments that the government intends to hold to maturity.

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

Pension and other post-employment benefits. The Town of South Kingstown participates in the Municipal Employees' Retirement System of the State of Rhode Island (MERS), an agent multiple employer defined benefit pension plan for all permanent employees, who work in excess of 20 hours per week, except for certified school department employees. The Town has separate plans for general municipal and non-certified school employees, police and emergency medical personnel. Each year, an independent actuary engaged by the MERS calculates the amount of the annual contribution that the Town of South Kingstown must make to each pension plan to ensure that the plan will be able to fully meet its obligations to retired employees on a timely basis. As a matter of policy, the Town of South Kingstown fully funds each year's annual required contribution to the pension plan as determined by the actuary. The actuarial assumptions and methods used in the actuary's report comply with the parameters for disclosure that appear in Governmental Accounting Standards Board Statement No. 25 (GASB 25). As of June 30, 2009, which is the latest information available, the Town of South Kingstown has funded 91.9 percent of the present value of the projected benefits earned by general municipal and non-certified school employees; 94.1 percent of the present value of the projected benefits earned by police employees; and 159.6 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 over thirty years, and (c) interest on the unfunded frozen actuarial liability. The actuarial assumptions and methods used in the actuary's report comply with the parameters for disclosure that appear in (GASB 50).

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 95 retired employees receiving these benefits. The Town has completed an actuarial valuation of the OPEB obligations with a valuation date of July 1, 2009. 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.

FACTORS AFFECTING FINANCIAL CONDITION (Continued)

Additional information on the Town of South Kingstown's pension arrangements and post-employment benefits can be found in Note 12 on pages 62-69 and Note 17 on pages 72 -74 respectively in the notes to the financial statements.

COMMITMENTS AND CONTINGENCIES

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

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

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

The Consent Decree also requires reimbursement of 30% of the State of Rhode Island costs associated with the remediation of this landfill site and ongoing operation and maintenance costs. These costs will also be shared equally between the two Towns. The estimated cost of reimbursing the State, over a 27-year period beginning in fiscal year 2011, is \$3,941,566, of which South Kingstown is responsible for \$1,970,783. The estimated liability of \$1,970,783 has been included in the government-wide financial statements at June 30, 2010.

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

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

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of South Kingstown for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2009. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

AWARDS AND ACKNOWLEDGEMENTS (Continued)

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 consecutive fiscal years (fiscal years ended June 30, 1990-2009). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

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

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Alan R. Lord". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Alan R. Lord,
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of South Kingstown
Rhode Island

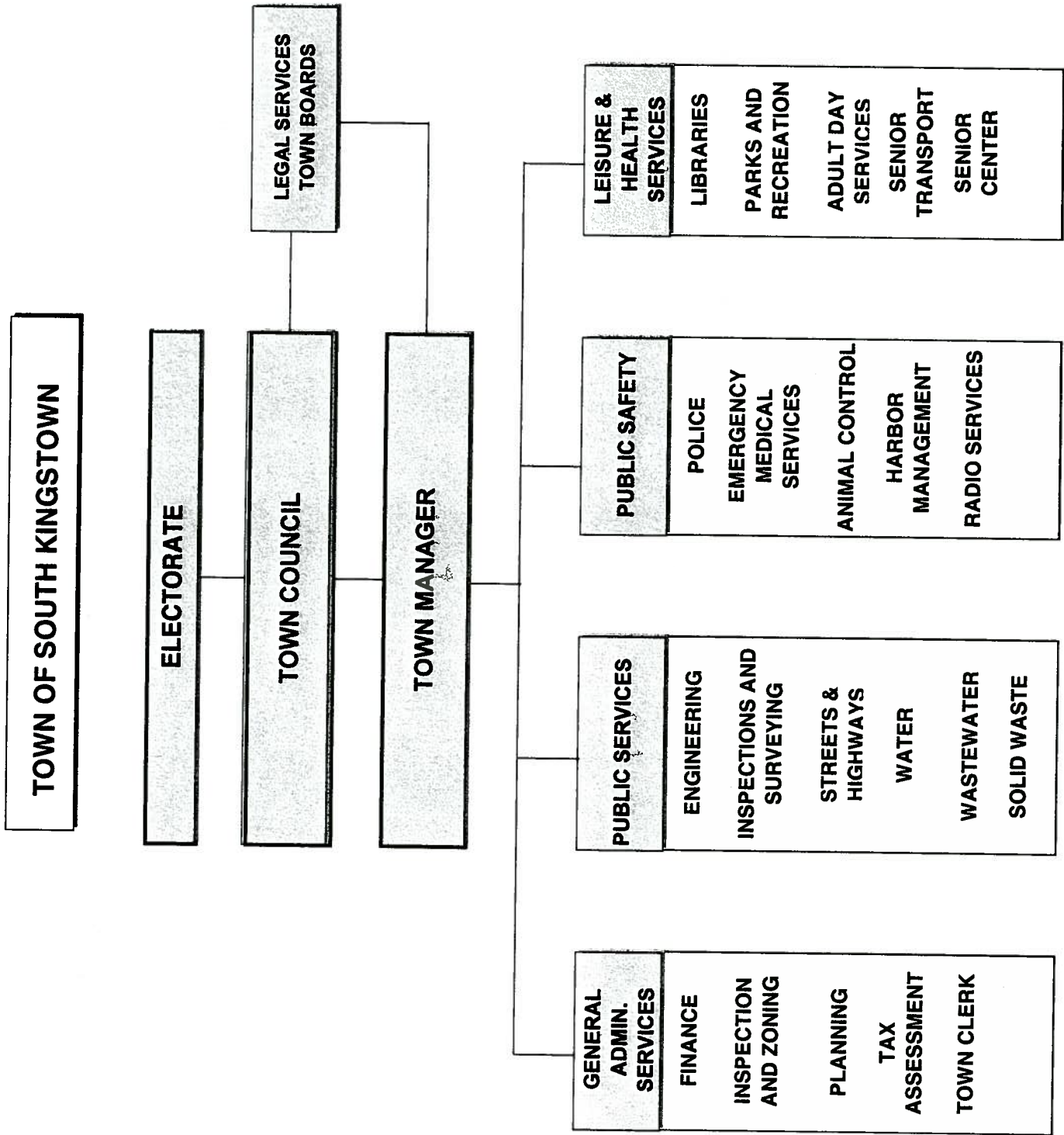
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

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



President

Executive Director



TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
TOWN OFFICIALS
June 30, 2010

TOWN COUNCIL

Kathleen A. Fogarty, President

Mary S. Eddy, Vice President
Carol Hagan McEntee

James W. O'Neill
Ella M. Whaley

TOWN MANAGER

Stephen A. Alfred

TOWN ATTORNEYS

Michael Ursillo
Andrew Teitz
Terrence G. Simpson
Nancy Letendre

PROBATE JUDGE

Stephen R. White

DEPARTMENT HEADS

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

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

TOWN OF SOUTH KINGSTOWN

FINANCIAL SECTION

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

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of South Kingstown, Rhode Island as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. We also have audited the statements of revenues, expenditures and changes in fund balances – budget and actual – budgetary basis (General Fund and School Unrestricted Fund) of the Town of South Kingstown, Rhode Island, for the year ended June 30, 2010, as displayed in the Town's financial statements. These financial statements are the responsibility of the Town of South Kingstown, Rhode Island's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, as well as the budget and actual – budgetary basis statements of the Town of South Kingstown, Rhode Island as of June 30, 2010, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 24, 2010 on our consideration of the Town of South Kingstown, Rhode Island's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Boston

Newton

Taunton

Concord

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Schedule of Funding Progress for Pension Plans, and the Schedule of Funding Progress for OPEB Plans on pages 3 through 15, and pages 75 and 76, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of South Kingstown, Rhode Island's basic financial statements. The Introductory Section, Combining Fund Financial Statements, Capital Asset Exhibits, Other Exhibits, and Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements of the Town of South Kingstown, Rhode Island. The Combining Fund Financial Statements, Capital Asset Exhibits, Other Exhibits, and Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and, certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



Providence, Rhode Island
November 24, 2010

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, 2010. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-vii of this report as well as the Town's basic financial statements that follow this section. All amounts in the tables in this MD&A are expressed in thousands. All amounts in the narrative portion are expressed in real dollars.

Financial Highlights

- The assets of the Town of South Kingstown exceeded its liabilities at the close of the most recent fiscal year by \$129,522,518 (net assets). Of this amount, \$33,867,345 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$5,814,384.
- As of the close of the current fiscal year, the Town of South Kingstown's governmental funds reported combined ending fund balances of \$45,387,501. Approximately 66.5% of ending fund balances, \$30,185,715, is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, the unreserved fund balance for the General Fund was \$11,485,482. Of this amount, \$9,285,482 is available for spending at the government's discretion within the General Fund. The remaining balance consists of \$1,200,000 designated to finance the 2011 fiscal year budget and \$1,000,000 designated for Superfund site cleanup costs.
- The remaining unreserved fund balance of \$18,700,233 includes \$502,322 designated to help finance the 2010-2011 fiscal year budgets for the School Fund and the Neighborhood Guild Fund, \$7,205,742 for Special Revenue Funds, \$9,576,489 earmarked for Capital Project Funds, and \$1,415,680 for Permanent Funds.
- The Town's total bonded debt declined by \$2,608,217 (8.7 percent) during the current fiscal year. The key factor in this decline was the retirement of \$3,888,217 in bonds which were offset somewhat by \$1,280,000 in new bonds issued.

Overview of the Financial Statements

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

Overview of the Financial Statements (Continued)

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

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

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

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

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

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

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

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

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

Overview of the Financial Statements (Continued)

Governmental funds (Continued)

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

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

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

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

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

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

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

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

Overview of the Financial Statements (Continued)

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

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

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town of South Kingstown, assets exceeded liabilities by \$129,522,518 at the close of the most recent fiscal year.

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND NET ASSETS

For the Fiscal Year ending June 30, 2010 (in 000's)

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and Other Assets	\$ 57,912	\$ 51,700	\$ 6,629	\$ 5,948	\$ 64,541	\$ 57,648
Capital Assets	86,600	87,673	24,680	25,239	111,280	112,912
Total Assets	144,512	139,373	31,309	31,187	175,821	170,560
Long-Term Liabilities	28,157	30,085	2,840	3,141	30,997	33,226
Other Liabilities	13,623	12,233	1,678	1,393	15,301	13,626
Total Liabilities	41,780	42,318	4,518	4,534	46,298	46,852
Net Assets:						
Invested in capital assets net of related debt	59,515	58,268	21,683	21,953	81,198	80,221
Unrestricted	28,760	25,159	5,107	4,700	33,867	29,859
Restricted	14,457	13,628			14,457	13,628
Total Net Assets	\$ 102,732	\$ 97,055	\$ 26,790	\$ 26,653	\$ 129,522	\$ 123,708

By far the largest portion of the Town's net assets (62.7%) reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town of South Kingstown's net assets (11.2 percent or \$14,457,291) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$33,867,345) may be used to meet the government's ongoing obligations to citizens and creditors.

Government-wide Financial Analysis (Continued)

At the end of the current fiscal year, the Town of South Kingstown, with one exception, is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The one exception is the Cafeteria Fund, a business-type activity, which has a deficit position of \$63,884 in net assets.

The Town's net assets increased by \$5,814,384 during the current fiscal year. Of this amount, governmental activities accounted for \$5,677,089 of the increase while business-type activities accounted for an increase of \$137,295.

Governmental activities. Governmental activities increased the Town of South Kingstown's net assets by \$5,677,089, thereby accounting for 97.6 percent of the total growth in the net assets of the Town.

Major revenue factors included:

- Property taxes are the largest revenue source for governmental activities accounting for approximately 70.4 percent of total revenues. Operating grants and contributions and charges for services, fees, and licenses provide approximately 15.9 percent and 6.8 percent of total revenues respectively.
- Property tax revenues recorded for the fiscal year 2010 reflect an increase in the Town's tax rate of 1.0% and growth in the total assessed value of taxable property of .50%. The combination of these two factors resulted in an additional \$777,182 of property taxes being levied. The property tax rate increased from \$11.97 to \$12.09 per thousand dollars of assessed value. Total taxable property increased by \$26,459,087 from \$5,255,505,490 to \$5,281,964,577.
- Charges for services increased by \$350,920, which was directly related to increases in several revenue sources. Building inspection fees, EMS billing charges, rental payments from tenants leasing property at Marina Park, Recreation program fees, fees for the Adult Day Care facility and fees collected through the Town's internal services fund all produced significant increases. Somewhat offsetting the above increases in charges for services were reductions in police departmental revenues, School Department medical fees collected and rental fees for the South Road School.
- Operating grants and contributions declined by \$380,663 from the previous year. The decrease in this revenue source was mainly attributable to a reduction in funding of unrestricted state aid (\$825,644) for the School Department, grant funding from Rhode Island Resource Recovery (\$171,086) and a reduction in the amount received from the RI Emergency Management Grant (\$39,573). Offsetting to some degree these reductions were increases in federal stabilization funds of \$57,583, a state grant for \$76,367 for a portion of the cost of the statistical property revaluation program, and school restricted grants of \$495,181.
- Investment earnings increased from a loss of \$834,736 in the prior fiscal year to a gain of \$1,822,022 in the fiscal year ended June 30, 2010. The increase of \$2,656,758 was attributable to a significant increase of \$2,997,868 in the School Trust Funds' investment income. The increase was the result of favorable equity market conditions, which produced significant gains in the fund's portfolio. Offsetting the increase in equity gains was a reduction in General Fund investment earnings of \$388,729, as compared to the previous year, due to lower interest rates. The remaining balance of \$47,619 of the increase was distributed amongst the balance of governmental funds.

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

For the Fiscal Years ending June 30, 2010 and 2009 in 000's

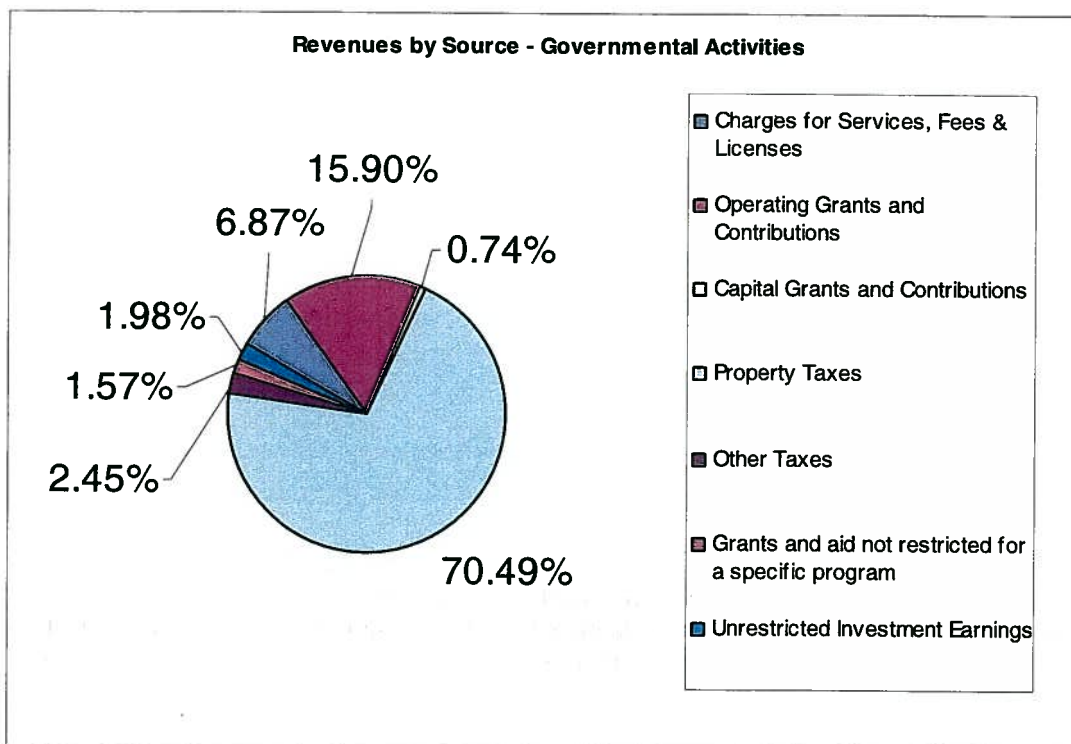
	Governmental Activities		Business Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program Revenues:						
Charges for Services	6,309	5,965	5,121	5,221	\$ 11,430	\$ 11,186
Operating Grants and Contributions	14,598	14,972	275	266	14,873	15,238
Capital Grants and Contributions	678	106	0	0	678	106
General Revenues:						
Property taxes	64,729	63,974			64,729	63,974
Other taxes						
Motor vehicle phase-out taxes	1,876	2,178			1,876	2,178
Telephone and hotel taxes	373	357			373	357
Grants and aid not restricted for a specific program	1,441	1,737			1,441	1,737
Unrestricted investment earnings	1,822	(835)	45	109	1,867	(726)
Miscellaneous	0	0			0	0
Total Revenues	\$ 91,826	\$ 88,454	\$ 5,441	\$ 5,596	\$ 97,267	\$ 94,050
Expenses:						
General Government	9,182	8,773			\$ 9,182	\$ 8,773
Public Safety	6,587	6,810			6,587	6,810
Public Works	3,123	3,381			3,123	3,381
Human Service Agencies	167	189			167	189
Public Libraries	1,015	1,039			1,015	1,039
Education	62,584	63,200			62,584	63,200
Recreation	2,238	2,301			2,238	2,301
Interest on long-term debt	1,237	1,369			1,237	1,369
Wastewater			3,085	3,153	3,085	3,153
Solid Waste			472	477	472	477
Water			806	785	806	785
School Cafeteria			957	993	957	993
Total Expenses	\$ 86,133	\$ 87,062	\$ 5,320	\$ 5,408	\$ 91,453	\$ 92,470
Increase in net assets before transfers	5,693	1,392	121	188	5,814	1,580
Transfers	(16)	82	16	(82)	0	0
Increase in net assets	\$ 5,677	\$ 1,474	\$ 137	\$ 106	\$ 5,814	\$ 1,580
Net assets 7/1/09	97,055	95,581	26,653	26,547	123,708	122,128
Net assets 6/30/10	\$ 102,732	\$ 97,055	\$ 26,790	\$ 26,653	\$ 129,522	\$ 123,708

Changes in Net Assets (Continued)

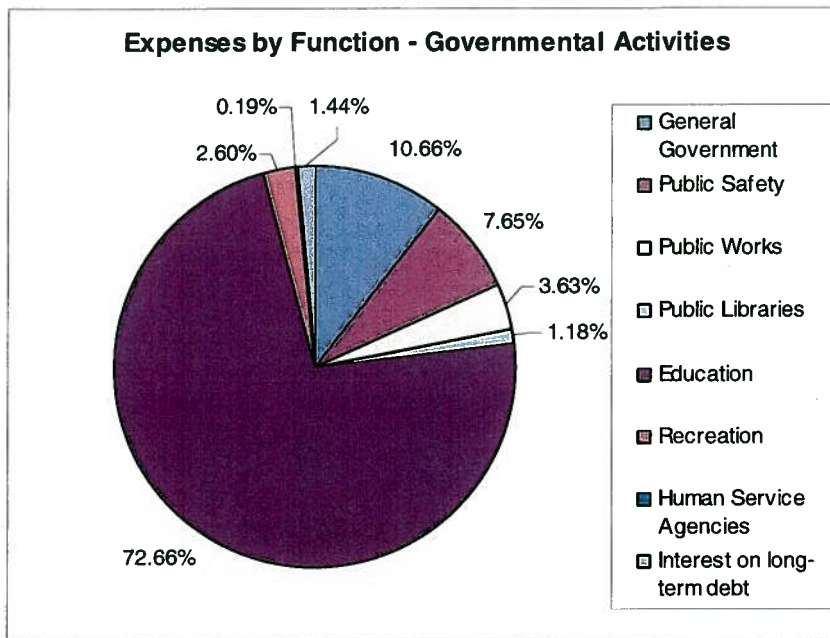
Education expenses account for approximately 72.7 percent of the total expenses within the governmental funds of the Town of South Kingstown. Public safety and general government expenses account for approximately 7.7 percent and 10.7 percent respectively of the total expenses for the 2010 fiscal year.

For the most part, the decline in expenses closely paralleled the reduction to the 2009-2010 fiscal year General Fund budget. The reduction to the General Fund program was \$794,317. In addition, based on the mid-year cuts to the third and fourth quarter payments of the motor vehicle excise tax reimbursement from the State of Rhode Island, departments were required to reduce their budgets by 5%. The General Assembly did not act on the reduction until May 2010 and did not cut the full amount that the Governor had proposed in his Supplemental Budget. The final budgeted aid loss amounted to \$123,810 in the current fiscal year. The actual loss in income is \$301,885 from the amount contained in the original State Budget; however the Town conservatively budgeted only \$2,000,000 in income from the state for the FY 2009-2010 fiscal year. Major expense factors included:

- A decrease of \$615,236 for education related expenditures. There were several large variances, both positive and negative, which accounted for the decrease.
- Interest on long term debt declined by \$132,542 based on a declining debt schedule even though the Town issued \$1,280,000 in new debt.
- All operating programs of the General Fund saw a reduction in the amount of overall appropriations available to spend. The Public Safety program had the largest decline in expenditures of \$ 223,016.
- All labor contracts for Town employees had a zero percent cost of living increase. Generally, School Department employees received a 2.25 % cost of living increase.



Changes in Net Assets (Continued)



Business-type activities. Net assets in business-type activities increased by \$137,295 resulting in a .5% increase in business-type net assets.

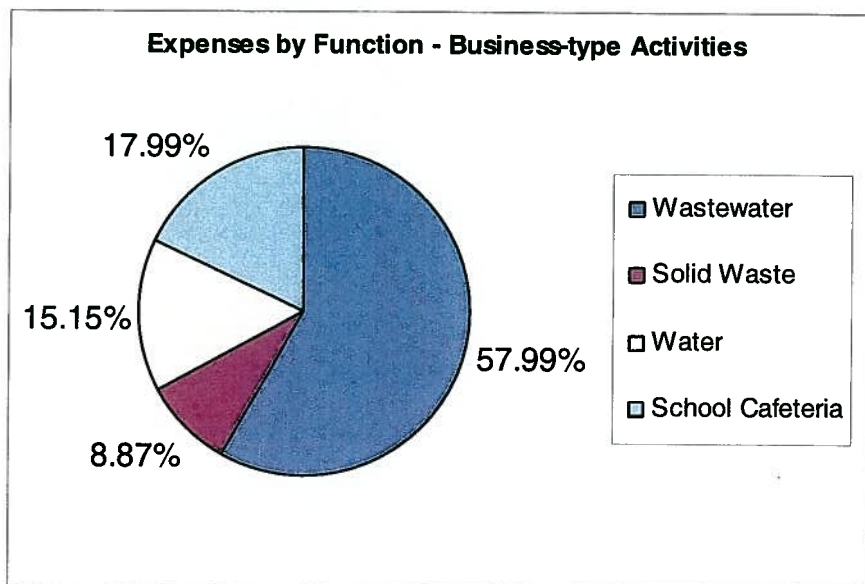
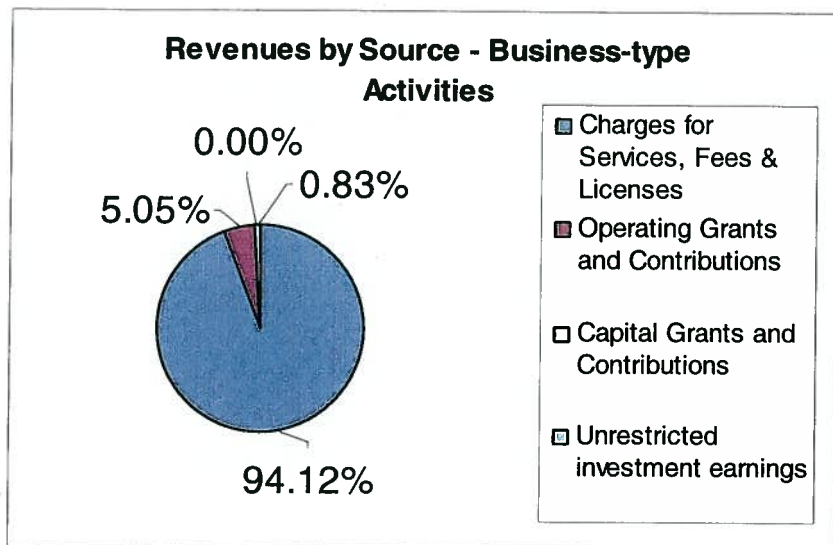
Charges for services for business-type activities accounted for 94.1% of the total revenue sources. The balance of revenues for business-type activities was from operating grants and contributions (5.1%) and from investment earnings (.8%).

Wastewater treatment expenses account for approximately 58.0% of the total expenditures within the business-type activities of the Town. Solid waste, school cafeteria operations and water fund expenses account for approximately 8.9%, 18.0% and 15.1% respectively of the total business-type activities expenditures for the 2010 fiscal year.

Charges for services for business-type activities declined from \$5,221,399 to \$5,120,850 or 1.9%. The wastewater fund had an increase of \$12,880. Several variances to prior year fees resulted in the slight increase. Charges for services for the water fund decreased by \$18,163, while the solid waste fund experienced a reduction of \$53,300 in these program revenues. The decrease in the water fund charges was the result of a drop in user fee revenues from residents offset somewhat by an increase in cell antenna lease receipts and fees for water service installations. Solid waste fees declined based on a reduction in the sale of residential use stickers, recycling revenues and rental income from the transfer station operation. Charges for services for the cafeteria fund declined by \$41,966. Operating grants and contributions increased by \$8,758 in the cafeteria fund. Unrestricted investment earnings declined from \$108,359 to \$45,386 for all business-type activities. Significant reductions in interest rates earned on investments were responsible for generating the decline in this revenue source.

Expenses in the wastewater fund declined slightly by \$67,751 due to a reduction in costs for chemicals, employee benefits, depreciation and sludge disposal fees. The 3.0% or \$20,925 increase in water fund expenses was due to several minor variances in spending patterns from the previous year.

Changes in Net Assets The \$5,539 decline in expenses for the solid waste fund was attributable to a reduction in the amount of waste hauled to the Johnston Central Landfill. Costs to operate the cafeteria fund declined by \$35,568 or 3.6%.



Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the Town of South Kingstown's governmental funds reported combined ending fund balances of \$45,387,501. Approximately 66.5 percent of this total amount, \$30,185,715 constitutes unreserved fund balance of which \$9,285,482 is available for spending at the government's discretion within the Town's General Fund. The remaining unreserved fund balance of

Financial Analysis of the Government's Funds (Continued)

\$20,900,233 includes \$1,702,322 designated to help finance the 2010-2011 fiscal year budgets, \$1,000,000 designated to help pay for Superfund remediation costs, \$7,205,742 for special revenue funds, \$9,576,489 earmarked for capital project funds, and \$1,415,680 for permanent purpose trust funds. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period (\$2,134,095), 2) reserved for various endowments (\$13,041,611), and 3) reserved for future expenses, which have been prepaid (\$26,080).

The General Fund is the chief operating fund of the Town of South Kingstown. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$11,485,482 while total fund balance reached \$11,507,615. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total General Fund budgeted expenditures. Unreserved fund balance represents 15.8 percent of the 2011 FY Adopted General Fund Expenditure Budget, while total fund balance represents 15.9 percent of that same amount.

The fund balance of the Town of South Kingstown's General Fund declined by \$73,953 during the current fiscal year. Key factors in this reduction are as follows:

- The Town designated \$1,200,000 of fund balance to help finance the 2009-2010 general fund budget. The planned drawdown of fund balance was consistent with prior year use of fund balance.
- The difference between the GAAP basis of accounting and the budgetary basis of accounting is the result of recognizing the fund balance designation of \$1,200,000, as a revenue under the budgetary basis but not the GAAP basis. In addition, accounting for encumbrances resulted in another \$24,718 in budgetary basis expenditures being less than the GAAP basis.
- A budgetary basis operating surplus in the general fund of \$1,150,767. Expenditures under budget contributed \$517,313 to the surplus, while revenues finished the fiscal year with a \$703,279 surplus. Other financing sources under budget reduced the surplus by \$69,825.
- Mid-year cutbacks in expenditures, which included a hiring freeze of non-essential positions, and an overall reduction to departments' budgeted appropriations, allowed the Town to achieve savings of \$517,313 on the expenditure side. The cutbacks were mandated by the Town Manager, based on an anticipated cut in state aid as a result of the Governor's proposed mid year budget cut of the Motor Vehicle Excise Tax revenue from the State. The final General Assembly supplemental budget, approved in May 2010, restored a significant amount of the motor vehicle excise tax cut that the Governor had proposed. Favorable expenditure variances of significance included savings in the public safety accounts (\$92,532), general government accounts (\$51,100), public works (\$33,437), recreation (\$67,002) debt service (\$128,744) and employee benefits (\$97,170). The employee benefit savings were the result of the enacted hiring freeze, which resulted in reduced employer costs associated with Social Security and retirement contributions.
- Positive budget variances in the revenue accounts such as property taxes (\$467,920), licenses and fees (\$188,158), miscellaneous revenues (\$122,080) and state aid revenues (\$70,536) all contributed to the budgetary surplus. Offsetting these positive variances were shortfalls in investment income (\$144,861) and departmental revenues (\$554).

Financial Analysis of the Government's Funds (Continued)

The school fund has a total fund balance of \$2,897,412 of which \$51,145 is committed to liquidate contracts and purchase orders of the prior period, \$11,573 is reserved for prepaid expenditures and \$484,322 is designated to help finance the 2010-2011 fiscal year budget. The remaining balance of \$2,350,372 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 assets in the water fund at the end of the fiscal year amounted to \$1,215,018, an increase of \$207,453. Unrestricted net assets in the wastewater fund increased by \$304,963 to a total of \$2,672,933. The solid waste fund finished the year with unrestricted net assets of \$1,292,248, which was a decrease in value of \$103,770, while the school cafeteria operations decreased by \$1,130 to a deficit position of \$72,870.

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 2009-2010 fiscal year with a \$1,150,767 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, 2010 amounts to \$111,280,048 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, infrastructure, and construction in progress. The total decline in the Town of South Kingstown's investment in capital assets for the current fiscal year was 1.45 percent (a .12 percent decrease for governmental activities and a 2.2 percent decline for business-type activities).

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

- The purchase of land development rights for the thirty-five acres of the Carpenter Farm property for \$538,612.
- The purchase of the St. Dominic Savio property at a cost of \$702,432. The 13.4 acre parcel of land will be held in reserve for future municipal service needs.
- Various capital improvement projects to town recreational facilities accounted for an additional \$101,394 in acquisitions.
- Improvements to the Police Department's communication equipment resulted in costs of \$152,049 being capitalized. The improvements included the replacement of the digital voice recording system, installation of new fire dispatch equipment and the purchase of the remainder of the radio equipment needed to effect the migration to a 800mhz system.
- Construction in progress at June 30, 2010 totaled \$503,157 based on several ongoing projects.

Capital Asset and Debt Administration (Continued)

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

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 13,669	\$ 12,405	\$ 1,587	\$ 1,586	\$ 15,256	\$ 13,991
Land Improvements	7,871	7,898	2,236	2,290	10,107	10,188
Buildings	17,554	18,126	4,258	4,462	21,812	22,588
Building Improvements	23,849	24,944	1,913	1,998	25,762	26,942
Equipment	3,628	3,654	2,665	2,687	6,293	6,341
Vehicles	2,074	2,191	98	65	2,172	2,256
Infrastructure	17,451	18,202	11,914	12,150	29,365	30,352
Construction in Progress	503	254	- 0	-	512	254
Total	\$ 86,599	\$ 87,674	\$ 24,680	\$ 25,238	\$ 111,279	\$ 112,912

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

Long-term debt. At the end of the current fiscal year, the Town of South Kingstown had total bonded debt outstanding of \$30,082,166, entirely backed by the full faith and credit of the Town. Bonds authorized but unissued totaled an additional \$12,715,000.

State statutes limit the amount of general obligation bonded debt a town can issue to 3 percent of net assessed property values. However, all bonds approved through State enabling legislation and voter referendums are exempt from the limit. At June 30, 2010, the Town had a debt limit of \$158,458,937. Of the Town's \$30,082,166 in debt outstanding, \$5,911,770 is subject to the Town's legal debt limit. A balance of \$152,547,167 exists within the legal limit for additional bonds to be issued.

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

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
General Obligation Bonds	\$27,085	\$29,405	\$2,997	\$3,285	\$30,082	\$32,690

The Town's total bonded debt declined by \$2,608,217 (8.7 percent) during the 2010 fiscal year. During the year principal payments of \$3,888,217 were made to reduce existing debt. The Town did issue \$1,280,000 in new debt during the fiscal year.

Capital Asset and Debt Administration (Continued)

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

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

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

Economic Factors and Next Year's Budgets and Rates

- Based on the difficult economic environment in which the Town was operating, the 2011 fiscal year budget was reduced by \$666,953 in comparison to the 2010 fiscal year budget.
- The State of Rhode Island continues to have significant budget deficit problems, which could result in a mid-year loss of state aid received by the Town and the School Department.
- Property tax revenues for the fiscal year 2011 reflect an increase in the Town's tax levy of 1.54 percent or \$995,259 greater than the previous fiscal year. The property tax rate increased from \$12.09 to \$14.19 per thousand dollars of assessed value. Total taxable property decreased by \$735,144,144 from \$5,281,964,577 to \$4,546,820,643. The 14% decline in values and the increase in the tax rate were generally associated with the completion of the state mandated statistical property revaluation.
- Based on a declining debt service schedule, combined with savings achieved through a November 2009 refinanced bond issue, debt service costs were reduced by \$372,580. The pay-as-you-go portion of the 2010-11 FY Capital Budget was reduced by \$185,000.

During the current fiscal year, unreserved fund balance in the General Fund declined to \$11,507,615. The Town of South Kingstown has designated \$1,200,000 of this amount for spending in the 2011 fiscal year budget.

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

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TOWN OF SOUTH KINGSTOWN

BASIC FINANCIAL STATEMENTS

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

EXHIBIT A-1

**Statement of Net Assets
June 30, 2010**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 40,623,787	\$ 5,784,036	\$ 46,407,823
Investments	13,462,286		13,462,286
Accounts receivable	1,034,938	777,686	1,812,624
Internal balances	(27,565)	27,565	-
Due from federal and state governments	1,740,643	24,050	1,764,693
Prepays	235,788	-	235,788
Total Current Assets	57,069,877	6,613,337	63,683,214
Noncurrent Assets:			
Deferred charges - refunding	391,296		391,296
Deposits	175,300		175,300
Deferred charges - bond issuance	275,959	15,209	291,168
Capital assets not being depreciated	14,172,532	1,595,809	15,768,341
Capital assets, net of accumulated depreciation	72,427,105	23,084,602	95,511,707
Total Noncurrent Assets	87,442,192	24,695,620	112,137,812
TOTAL ASSETS	144,512,069	31,308,957	175,821,026
LIABILITIES:			
Current Liabilities:			
Accounts payable	2,230,179	466,330	2,696,509
Accrued liabilities	4,839,492	87,361	4,926,853
Due to federal and state governments	36,724	207,292	244,016
Unearned revenue	1,091,083	516,417	1,607,500
Deposits held in custody of others	172,040	-	172,040
Current portion of compensated absences	1,750,000	105,000	1,855,000
Current portion of claims and judgements	68,403	-	68,403
Current portion of bonds	3,435,000	295,547	3,730,547
Total Current Liabilities	13,622,921	1,677,947	15,300,868
Noncurrent Liabilities:			
Compensated absences	2,604,824	138,817	2,743,641
Accrued claims and judgements	1,902,380	-	1,902,380
General obligation bonds, net	23,650,000	2,701,619	26,351,619
Total Noncurrent Liabilities	28,157,204	2,840,436	30,997,640
TOTAL LIABILITIES	41,780,125	4,518,383	46,298,508
NET ASSETS:			
Invested in capital assets net of related debt	59,514,637	21,683,245	81,197,882
Restricted for:			
Endowments:			
Expendable	2,096,892		2,096,892
Nonexpendable	12,360,399		12,360,399
Unrestricted	28,760,016	5,107,329	33,867,345
TOTAL NET ASSETS	\$ 102,731,944	\$ 26,790,574	\$ 129,522,518

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

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

Statement of Activities
For the Year Ended June 30, 2010

Functions/Programs:	Program Revenues				Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services, Fees & Licenses	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities
Governmental activities:						
General government	\$ 9,181,646	\$ 3,544,928	\$ 888,848	\$ 337,050	\$ (4,410,820)	\$ (4,410,820)
Public safety	6,586,666	878,852	-	-	(5,707,814)	(5,707,814)
Public works	3,123,570	77,269	79,452	-	(2,966,849)	(2,966,849)
Human service agency contributions	166,750	-	-	-	(166,750)	(166,750)
Public libraries	1,015,013	28,448	241,745	-	(744,820)	(744,820)
Education	62,584,202	915,874	13,096,921	81,090	(48,490,317)	(48,490,317)
Recreation	2,238,241	863,176	12,738	260,170	(1,102,157)	(1,102,157)
Interest on long-term debt	1,236,605	-	278,225	-	(958,380)	(958,380)
Total governmental activities	86,132,693	6,308,547	14,597,929	678,310	(64,547,907)	(64,547,907)
Business-type activities:						
Wastewater	3,084,902	3,093,623	-	-	\$ 8,721	8,721
Solid Waste	471,896	425,240	-	-	(46,656)	(46,656)
Water	805,924	922,164	-	-	116,240	116,240
School Cafeteria	956,998	679,823	274,624	-	(2,551)	(2,551)
Total business-type activities	5,319,720	5,120,850	274,624	-	75,754	75,754
Total	\$ 91,452,413	\$ 11,429,397	\$ 14,872,553	\$ 678,310	\$ (64,547,907)	(64,472,153)
General revenues:						
Property taxes					64,729,407	64,729,407
Motor vehicle phase-out taxes					1,876,190	1,876,190
Telephone and hotel taxes					372,981	372,981
Grants and aid not restricted for a specific program					1,440,551	1,440,551
Unrestricted investment earnings					1,822,022	1,867,408
Transfers					(16,155)	-
Total general revenues and transfers					70,224,996	70,286,537
Change in Net assets					5,677,089	5,814,384
Net assets - beginning of year					97,054,855	123,708,134
Net assets - ending of year					\$ 102,731,944	\$ 129,522,518

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

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

Balance Sheet
Governmental Funds
June 30, 2010

	General Fund	School Unrestricted Fund	School Trust Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and cash equivalents	\$ 30,392,470	\$ 724	\$ 490,800	\$ 7,706,415	\$ 38,590,409
Investments			12,538,973	923,313	13,462,286
Accounts and other receivable	990,414	6,079	3,195	35,250	1,034,938
Due from federal and state governments		460,059		1,280,584	1,740,643
Prepaid expenditures	3,667	11,573		10,840	26,080
Due from other funds	80,995	6,893,481		9,918,840	16,893,316
TOTAL ASSETS	\$ 31,467,546	\$ 7,371,916	\$ 13,032,968	\$ 19,875,242	\$ 71,747,672
LIABILITIES AND FUND BALANCES:					
LIABILITIES:					
Accounts payable	\$ 351,416	\$ 1,140,956		\$ 403,111	\$ 1,895,483
Retainage payable	-			13,760	13,760
Accrued liabilities	952,158	3,284,358		109,960	4,346,476
Due to federal & state governments	36,724			-	36,724
Due to other funds	17,590,047	41,985	\$ 99,991	653,838	18,385,861
Deferred revenues	857,546	7,205	-	645,076	1,509,827
Deposits held in custody for others	172,040				172,040
TOTAL LIABILITIES	19,959,931	4,474,504	99,991	1,825,745	26,360,171
FUND BALANCES:					
Reserved for prepaid expenditures	3,667	11,573	-	10,840	26,080
Reserved for encumbrances	18,466	51,145		2,064,484	2,134,095
Reserved for endowments			12,316,145	725,466	13,041,611
Unreserved:					
Designated for General Fund	2,200,000				2,200,000
Designated for Special Revenue Funds		484,322		18,000	502,322
General fund	9,285,482				9,285,482
Special revenue funds		2,350,372		4,855,370	7,205,742
Capital project funds				9,576,489	9,576,489
Permanent Purpose Trust funds			616,832	798,848	1,415,680
TOTAL FUND BALANCES	11,507,615	2,897,412	12,932,977	18,049,497	45,387,501
TOTAL LIABILITIES AND FUND BALANCES	\$ 31,467,546	\$ 7,371,916	\$ 13,032,968	\$ 19,875,242	\$ 71,747,672

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

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

Balance Sheet
Governmental Funds
June 30, 2010

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

Total Fund Balance reported in Exhibit B-1

\$ 45,387,501

Capital assets used in governmental activities are not financial resources and, therefore are not reported in the Gov't Fund balance sheet

86,599,637

Deferred bond issuance costs and other debt charges resulting from issuance of refunding and advance refunding bonds. These charges have been included in the governmental activities in the Statement of Net Assets.

667,255

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities are reported in the Statement of Net Assets.

(33,410,607)

Deferred tax revenues (net of an allowance for uncollectibles) are recorded in the funds, but are not deferred under the measurement focus employed in the Statement of Net Assets.

644,717

Internal Service funds are recorded as proprietary funds in the fund financial statements but are recorded as governmental activities on the government-wide financial statements.

3,069,414

Net premium on refunding has been recorded as deferred revenue on the Statement of Net Assets

(225,973)

Total Net Assets reported in Exhibit A-1

\$ 102,731,944

(CONCLUDED)

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

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

EXHIBIT B-2

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year the Ended June 30, 2010**

	General Fund	School Unrestricted Fund	School Trust Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:					
General property taxes	\$ 64,686,811				\$ 64,686,811
Intergovernmental	4,209,692	\$ 8,585,095		\$ 2,968,298	15,763,085
State Federal Stabilization Fund		714,097			714,097
Licenses and fees	1,152,773			871,512	2,024,285
Investment income (loss)	355,139		\$ 1,290,305	163,375	1,808,819
Fines and charges				1,135,127	1,135,127
Departmental	1,002,911				1,002,911
Contributions				289,618	289,618
State on behalf pension contribution		2,008,361			2,008,361
Other	441,834	912,649		26,597	1,381,080
TOTAL REVENUES	71,849,160	12,220,202	1,290,305	5,454,527	90,814,194
EXPENDITURES:					
Current:					
General government	2,486,301				2,486,301
Public safety	6,036,189				6,036,189
Public works	1,951,422				1,951,422
Human service agency contributions	166,750				166,750
Public libraries	918,449				918,449
Education		59,389,737		2,130,220	61,519,957
Recreation	1,253,467			742,502	1,995,969
Other	4,720,913		52,153	1,613,589	6,386,655
Debt Service:					
Principal	3,468,093			55,000	3,523,093
Bond issuance cost	54,021			29,895	83,916
Interest and other costs	1,174,036			12,425	1,186,461
Capital:					
Capital expenditures	192,821			1,899,147	2,091,968
TOTAL EXPENDITURES	22,422,462	59,389,737	52,153	6,482,778	88,347,130
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	49,426,698	(47,169,535)	1,238,152	(1,028,251)	2,467,064
OTHER FINANCING SOURCES (USES)					
Issuance of bonded debt				1,229,895	1,229,895
Proceeds from refunding bonds	2,060,928				2,060,928
Payments to refunded bonds escrow agent	(2,006,907)				(2,006,907)
Transfers in	1,027,607	47,930,341	-	3,468,029	52,425,977
Transfers out	(50,582,279)	(271,537)	(460,221)	(1,128,095)	(52,442,132)
TOTAL OTHER FINANCING SOURCES (USES)	(49,500,651)	47,658,804	(460,221)	3,569,829	1,267,761
NET CHANGE IN FUND BALANCES	(73,953)	489,269	777,931	2,541,578	3,734,825
FUND BALANCE AT BEGINNING OF YEAR	11,581,568	2,408,143	12,155,046	15,507,919	41,652,676
FUND BALANCE AT END OF YEAR	\$ 11,507,615	\$ 2,897,412	\$ 12,932,977	\$ 18,049,497	\$ 45,387,501

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds (Exhibit B-2) to the Statement of Activities (Exhibit A-2)
Year Ended June 30, 2010**

Net Change in Fund Balances - Total Governmental Funds (Exhibit B-2):	\$ 3,734,825
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(964,432)
Governmental funds report proceeds from debt issuance as other financing sources. However such proceeds are not reported in the statement of activities.	(3,290,823)
Governmental funds report payments to refunded bond escrow agents as an other financing use. Payments made to bond escrow agents have no impact on the statement of activities.	2,006,907
Governmental funds do not recognize gains or losses on the sale or disposal of capital assets. The statement of activities includes losses on the disposal of fixed assets during 2010.	(109,160)
Governmental funds report principal repayments on debt obligations as an expenditure. However, the repayment of principal has no effect on the net assets.	3,523,093
Governmental funds do not report estimated accrued claims and judgements as a liability in the Fund Statements if they are not going to be paid with current available resources. These liabilities are reported in the government-wide financial statements as long-term debt. This adjustment reflects the increase in the estimate from the amount reported at June 30, 2010	(8,258)
Governmental funds report debt issuance costs and premiums on debt financing when they occur. The net effect of these transactions on the statement of activities and changes in net assets was.	10,098
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds. Net deferred tax revenue increased from fiscal 2009.	42,596
Excess of internal service funds' revenues over expenses, reported as governmental fund activity in the statement of activities and changes in net assets.	878,256
Increase in compensated absences. The governmental fund reflects this activity when it will be paid with measurable and available resources. The change from prior year balances is reflected in the statement of activities and changes in net assets.	<u>(146,013)</u>
Change in Net Assets of Governmental Activities in the Statement of Activities (Exhibit A-2)	<u>\$ 5,677,089</u>

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund - Budgetary Basis****For the Year Ended June 30, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues and Designated Fund Balance:				
Property taxes:				
Current taxes	\$ 63,223,529	\$ 63,223,529	\$ 63,580,542	\$ 357,013
Prior taxes	400,000	400,000	531,199	131,199
Total taxes current and prior	63,623,529	63,623,529	64,111,741	488,212
Interest on taxes	350,000	350,000	318,264	(31,736)
Payment in lieu of taxes	245,362	245,362	256,806	11,444
Total property taxes	64,218,891	64,218,891	64,686,811	467,920
State aid - Town:				
General state aid	-	-	139,325	139,325
Telephone tax	245,156	245,156	271,518	26,362
Meals and Beverage tax	500,000	500,000	533,328	33,328
Chapter 26 - School housing	1,058,200	1,058,200	1,042,384	(15,816)
State library construction	46,138	46,138	46,138	-
State library general aid	166,635	166,635	175,702	9,067
State library endowment aid	23,027	23,027	23,644	617
State motor vehicle phase-out	2,000,000	2,000,000	1,876,190	(123,810)
Hotel tax	100,000	100,000	101,463	1,463
Total state aid - Town	4,139,156	4,139,156	4,209,692	70,536
Licenses, fees and rents:				
Business licenses and fees	369,000	369,000	392,452	23,452
Nonbusiness licenses and fees	270,000	270,000	355,365	85,365
Real Estate conveyance fees	55,615	55,615	66,627	11,012
Rental of Town properties	270,000	270,000	338,329	68,329
Total licenses, fees and rents	964,615	964,615	1,152,773	188,158
Investment income - short term				
	500,000	500,000	355,139	(144,861)
Departmental revenues:				
Police department revenues	199,610	199,610	194,052	(5,558)
Park rental revenue	16,000	16,000	17,691	1,691
Town beach parking	82,850	82,850	100,775	17,925
Boat and mooring	13,500	13,500	26,028	12,528
Animal control fees	4,000	4,000	2,365	(1,635)
Libraries	30,000	30,000	28,448	(1,552)
Dog/cat licenses and fines	5,000	5,000	4,528	(472)
Planning department	400	400	309	(91)
Recreation department	198,895	198,895	221,138	22,243
Recreation self-support program	123,260	123,260	94,214	(29,046)
Wastewater department	34,000	34,000	34,200	200
Water department	18,700	18,700	18,600	(100)
Solid waste department	14,000	14,000	14,000	-
Guild	5,000	5,000	5,000	-
Fire alarm	7,000	7,000	1,945	(5,055)
Interfund computer	101,235	101,235	103,140	1,905
Peace Dale office	2,800	2,800	2,700	(100)
Stepping stone - creative	63,240	63,240	56,780	(6,460)
Stepping stone - self supported	5,500	5,500	2,503	(2,997)
Recreation Dept - Outside Sponsors	17,975	17,975	14,758	(3,217)
Narragansett - Dog Pound	59,000	59,000	59,000	-
Geographic information systems program	1,500	1,500	737	(763)
Total departmental revenues	1,003,465	1,003,465	1,002,911	(554)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund - Budgetary Basis****For the Year Ended June 30, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Miscellaneous revenues:				
School crossing guards	82,000	82,000	74,700	(7,300)
Payroll and accounting	6,300	6,300	6,300	-
School field maintenance reimbursement	49,578	49,578	49,578	-
Energy savings	40,000	40,000	52,522	12,522
Heat detector	3,400	3,400	3,400	-
Miscellaneous - Town	115,500	115,500	228,689	113,189
Copy charges	23,000	23,000	26,669	3,669
Total miscellaneous	319,778	319,778	441,858	122,080
Use of June 30, 2009 designated fund balance				
	1,200,000	1,200,000	1,200,000	-
Total revenues and designated fund balance	72,345,905	72,345,905	73,049,184	703,279
Expenditures:				
General government:				
Town council	12,850	13,884	13,884	-
Financial town meeting	9,608	608	-	608
Legal staff	163,216	163,216	154,705	8,511
Probate judge	4,000	4,000	4,000	-
Town clerk	259,382	242,582	239,291	3,291
Public information	4,847	3,539	3,539	-
Canvassing authority	39,234	29,234	26,164	3,070
Town manager's office	311,919	267,650	266,466	1,184
Personnel administration	77,684	72,684	67,799	4,885
League of cities and towns	11,115	11,115	11,115	-
Town hall operations	177,413	147,413	139,598	7,815
Finance department	463,424	443,424	438,724	4,700
Tax assessor's office	240,054	240,054	239,114	940
Assessment board of review	400	400	60	340
Data processing division	236,110	258,653	258,653	-
Geographic information systems	86,020	82,020	81,804	216
Post year audit	22,275	12,275	9,580	2,695
Planning board	4,680	4,680	3,460	1,220
Planning department	277,166	275,166	267,440	7,726
Zoning board of review	12,850	12,850	10,719	2,131
Zoning/building inspection	227,965	217,965	216,197	1,768
Miscellaneous boards and agencies	23,000	23,000	23,000	-
Total general government	2,665,212	2,526,412	2,475,312	51,100
Public safety:				
Police department	5,072,971	4,666,426	4,594,018	72,408
Animal control - RD/shelter	211,795	186,795	176,303	10,492
Radio/communication	188,916	170,916	161,284	9,632
Harbor patrol	32,215	33,750	33,750	-
Fire company donation	3,600	3,600	3,600	-
Emergency medical services	1,068,345	1,073,355	1,073,355	-
Total public safety	6,577,842	6,134,842	6,042,310	92,532
Public works:				
Public works administration	252,461	230,218	228,162	2,056
Streets and highway	1,794,836	1,549,836	1,530,640	19,196
Tree warden	23,984	31,227	31,227	-
Street lighting	190,000	175,000	162,815	12,185
Total public works	2,261,281	1,986,281	1,952,844	33,437

(CONTINUED)

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

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund - Budgetary Basis****For the Year Ended June 30, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Human service agency contributions:				
South Shore Mental Health	17,750	17,750	17,750	-
Visiting Nurses Association	29,000	29,000	29,000	-
Thundermist Health Center	29,000	29,000	29,000	-
Phoenix Marathon House	15,000	15,000	15,000	-
South County Community Action	30,000	30,000	30,000	-
Washington County Coalition for Children	500	500	500	-
Cane Day Care Center	10,000	10,000	10,000	-
Hospice of Washington County	1,750	1,750	1,750	-
Domestic Violence Resource Center	5,000	5,000	5,000	-
Jonnycake Center	20,000	20,000	20,000	-
Welcome House of South County	5,000	5,000	5,000	-
Volunteers Center of RI	750	750	750	-
Education Exchange	3,000	3,000	3,000	-
Total human service agency contributions	166,750	166,750	166,750	-
Recreation:				
Recreation department	1,313,269	1,313,269	1,248,946	64,323
Celebrations	7,200	7,200	4,521	2,679
Total recreation	1,320,469	1,320,469	1,253,467	67,002
Public libraries	952,252	932,252	918,449	13,803
Capital improvements/projects	271,000	186,000	171,571	14,429
Miscellaneous:				
Insurance	210,000	185,000	162,690	22,310
Unemployment insurance	40,000	40,000	48,215	(8,215)
Contingency	70,000	5,000	-	5,000
FICA	786,526	776,526	722,873	53,653
Contribution to Town retirement	775,513	770,513	740,527	29,986
Health insurance	2,913,895	2,913,895	2,913,895	-
Police pension	21,245	21,245	21,244	1
Workers' compensation	150,000	125,000	111,469	13,531
Total miscellaneous	4,967,179	4,837,179	4,720,913	116,266
Debt Service	4,770,873	4,770,873	4,642,129	128,744
Total expenditures	23,952,858	22,861,058	22,343,745	517,313
Excess of revenues and designated fund balance over expenditures	48,393,047	49,484,847	50,705,439	1,220,592

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund - Budgetary Basis****For the Year Ended June 30, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Other financing sources (uses):				
Operating transfers:				
From Capital Project Funds	501,139	501,139	501,139	-
From School Trust Funds	12,000	12,000	17,382	5,382
From Permanent Trust Funds	30,000	30,000	22,775	(7,225)
From Special Revenue Funds	561,163	561,163	486,311	(74,852)
To Compensated Absences Special Revenue Fund	-	(450,000)	(450,000)	-
To Wastewater Fund	(23,025)	(23,025)	(16,155)	6,870
To Elderly Services Fund	(414,396)	(414,396)	(414,396)	-
To Municipal Planning Services	(15,000)	(21,800)	(21,800)	-
Tax transfer to School Fund	(47,909,928)	(47,909,928)	(47,909,928)	-
To Other Special Revenue Funds	(100,000)	(335,000)	(335,000)	-
To Capital Project Funds	(1,035,000)	(1,435,000)	(1,435,000)	-
Total other financing uses	(48,393,047)	(49,484,847)	(49,554,672)	(69,825)
Excess of revenues, other sources and uses of designated fund balance over expenditures and other financing uses	\$ -	\$ -	\$ 1,150,767	\$ 1,150,767

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

EXHIBIT C-2

**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
School Unrestricted Fund - Budgetary Basis**

For the Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
State aid	\$ 10,364,027	\$ 10,364,027	\$ 8,585,095	\$ (1,778,932)
State Federal Stabilization Funds	-	-	714,097	714,097
Tuition	125,185	125,185	138,533	13,348
Miscellaneous	818,223	818,223	774,116	(44,107)
Total revenues	<u>11,307,435</u>	<u>11,307,435</u>	<u>10,211,841</u>	<u>(1,095,594)</u>
Expenditures:				
Salaries	34,210,016	34,226,769	33,793,898	432,871
Employee benefits	14,935,271	14,935,271	14,407,916	527,355
Purchased services	8,474,773	8,436,839	7,421,125	1,015,714
Supplies and materials	1,562,735	1,571,060	1,590,066	(19,006)
Capital outlay	414,168	427,024	380,129	46,895
Total expenditures	<u>59,596,963</u>	<u>59,596,963</u>	<u>57,593,134</u>	<u>2,003,829</u>
Excess of revenues over (under) expenditures before other financing sources (uses)	<u>(48,289,528)</u>	<u>(48,289,528)</u>	<u>(47,381,293)</u>	<u>908,235</u>
Other financing sources (uses):				
Operating transfer from Town of South Kingstown General Fund	47,909,928	47,909,928	47,909,928	0
Operating transfer from Town of South Kingstown Trust Funds	20,000	20,000	20,413	413
Transfer to School Restricted Fund - Summer School	0	0	(13,243)	(13,243)
Transfer to School Improvement Capital Project Fund	(15,000)	(15,000)	(15,000)	0
Use of June 30, 2009 designated fund balance	374,600	374,600	374,600	0
Total other financing sources (uses)	<u>48,289,528</u>	<u>48,289,528</u>	<u>48,276,698</u>	<u>(12,830)</u>
Excess of revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 895,405</u>	<u>\$ 895,405</u>

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

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

Statement of Net Assets
Proprietary Funds
June 30, 2010

	Business-type Activities-Enterprise Funds							Governmental Activities		
	Wastewater (current year)	Wastewater (prior year)	Solid Waste (current year)	Solid Waste (prior year)	Water (current year)	Water (prior year)	School Cafeteria (current year)	School Cafeteria (prior year)	Totals (current year)	Health Care Management Internal Service Fund
ASSETS:										
Current Assets:										
Cash and cash equivalents	\$ 3,353,592	\$ 2,878,673	\$ 1,212,031	\$ 1,308,737	\$ 1,192,383	\$ 910,582	\$ 26,030	\$ 58,382	\$ 5,784,036	\$ 2,033,378
Accounts and other receivables, net	565,410	606,597	41,298	77,480	155,760	199,581	15,218	30,117	777,686	209,708
Due from federal and state governments		3,024					24,050	26,107	24,050	
Due from other funds			64,692	40,755			5,596	9,280	70,288	1,464,980
Prepaid expenses										
Total Current Assets	3,919,002	3,488,294	1,318,021	1,426,972	1,348,143	1,110,163	70,894	123,886	6,656,060	3,708,066
Noncurrent Assets:										
Deposits										175,300
Capital assets not being depreciated	178,931	169,651	1,005,003	1,005,003	411,875	411,875			1,595,809	
Capital assets, net of accumulated depreciation	16,842,144	17,185,323	2,211,992	2,275,050	4,021,480	4,181,539	8,986	10,407	23,084,602	
Total Noncurrent Assets	17,021,075	17,354,974	3,216,995	3,280,053	4,433,355	4,593,414	8,986	10,407	24,680,411	175,300
TOTAL ASSETS	20,940,077	20,843,268	4,535,016	4,707,025	5,781,498	5,703,577	79,880	134,293	31,336,471	3,883,366
LIABILITIES:										
Current Liabilities:										
Accounts payable	230,920	85,600	30,198	36,027	61,448	27,738	143,764	195,626	466,330	320,936
Accrued liabilities	80,589	42,584			6,772	5,989			87,361	493,016
Due to federal and state governments	207,292	48,760							207,292	
Due to other funds	21,634	189,797			21,089	27,897			42,723	
Deferred revenue	516,417	549,820							516,417	
Current portion of compensated absences	80,000	85,000	3,700	3,000	21,300	25,000			105,000	
Current portion of bonds	80,378	78,555	135,169	131,662	80,000	78,000			295,547	
Total Current Liabilities	1,217,230	1,080,116	169,067	170,689	190,609	164,624	143,764	195,626	1,720,670	813,952
Noncurrent Liabilities:										
General obligation bonds, net of current portion	463,465	543,842	2,072,154	2,207,323	166,000	246,000			2,701,619	
Deferred bond issuance costs, net	(4,204)	(5,606)	(11,005)	(11,715)					(15,209)	
Compensated absences	113,421	124,369	2,880	3,642	22,516	15,974			138,817	
Total Noncurrent Liabilities	572,682	662,605	2,064,029	2,199,250	188,516	261,974			2,825,227	
TOTAL LIABILITIES	1,789,912	1,742,721	2,233,096	2,369,939	379,125	426,598	143,764	195,626	4,545,897	813,952
NET ASSETS:										
Invested in capital assets, net of related debt	16,477,232	16,732,577	1,009,672	941,068	4,187,355	4,269,414	8,986	10,407	21,683,245	
Unrestricted	2,672,933	2,367,970	1,292,248	1,396,018	1,215,018	1,007,565	(72,870)	(71,740)	5,107,329	3,069,414
TOTAL NET ASSETS	\$ 19,150,165	\$ 19,100,547	\$ 2,301,920	\$ 2,337,086	\$ 5,402,373	\$ 5,276,979	\$ (63,884)	\$ (61,333)	\$ 26,790,574	\$ 3,069,414

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

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2010

	Business-type Activities-Enterprise Funds										Governmental Activities	
											Health Care	
	Wastewater (current year)	Wastewater (prior year)	Solid Waste (current year)	Solid Waste (prior year)	Water (current year)	Water (prior year)	School Cafeteria (current year)	School Cafeteria (prior year)	Totals (current year)	Management Internal Service Fund		
OPERATING REVENUES:												
Charges for usage and service	\$ 2,571,850	\$ 2,674,856	\$ 361,739	\$ 369,265	\$ 877,296	\$ 913,335	\$ 679,823	\$ 721,789	\$ 4,490,708	\$	\$	\$ 12,119,453
Other revenues	521,773	405,887	63,501	109,275	44,868	26,992			630,142			
Total Operating Revenues	3,093,623	3,080,743	425,240	478,540	922,164	940,327	679,823	721,789	5,120,850			12,119,453
OPERATING EXPENSES:												
Wells												
Pumping	387,250	367,869			134,715	145,674			134,715			
Distribution					9,677	10,637			396,927			
Treating and sludge					18,493	22,582			18,493			
Transportation and disposal									1,331,869			
Other operating	136,424	128,919	292,879	297,899					292,879			
Administrative and general	579,068	596,913	6,367	3,504	407,795	398,469			142,791			
Health care management									1,056,459			309,100
Depreciation and amortization									825,594			10,945,300
School cafeteria operations	578,178	591,006	63,768	63,768	182,227	180,091	1,421	2,043	955,577			
Repairs and maintenance	58,528	73,306			52,265	27,301	955,577	990,523	110,793			
Total Operating Expenses	3,071,317	3,136,237	432,610	436,011	805,172	784,754	956,998	992,566	5,266,097			11,254,400
OPERATING INCOME (LOSS)	22,306	(55,494)	(7,370)	42,529	116,992	155,573	(277,175)	(270,777)	(145,247)			865,053
NONOPERATING REVENUES (EXPENSES):												
Investment income	24,742	58,773	11,490	28,862	9,154	20,724			45,386			13,203
Loss on disposal of capital assets	(467)	-	-	-	(752)	(245)			(1,219)			
State and federal grants	-	-	-	-					274,624			
Interest expense	(13,118)	(16,416)	(39,286)	(41,424)			274,624	265,866	(52,404)			
Net Nonoperating Revenues	11,157	42,357	(27,796)	(12,562)	8,402	20,479	274,624	265,866	266,387			13,203
INCOME (LOSS) BEFORE CONTRIBUTIONS												
Transfers in	33,463	(13,137)	(35,166)	29,967	125,394	176,062	(2,551)	(4,911)	121,140			878,256
Transfers (Out)	16,155	24,155	-	(106,128)	-	-	-	-	16,155			-
CHANGE IN NET ASSETS												
	49,618	11,018	(35,166)	(76,161)	125,394	176,062	(2,551)	(4,911)	137,295			878,256
TOTAL NET ASSETS - BEGINNING	19,100,547	19,089,529	2,337,086	2,413,247	5,276,979	5,100,927	(61,333)	(56,422)	26,653,279			2,191,158
TOTAL NET ASSETS - ENDING	\$ 19,150,165	\$ 19,100,547	\$ 2,301,920	\$ 2,337,086	\$ 5,402,373	\$ 5,276,979	\$ (63,884)	\$ (61,333)	\$ 26,790,574	\$	\$	3,069,414

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

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2010

	Business-type Activities- Enterprise Funds					Governmental Activities	
	Wastewater	Solid Waste	Water	School Cafeteria	Totals	Health Care Management	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES:							
Cash received from customers	\$ 3,104,431	\$ 461,422	\$ 965,985	\$ 694,722	\$ 5,226,560	\$	11,823,283
Cash received from providing services	(1,778,382)	(305,075)	(181,440)	(1,007,439)	(3,272,336)		
Cash paid to suppliers for goods and services and other operating payments	(557,011)	(69,658)	(410,978)		(1,037,647)		
Cash paid to employees							(10,743,372)
Cash paid for claims							(309,100)
Cash paid for other operating expenses							770,811
Net cash provided (used) by operating activities	769,038	86,689	373,567	(312,717)	916,577		
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:							
Transfers to (from) other funds	16,155	-	-		16,155		-
Nonoperating grants received				276,681	276,681		
Decrease (Increase) in due to (from) other funds		(23,937)		3,684	(20,253)		
Net cash provided (used) by noncapital financing activities	16,155	(23,937)	-	280,365	272,583		
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:							
Acquisition of capital assets	(243,344)	-	(22,920)	-	(266,264)		
Principal paid on bonds	(78,554)	(131,662)	(78,000)		(288,216)		
Interest paid on bonds	(13,118)	(39,286)			(52,404)		
Net cash provided (used) for capital and related financing activities	(335,016)	(170,948)	(100,920)	-	(606,884)		0
CASH FLOWS FROM INVESTING ACTIVITIES:							
Investment income	24,742	11,490	9,154	-	45,386		13,203
Net cash provided (used) by investing activities	24,742	11,490	9,154	-	45,386		13,203

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

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2010

	Business-type Activities- Enterprise Funds					Governmental Activities	
	Wastewater	Solid Waste	Water	School Cafeteria	Totals	Health Care	Management Internal Service Fund
	474,919	(96,706)	281,801	(32,352)	627,662	784,014	
	2,878,673	1,308,737	910,582	58,382	5,156,374	1,249,364	
	\$ 3,353,592	\$ 1,212,031	\$ 1,192,383	\$ 26,030	\$ 5,784,036	\$ 2,033,378	
	\$ 22,306	\$ (7,370)	\$ 116,992	\$ (277,175)	\$ (145,247)	\$ 865,053	
	578,178	63,768	182,227	1,421	825,594		
	(15,948)	(62)	2,842		(13,168)		
	41,187	36,182	43,821	14,899	136,089	(209,708)	
						(86,462)	
	3,024				3,024	(24,300)	
	145,320	(5,829)	33,710	(51,862)	121,339	276,370	
	38,005		783		38,788	(50,142)	
	(168,163)		(6,808)		(174,971)		
	158,532				158,532		
	(33,403)				(33,403)		
	\$ 769,038	\$ 86,689	\$ 373,567	\$ (312,717)	\$ 916,577	\$ 770,811	

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR

CASH AND CASH EQUIVALENTS AT END OF YEAR

Reconciliation of operating income (loss) to net cash provided (used) by operating activities:

Operating income (loss)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:
Depreciation and amortization expense
Increase in compensated absences
(Increase) decrease in accounts receivable
(Increase) decrease in due from other funds
(Increase) decrease in due from federal and state governments
(Increase) decrease in deposits
Increase (decrease) in accounts payable
Increase (decrease) in accrued liabilities
Increase (decrease) in due to other funds
Increase (decrease) in due to federal and state governments
Increase (decrease) in deferred revenue

Net cash provided (used) by operating activities

(CONCLUDED)

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

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010

	Cemetery Care Private - Purpose Trust Fund	OPEB Trust Fund	Agency Funds
ASSETS			
Cash and cash equivalents	\$ 184,267	\$ 666,205	\$ 287,237
Investments	-	354,410	12,034
Other receivables		1,060	
TOTAL ASSETS	<u>184,267</u>	<u>1,021,675</u>	<u>299,271</u>
LIABILITIES			
Accounts payable and accrued expenses	2,720		
Deposits held in custody for others			299,271
TOTAL LIABILITIES	<u>2,720</u>	<u>-</u>	<u>299,271</u>
NET ASSETS			
Funds held in trust	<u>\$ 181,547</u>	<u>\$ 1,021,675</u>	<u>\$ -</u>

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the year ended June 30, 2010

	Cemetery Care Private -Purpose Trust Fund	OPEB Trust Fund
ADDITIONS:		
Charges for services	\$ 2,250	
Employer contributions		\$ 512,900
Investment income	1,461	(4,125)
TOTAL ADDITIONS	<u>3,711</u>	<u>508,775</u>
DEDUCTIONS:		
Operating expenses in accordance with agreement	<u>8,204</u>	
TOTAL DEDUCTIONS	<u>8,204</u>	<u>-</u>
CHANGE IN NET ASSETS	(4,493)	508,775
NET ASSETS - BEGINNING OF YEAR	186,040	512,900
NET ASSETS - END OF YEAR	<u>\$ 181,547</u>	<u>\$ 1,021,675</u>

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

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity

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

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

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

The following entities were considered for classification as component units for fiscal year 2010.

- South Kingstown School Department
- Narragansett Library Association

Although these entities meet certain criteria of the tests listed above, neither entity is deemed to have a separate legal status apart from the Town. As a result, the financial data of the above entities have been included in the Governmental Funds within the Town's financial statements. There are no component units of the Town at June 30, 2010.

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

Government-Wide Financial Statements

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

Fund Financial Statements

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

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

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

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

Special Revenue Funds

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

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds (Continued)

Capital Project Funds

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

Permanent Funds

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

Proprietary Funds

Proprietary funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The Proprietary Funds include both Enterprise and Internal Service Funds. The Town has one Internal Service Fund which is used to pay medical and dental costs incurred by persons covered by the health benefit plan of the Town and to pay expenses incurred in connection with administering the plan.

Fiduciary Funds (Not included in government wide statements)

Agency Funds

Agency funds account for assets held by the Town in a purely custodial capacity. The reporting entity includes two agency funds at June 30, 2010. Since agency funds are custodial in nature (i.e. assets equal liabilities), they do not involve the measurement of results of operations. The agency funds are as follows:

- Unclaimed Estates
- Student Activities Fund

Private-purpose Trust Funds

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

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Major and Non-Major Funds

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

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

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Major and Non-Major Funds (Continued)

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

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus

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

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

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

Basis of Accounting

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

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

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

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

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

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

Assets, Liabilities, and Fund Equity

Cash

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

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

Investments

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

Accounts Receivable

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. The allowance for uncollectible accounts receivable amounted to \$522,502 at June 30, 2010. The allowance for uncollectible accounts includes \$504,002 for property taxes and \$18,500 for enterprise fund service fees. Major receivable balances for the governmental activities include property taxes (95% of balance). Business-type activities report service fees as its major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as property taxes collected within 60 days of year-end and grants and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions earned/measurable but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Fund Equity (Continued)

Property Taxes

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

Prepays

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

Property, Plant and Equipment

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

Government-Wide Statements

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

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

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

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

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

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Fund Equity (Continued)

Fund Financial Statements

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

Deferred Revenues

In the government-wide financial statements, deferred revenues represent funds received in advance of being earned/owed or receivables which will be collected and included in revenues of future fiscal years. In the General Fund, (of the fund financial statements), deferred revenues include property tax receivables which are assessed on December 31, 2008 and prior and are not collected within 60 days of June 30, 2010. Net deferred taxes included in the fund financial statements were \$644,717 at June 30, 2010.

Interfund Transactions

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

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

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity Classifications

Government-Wide Statements

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

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

Fund Financial Statements

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

Compensated Absences

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

Reconciliation of Government-wide and Fund Financial Statements

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities are not due and payable in the current period and therefore are not reported in the funds." The details of this \$33,410,607 are as follows:

Bonds payable	\$27,085,000
Accrued claims and judgments	1,970,783
Compensated absences	<u>4,354,824</u>
Total	<u>\$33,410,607</u>

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense." The details of this (\$964,432) difference are as follows:

Capital outlays	\$2,858,253
Depreciation expense	(3,822,685)
Net adjustment	(\$ 964,432)

Another element of the reconciliation states that "the governmental fund reflects this activity when it is paid with measurable and available resources." The details of the (\$146,013) are as follows:

Compensated absences at beginning of year	\$4,208,811
Compensated absences at end of year... ..	(4,354,824)
Net adjustment	(\$ 146,013)

Another element of that reconciliation states that, "Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds." The details of this \$42,596 difference are as follows:

Net deferred tax revenue - ending	\$644,717
Net deferred tax revenue – beginning	(602,121)
Net adjustment (increase net asset)	\$ 42,596

Recently Issued Accounting Standards

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

- ✓ GASB Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions, effective for the Town's fiscal year ending June 30, 2011.
- ✓ GASB Statement No. 57 – OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, full implementation effective for the Town's fiscal year ending June 30, 2011.
- ✓ GASB Statement No. 59 – Financial Instruments Omnibus, effective for the Town's fiscal year ending June 30, 2011.

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

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

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

2. BUDGETARY PROCESS

(a) Adoption

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

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

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

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

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

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

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

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

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

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

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

2. BUDGETARY PROCESS (Continued)

(b) General Fund

Actual General Fund expenditures on the Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budgetary Basis) (Exhibit C-1) are adjusted to reflect the budgetary basis of accounting which differs from actual expenditures recognized for the General Fund in the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds (Exhibit B-2) in that encumbrances are considered to be expenditures for budgetary purposes but not for GAAP purposes. Encumbrances for fiscal year 2010 and 2009 were \$18,466 and \$43,162 (net of \$24 voided encumbrance treated as miscellaneous revenue for budget purposes), respectively, resulting in a net difference of (\$24,696) (GAAP expenditures in excess of budgetary expenditures). In addition, bond issuance costs of \$54,021 incurred on issuance of a bond refunding is treated as expenditures for GAAP purposes but not reported for budgetary purposes. The total expenditures on a GAAP basis (\$22,422,462) exceed the budgetary basis expenditures (\$22,343,745) by \$78,717.

In addition, use of the previous year's fund balance designated for future operations is recognized as revenue on the budgetary basis but not on a GAAP basis. The amount of revenue recognized as such for the fiscal year ended June 30, 2010 was \$1,200,000. As noted in the first paragraph above, budget basis revenue also includes \$24 for a voided encumbrance from fiscal 2009. Therefore budget basis revenue exceeds GAAP basis revenue by \$1,200,024.

For GAAP purposes other financing sources includes \$54,021 of proceeds from refunding bonds in excess of the payments made to the refunding bond escrow agent. As a result of the accounting for encumbrances, use of prior years' fund balance, and the other financing sources noted above, the increase in fund balance of the General Fund as reported on a budgetary basis (Exhibit C-1) exceeds the increase in fund balance as reported in the fund statements (Exhibit B-2) by \$1,224,720.

(c) Special Revenue Funds

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

Encumbrances for fiscal year 2010 and 2009 were \$51,145 and \$82,681, respectively, resulting in a net difference of \$31,536 between actual expenditures on the fund statements and actual expenditures on a budgetary basis. Only the revenues and expenditures of special revenue funds which have legally adopted annual budgeted appropriations are included in Exhibit C-2. The Unrestricted School Fund is the only Special Revenue Fund classified as a major fund (as defined in Note 1, page 34) which legally adopts an annual budget.

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

REVENUES

Total School Unrestricted revenues, from Exhibit B-2 \$12,220,202

Adjustments:

State on behalf pension contribution not budgeted (2,008,361)

Total budgetary basis revenues, from Exhibit C-2 \$10,211,841

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

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

2. BUDGETARY PROCESS (Continued)

(c) Special Revenue Funds (Continued)

EXPENDITURES

Total School Unrestricted expenditures, from Exhibit B-2.....	\$59,389,737
Adjustments:	
Decrease in encumbrances	(31,536)
State on behalf pension contribution not budgeted.....	(2,008,361)
Add transfer to School Restricted Fund reported as an expenditure for budgetary purposes	<u>243,294</u>
Total budgetary basis expenditures from Exhibit C-2.....	<u>\$57,593,134</u>

OTHER FINANCING SOURCES (USES)

Total other financing sources (uses), from Exhibit B-2.....	\$47,658,804
Adjustments:	
Add transfer to School Restricted Fund reported as an expenditure for budgetary purposes	<u>243,294</u>
Add use of June 30, 2009 designated fund balance as another financing source for budgetary purposes	<u>374,600</u>
Total budgetary basis other financing sources (uses) from Exhibit C-2	<u>\$48,276,698</u>

Exhibit B-2 includes the School Trust Fund as a major fund of the Town of South Kingstown, Rhode Island. The School Trust Fund is a Permanent Fund; however, the Town does not legally adopt a budget for this fund. Accordingly, at June 30, 2010, there are no differences between GAAP and budgetary reporting of this fund.

3. RISK MANAGEMENT

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

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

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

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

3. RISK MANAGEMENT (Continued)

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

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

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

4. CASH AND INVESTMENTS

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

Deposits

The carrying amount of the Town's cash and cash equivalents at June 30, 2010 was \$47,545,532 (including Fiduciary Funds) while the bank balance was \$48,655,377. Of the bank balance, \$37,570,870 was covered by federal depository insurance and \$11,084,507 was uninsured. The Town has entered into collateralization agreements with various financial institutions and as a result, \$11,083,967 of the uninsured balance at June 30, 2010 was collateralized by securities held by the financial institutions and/or third parties in the name of the Town. The remaining uninsured balance of \$540 was held in money market and other accounts which were not covered by collateralization agreements.

Investments

At June 30, 2010 the Town's investments totaled \$13,828,730 (including those held in Fiduciary Funds) and consisted of the following:

	Fair Value	Interest Rate	Maturity	Rating
Domestic Common Stock	\$ 5,104,544	n/a	n/a	not rated
Foreign Common Stock.....	103,797	n/a	n/a	not rated
Mutual Funds.....	2,580,605	n/a	n/a	not rated
Asset Backed Securities.....	99,038	4.28-5.13%	1/2012-5/2016	AAA
Corporate Mortgage Backed Securities	239,943	1.0-6.0%	5/2018-12/2046	AAA
Corporate Mortgage Backed Securities	29,962	5.44%	6/2047	A+
Corporate Mortgage Backed Securities	43,966	5.82%	5/2046	BBB+
Foreign Bonds	71,578	4.5-4.88%	7/2018-6/2019	AAA
Foreign Bonds	72,857	4.2%	2/2015	AA
Foreign Bonds	48,539	4.63-4.88%	5/2013-5/2018	A+
Foreign Bonds	42,608	3.88%	3/2015	not available

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

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

4. CASH AND INVESTMENTS (Continued)

Investments (Continued)

	<u>Fair Value</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Rating</u>
Foreign Bonds	42,963	5.7-6.0%	5/2017-3/2018	BBB
Foreign Bonds	64,768	5.63-6.22%	7/2017-3/2036	A-
Corporate Bonds	141,717	1.63-2.25%	3/2011-3/2012	AAA
Corporate Bonds	102,252	2.8-5.5%	1/2013-1/2020	AA+
Corporate Bonds	92,317	4.2-5.5%	2/2014-9/2035	AA
Corporate Bonds	191,273	4.5-5.5%	1/2011-8/2013	AA-
Corporate Bonds	162,281	4.85-10.38%	2/2011-11/2018	A+
Corporate Bonds	775,940	2.25-8.13%	12/2010-2/2039	A
Corporate Bonds	591,018	4.1-6.88%	2/2011-3/2036	A-
Corporate Bonds	455,341	5.25-8.38%	4/2011-8/2036	BBB+
Corporate Bonds	235,394	5.0-9.63%	9/2011-2/2020	BBB
Corporate Bonds	360,366	5.13-8.13%	1/2011-2/2020	BBB-
Federal National Mortgage Assoc.	390,784	5.0-6.5%	6/2017-3/2038	AAA
Federal Home Loan Mtge Corp.	237,242	4.5-6.5%	9/2020-4/2038	AAA
United States Treasury Notes	1,069,364	.88-3.63%	2/2012-8/2019	AAA
United States Treasury Bonds	338,464	0-4.5%	5/2030-5/2038	AAA
United States Agency Guaranteed	104,388	0-5.13%	4/2014-1/2021	AAA
Municipal Bonds	23,387	5.10	6/2033	AA-
GNMA	<u>12,034</u>	5.5%	11/2032	AAA

***Total Investments*..... \$ 13,828,730**

Interest Rate Risk

As noted above, approximately 44% of the Town's investments are in long-term Foreign and Corporate Bonds, Government Bonds, and Asset Backed Securities which have interest rates that are fixed for long periods and are subject to more variability in their fair value as a result of future changes in interest rates. The remaining 56% of the investments are held in common stock and mutual funds. These investments do not specify an interest rate rather the rate of return is dependent on operating results and economic conditions.

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

Concentration of Credit Risk

At June 30, 2010 the Town had a diversified portfolio and was not deemed to be concentrated in any one investment category. Although 56% of the investments were held in common stock and mutual funds, these investments were in a wide range of companies and various industries enabling the Town to minimize its risk.

The Town has adopted a "statement of investment objectives, goals and policy guidelines" for investments held in the School Trust Fund, which is the Fund where approximately 90% 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.

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

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

4. CASH AND INVESTMENTS (Continued)

Custodial Credit Risk

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

5. PROPERTY TAXES

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

During the year ended June 30, 2010, the Town received \$1,876,190 from the State of Rhode Island as payment in accordance with legislation regarding the phase-out of motor vehicle tax. Under the law, excise tax on motor vehicles and trailers were originally supposed to be phased out entirely over a seven-year period commencing with the 1999-2000 fiscal year. Based on fiscal problems with the State budget over the last few years the program has been reduced to a maximum exemption of \$6,000 as of June 30, 2007 in accordance with legislation passed as part of the State's budget for the fiscal year ended June 30, 2007. The phase-out program freezes the tax rate at \$18.71 which was the rate in fiscal year 1997-1998. The exemption remained at \$6,000 per vehicle for the 2007-2008 and 2008-2009 fiscal years. During fiscal 2010 the State reduced the reimbursement amount for the 3rd and 4th quarters of the fiscal year. Effective July 1, 2010 the State reduced the exemption amount to \$500 per vehicle however the Town was required to maintain the rate frozen at \$18.71.

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

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

Net property taxes levied for the fiscal year 2009 were based on a net assessed value of approximately \$5,281,965,000 at December 31, 2008 and amounted to approximately \$64,504,000. Collections through June 30, 2010 amounted to approximately \$63,251,000, which represents approximately 98.1% of the total tax levy.

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

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

5. PROPERTY TAXES (Continued)

The Town recognizes property tax revenues in accordance with Section P70, "Property Taxes" of the Codification of Governmental Accounting and Financial Reporting Standards on the Fund statements. Unpaid property taxes as of June 30, 2010 (\$1,257,780) are recorded as a receivable, net of an allowance for uncollectible property taxes of \$276,145. Those net property taxes receivable which were not collected within the 60 days immediately following June 30, 2010 are recorded as deferred revenue and amounted to \$644,717 at June 30, 2010. Property taxes recognized as revenue on the Fund statements for the fiscal year ended June 30, 2010 (due to their collection within the 60 days immediately following June 30, 2010) amounted to \$336,918.

On June 30, 2010, the Town levied property taxes for its next fiscal year based on the December 31, 2009 assessment as follows (unaudited):

	<u>Taxable Assessment</u>	<u>Exemptions</u>	<u>Net Taxable Assessments</u>	<u>Rate Per \$1,000</u>	<u>Net Levy</u>
Real property	\$4,101,268,914	\$10,191,021	\$4,091,077,893	\$14.187	\$58,040,122
Motor vehicle	220,747,096	1,050,682	219,696,414	18.71	4,110,522
Tangible property	236,046,336	0	236,046,336	14.187	3,348,789
Total	\$4,558,062,346	\$11,241,703	\$4,546,820,643		\$65,499,433

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

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010 was as follows:

	<u>Balances 7/1/09</u>	<u>Additions</u>	<u>Retirements & Disposals</u>	<u>Balances 6/30/10</u>
Governmental Activity:				
Nondepreciable Assets:				
Land	\$ 12,404,909	\$ 1,264,465		\$13,669,374
Construction in progress	254,059	1,929,177	\$1,680,078	503,158
Depreciable Assets:				
Buildings	30,284,552	38,184	607	30,322,129
Building improvements	38,691,209	6,095		38,697,304
Equipment	11,040,267	674,548	151,551	11,563,264
Vehicles	4,780,202	399,670	360,255	4,819,617
Infrastructure	33,207,433	190,800		33,398,233
Land improvements	9,240,278	35,392		9,275,670
Total cost	139,902,909	4,538,331	2,192,491	142,248,749
Accumulated Depreciation:				
Land improvements	(1,342,343)	(62,849)	0	(1,405,192)
Buildings	(12,158,490)	(610,438)	(579)	(12,768,349)
Building improvements	(13,747,261)	(1,100,954)	0	(14,848,215)
Equipment	(7,386,529)	(691,896)	(143,239)	(7,935,186)
Vehicles	(2,589,406)	(414,706)	(259,435)	(2,744,677)
Infrastructure	(15,005,651)	(941,842)	0	(15,947,493)
Total accumulated depreciation	(52,229,680)	(3,822,685)	(403,253)	(55,649,112)
Net capital assets	\$ 87,673,229	\$ 715,646	\$1,789,238	\$86,599,637

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

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

6. CAPITAL ASSETS (Continued)

	<u>Balances</u> <u>7/1/09</u>	<u>Additions</u>	<u>Retirements &</u> <u>Disposals</u>	<u>Balances</u> <u>6/30/10</u>
Business- type Activities:				
Nondepreciable Assets:				
Land.....	\$ 1,586,529	\$ 0	\$ 0	\$ 1,586,529
Construction in progress.....	0	9,280	0	9,280
Depreciable Assets:				
Land improvements	2,682,148	0	0	2,682,148
Buildings	10,507,763	0	0	10,507,763
Building improvements	2,663,881	0	0	2,663,881
Equipment.....	6,484,619	205,744	5,896	6,684,467
Vehicles	487,696	50,489	67,122	471,063
Infrastructure.....	19,329,490	0	0	19,329,490
Total cost	<u>43,742,126</u>	<u>265,513</u>	<u>73,018</u>	<u>43,934,621</u>
 Accumulated Depreciation:				
Land improvements	(392,088)	(54,179)	0	(446,267)
Buildings	(6,045,537)	(204,657)	0	(6,250,194)
Building improvements	(665,551)	(85,158)	0	(750,709)
Equipment.....	(3,797,890)	(226,544)	(5,429)	(4,019,005)
Vehicles	(423,195)	(16,362)	(67,122)	(372,435)
Infrastructure.....	(7,179,017)	(236,583)	0	(7,415,600)
Total accumulated depreciation	<u>(18,503,278)</u>	<u>(823,483)</u>	<u>(72,551)</u>	<u>(19,254,210)</u>
 Net capital assets	<u>\$25,238,848</u>	<u>\$(557,970)</u>	<u>\$ 467</u>	<u>\$24,680,411</u>

Depreciation expense for the year ended June 30, 2010 was charged to the following functions/programs of the Town:

Governmental Activities:	
General government.....	\$ 96,323
Education.....	1,727,622
Public safety	439,676
Public works.....	1,154,105
Recreation	237,014
Public libraries	108,288
Elderly services.....	59,657
Total	<u>\$3,822,685</u>
 Business-type Activities:	
Wastewater Fund.....	\$ 576,777
Solid Waste Fund	63,058
Water Fund	182,227
School Cafeteria Fund	1,421
Total	<u>\$ 823,483</u>

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

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

6. CAPITAL ASSETS (Continued)

The following is a summary of Construction in Progress for the Governmental Activities at June 30, 2010:

Animal Shelter Addition	\$ 220,374
Bridge Improvement	88,527
Recreation Improvements	43,839
Downtown Intermodal Enhancement Project	13,739
Library Building Fund.....	20,760
Public Works Improvement.....	95,919
Saugatucket Walkway	<u>20,000</u>
Total	<u>\$ 503,158</u>

At June 30, 2010 the following Business-type Activities reported construction in progress:

Wastewater Fund	<u>\$ 9,280</u>
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7. DUE FROM FEDERAL AND STATE GOVERNMENTS

Due from/to federal and state governments represent balances on contracts and grants as well as for services provided and consisted of the following at June 30, 2010:

	<u>Due From</u>	<u>Due To</u>
General Fund:		
State of Rhode Island	\$ 0	\$ 36,724
School Unrestricted Fund:		
State of Rhode Island – Department of Education	359,615	0
State of Rhode Island – EDS – Medicaid Funding	88,823	0
Various local school districts – tuition	11,621	0
Other Governmental Funds:		
State of Rhode Island – Department of Education	672,354	0
State of Rhode Island – various departments	608,230	0
Wastewater Fund:		
University of Rhode Island.....	0	65,610
Town of Narragansett	0	126,761
State of Rhode Island - DEM	0	14,921
School Cafeteria Fund:		
State of Rhode Island	<u>24,050</u>	<u>0</u>
Total all fund types	<u>\$1,764,693</u>	<u>\$244,016</u>

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

8. LONG-TERM DEBT

(a) At June 30, 2010, the Town's long-term debt outstanding and activity consisted of the following:

<u>Description</u>	<u>Date Issued</u>	<u>Original Principal</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Outstanding June 30, 2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>Outstanding June 30, 2010</u>	<u>Due Within One Year</u>
<i>Governmental Activities:</i>									
<i>General obligation bonds:</i>									
School/public improvement	06/15/98	\$ 2,075,000	06/15/18	4.2% - 6.5%	\$ 920,000		\$ 920,000	0	(a)\$ 0
Refunding	06/15/98	8,240,000	12/15/11	4.15% - 5.75%	1,555,000		580,000	975,000	(b) 570,000
Public improvement	06/15/99	2,060,000	06/15/19	3.5% - 5.2%	1,010,000		1,010,000	0	(c) 0
School	06/15/00	10,000,000	06/15/20	5.50% - 6.25%	500,000		500,000	0	(d) 0
School public improvement	06/15/02	3,925,000	06/15/22	3.0% - 4.9%	2,490,000		200,000	2,290,000	(e) 195,000
Advance refunding	10/01/02	6,740,000	06/01/14	2.5% - 5.0%	2,540,000		565,000	1,975,000	(f) 555,000
School/Open Space	06/15/03	1,400,000	06/15/23	3.0% - 5.0%	980,000		70,000	910,000	(g) 70,000
Advance refunding	06/15/03	6,560,000	11/15/15	2.0% - 2.25%	2,250,000		405,000	1,845,000	(h) 335,000
School/Open Space/Public Improv.	06/15/04	2,875,000	06/15/24	3.75% - 5.0%	2,150,000		145,000	2,005,000	(i) 145,000
School improvements	06/15/05	1,000,000	06/15/25	3.25% - 5.5%	800,000		50,000	750,000	(j) 50,000
Advance refunding	06/15/05	9,440,000	06/15/20	3.25% - 5.5%	7,980,000		460,000	7,520,000	(k) 950,000
Advance refunding	06/15/06	5,000,000	06/15/26	4.0% - 5.0%	4,250,000		250,000	4,000,000	(l) 250,000
School/Open Space/Public Imp.	06/15/07	2,200,000	06/15/27	4.0% - 5.5%	1,980,000		110,000	1,870,000	(m) 110,000
School Improvement Series 2009 A ...	05/01/10	1,200,000	11/01/30	2.55%-5.00%	0	\$1,200,000	0	1,200,000	(n) 60,000
School Improv. Refunding Series 2009 B	11/04/10	2,010,000	06/15/19	2.0% - 4.5%	0	2,010,000	265,000	1,745,000	(o) 145,000
<i>Total general obligations bonds</i>		<u>\$64,725,000</u>			29,405,000	3,210,000	5,530,000	27,085,000	3,435,000
Compensated absences					4,208,811	1,934,107	1,788,094	4,354,824	1,750,000
Claims and judgments					1,962,525	8,258	0	1,970,783	68,403
<i>Governmental activities long-term Liabilities</i>					<u>\$35,576,336</u>	<u>\$5,152,365</u>	<u>\$7,318,094</u>	<u>\$33,410,607</u>	<u>\$5,253,403</u>

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

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

8. LONG-TERM DEBT (Continued)

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

<u>Description</u>	<u>Date Issued</u>	<u>Original Principal</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Outstanding June 30, 2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>Outstanding June 30, 2010</u>	<u>Due Within One Year</u>
Business Type Activities:									
General obligation & revenue bonds:									
Wastewater fund – GO bond	08/19/92	\$ 920,000	09/01/12	5.88%	\$ 233,397		\$ 55,554	\$ 177,843	\$ 57,378
Wastewater fund – GO bond	11/13/02	500,000	09/01/23	1.2%	389,000		23,000	366,000	23,000
Solid waste fund – GO bond	09/03/02	2,000,000	09/01/22	1.64%	1,510,985		89,662	1,421,323	92,169
Solid waste fund – GO bond	11/22/05	950,000	09/01/25	1.34%	828,000		42,000	786,000	43,000
Water fund – revenue bond	06/05/08	400,000	09/01/12	1.68%-2.55%	324,000		78,000	246,000	80,000
Total bonds		\$4,770,000			3,285,382	\$ 0	288,216	2,997,166	295,547
Compensated absences					256,986	120,105	133,274	243,817	105,000
Business-type activities, long-term liabilities					\$3,542,368	\$120,105	\$421,490	\$3,240,983	\$400,547

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

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

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

8. LONG-TERM DEBT (Continued)

(b) Additional Debt Information

Of the Town's \$30,082,166 total bonds payable (including bonds payable of the wastewater, water and solid-waste enterprise funds), approximately \$5,912,000 is subject to its legal debt limits. The \$5,912,000 outstanding does not exceed the Town's legal debt limit of approximately \$158,459,000, which is 3% of the assessed value (\$5,281,965,000) of taxable property of the Town as of December 31, 2008. The total long-term debt bond obligations of the Town (\$30,082,166) represent approximately .57% of the assessed value of the taxable property of the Town at June 30, 2010 (assessment date December 31, 2008).

The Town has remaining authorized but unissued bond authority totaling \$12,715,000. The unissued bond authority is allocated as follows: \$3,400,000 for land acquisition, \$3,000,000 for Wastewater Treatment Plant improvements, \$340,000 for School fields, \$1,125,000 for school capital improvements, \$300,000 for Town Hall improvements, \$400,000 for Capital Transportation Improvements, \$1,000,000 for Neighborhood Guild, and Community Gymnasium \$3,150,000. The Town anticipates issuance of these bonds over the next several years.

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

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

(c) Debt Service Requirements

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

Year ending June 30:	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 3,435,000	\$1,017,328	\$295,547	\$ 54,654	\$ 4,802,529
2012	3,260,000	896,845	303,006	47,898	4,507,749
2013	2,855,000	786,824	310,600	40,734	3,993,158
2014	2,675,000	684,973	169,118	35,615	3,564,706
2015	2,285,000	590,023	173,917	32,679	3,081,619
2016 - 2020	8,305,000	1,845,394	931,392	116,129	11,197,915
2021 - 2025	3,500,000	570,772	754,586	33,324	4,858,682
2026 - 2030	770,000	59,100	59,000	589	888,689
Total	<u>\$27,085,000</u>	<u>\$6,451,259</u>	<u>\$2,997,166</u>	<u>\$361,622</u>	<u>\$36,895,047</u>

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

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

8. LONG-TERM DEBT (Continued)

(d) Advanced and Current Refundings and Defeased Debt

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

During fiscal 2010 the Town issued \$2,010,000 of general obligation bonds for the current refunding of \$1,930,000 of a 1998 and 1999 School and Public Improvement bond. The refunded bonds were paid in full in December 2009. Accordingly at June 30, 2010 there is no defeased debt related to this refunding. The refunding of this debt resulted in a reduction of total debt service payments of \$124,250 and a present value economic gain of approximately \$120,600.

Changes in outstanding defeased debt during fiscal 2010 are as follows:

Defeased debt at June 30, 2009 – School Improvement	
Bonds dated 6/15/2000	\$5,000,000
Amount called during fiscal 2010.....	(5,000,000)
Balance of defeased debt at June 30, 2010.....	<u>\$ 0</u>

(e) Schedule of long-term debt by purpose at June 30, 2010 is as follows:

	<u>Amount</u>	<u>Percent</u>
School and public improvements.....	\$27,085,000	74.0%
Superfund remediation project.....	2,207,323	6.0%
Sewer wastewater projects.....	543,843	1.5%
Water meter replacement project.....	246,000	.6%
Claims and judgments	1,970,783	5.4%
Compensated absences	4,598,641	12.5%
Total	<u>\$36,651,590</u>	<u>100%</u>

9. INFORMATION FOR BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS

(a) Solid Waste

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

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

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

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

(b) Wastewater Operations

The Town operates a wastewater operations facility which serves certain sections of the Town as well as the University of Rhode Island (URI) and the Town of Narragansett. URI and the Town of Narragansett share in the cost of operations based upon their relative usage of the facilities. Such intergovernmental charges amounted to approximately \$1,120,600 during 2010.

The Town recognizes revenue for excess usage occurring during the fiscal year although the corresponding billings take place after the fiscal year end (September, 2010). At June 30, 2010, the Town recorded a receivable totaling approximately \$213,000. The receivable reflects amounts billed for excess usage as of June 30, 2010.

(c) Water Fund

The Town recognizes revenue for excess usage occurring during the fiscal year although the corresponding billings take place after the fiscal year end (September, 2010). At June 30, 2010, unbilled service charges amounted to approximately \$143,200.

(d) School Cafeteria Fund

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

(e) Financial Information

The following summarized financial information is not required as each of these enterprise funds are classified as a major fund and stated separately in the statements of net assets and revenues, expenses and changes in fund net assets. This summarized information as of and for the year ending June 30, 2010 is presented for the reader's informational purposes only:

	<u>Solid Waste Fund</u>	<u>Wastewater Operations</u>	<u>Water Fund</u>	<u>School Cafeteria Fund</u>	<u>Total</u>
Operating revenues	\$425,240	\$3,093,623	\$922,164	\$679,823	\$5,120,850
Nonoperating grants	0	0	0	274,624	274,624
Depreciation and amortization expense	63,768	578,178	182,227	1,421	825,594
Operating income (loss).....	(7,370)	22,306	116,992	(277,175)	(145,247)
Change in net assets	(35,166)	49,618	125,394	(2,551)	137,295
Transfer-in (out)	0	16,155	0	0	16,155
Capital asset additions.....	0	243,344	22,920	0	266,264
Net working capital	1,148,954	2,701,772	1,157,534	(72,870)	4,935,390
Total assets.....	4,535,016	20,940,077	5,781,498	79,880	31,336,471
Bonds payable	2,207,323	543,843	246,000	0	2,997,166
Total net assets	2,301,920	19,150,165	5,402,373	(63,884)	26,790,574

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

10. FUND EQUITY BALANCES (DEFICITS)

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

(a) Fund Balances

Reservations of fund balances at June 30, 2010 were as follows:

MAJOR GOVERNMENTAL FUNDS:

General fund:

Reserved for encumbrances	\$ 18,466
Reserved for prepaid	3,667

School Unrestricted Fund:

Reserved for encumbrances	51,145
Reserved for prepaid	11,573

School Trust Fund:

Reserved for endowments.....	12,316,145
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NONMAJOR GOVERNMENTAL FUNDS:

Special Revenue Funds:

Reserved for prepaids.....	10,840
Reserved for encumbrances	178,245

Capital Project Funds:

Reserved for encumbrances	1,886,239
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Permanent Funds:

Reserved for endowments	725,466
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Total reservations of fund balances	<u>\$15,201,786</u>
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Designations of unreserved fund balances at June 30, 2010 were as follows:

General fund:

Designated for fiscal 2011 operations	\$1,200,000
Designated for Superfund site cleanup.....	1,000,000

School unrestricted fund:

Designated for fiscal 2011 operations.....	484,322
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Non-Major Special Revenue funds:

Designated for 2011 operations - Neighborhood Guild	<u>18,000</u>
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Total designations of unreserved fund balances	<u>\$2,702,322</u>
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(b) Net Assets

Unrestricted net assets at June 30, 2010 include the following designations:

Enterprise funds:

Wastewater Fund

Designated for Superfund site cleanup	\$280,000
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Solid Waste Fund

Designated for Superfund site cleanup	<u>115,000</u>
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Total designations of unrestricted net assets	<u>\$395,000</u>
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(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

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

10. FUND EQUITY BALANCES (DEFICITS) (Continued)

(c) Fund Deficits

The following funds had deficit fund equity balances at June 30, 2010:

Nonmajor Governmental Funds:

Capital Project Funds:

Animal Shelter Addition Fund	<u>\$ 113,883</u>
Total Nonmajor Governmental Funds	<u>\$ 113,883</u>

Business-Type Activities:

School Cafeteria	<u>\$ 63,884</u>
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The deficit fund equity balances of the Capital Project Fund noted above will be eliminated through future transfers and/or issuance of long-term debt obligations. The deficit fund equity of the School Cafeteria Fund is expected to be eliminated through cost savings and increases in user fees.

The following individual funds had deficits for the year ending June 30, 2010:

Major Governmental Funds:

General Fund	<u>\$ 73,953</u>
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Business-Type Activities:

Solid Waste Fund	\$ 35,166
School Cafeteria	<u>2,551</u>
Total Business-Type Activities	<u>\$ 37,717</u>

Non-major Governmental Activities:

Special Revenue Funds:

Municipal Planning Services Reserve	\$ 15,707
South Road School Reserve	28,478

Capital Project Funds:

Animal Shelter Addition	128,022
Bike Path Maintenance	1,712
Bridge Improvement Fund	630
Land Use Reserve Fund	310,490
Open Space Reserve Fund	649,168
Police Building Construction Fund	53,637
Saugatucket River Walkway Construction	39,693

Permanent Funds:

Gertrude S. Parker Trust	604
Oliver Watson Home Fund	<u>4,843</u>

Total deficits non-major governmental activities	<u>\$1,232,984</u>
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(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

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

11. INTERFUND BALANCES AND TRANSFERS

Interfund balances represent short-term advances from one fund (primarily the General Fund) to another fund. The advances may represent balances resulting from operating advances or reimbursement for expenditures paid by one fund on behalf of another fund. The composition of interfund balances at June 30, 2010 is as follows:

<u>Governmental Funds:</u>	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
<i>Major Governmental Funds:</i>		
General Fund	\$ 80,995	\$17,590,047
School Unrestricted Fund	6,893,481	41,985
School Trust Funds	0	99,991
<i>Non-major Governmental Funds:</i>		
Affordable Housing	10,000	0
Alcohol Grant	0	7,651
Animal Shelter Benefit Fund	552,667	0
Asset Forfeiture Fund	29,679	0
Community Development Block Grants	0	13,444
Compensated Absences Reserve Fund	931,440	0
Drug Free Communities Grant	455	0
Elderly Services	214,922	0
Governor Justice Commission Grants	0	1,800
Historical & Vital Recording Fees	148,738	0
Municipal Planning Services Reserve	135,593	3,300
Narragansett Library Association	0	575
Neighborhood Guild	89,785	0
Peacedale Office Building	0	194
Property Revaluation Reserve Fund	747,809	0
RI Resource Recovery Grant	70,244	0
Seat Belt Enforcement Grant	0	8,185
South Road School Reserve	308,655	0
Substance Abuse	2,177	0
Tobacco Compliance Investigation	0	1,253
School Restricted Fund	36,387	617,436
Animal Shelter Addition Fund	29,823	0
Bike Path Maintenance Fund	0	0
Bridge Improvement Fund	250,410	0
Capital Equipment & Replacement Fund	711,010	0
Data Processing Improvement Fund	101,813	0
Downtown Intermodal Enhancement Project	26,429	0
Impact Fee Reserve Fund	1,459,485	0
Land Use Reserve Fund	0	0
Library Building Construction	28,783	0
Open Space Reserve Fund	505,191	0

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

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

11. INTERFUND BALANCES AND TRANSFERS (Continued)

	Due From Other Funds	Due to Other Funds
<u>Governmental Funds:</u>		
<i>Non-major Governmental Funds:</i>		
Police Building Construction Fund	310,615	0
Public Services Office Building Improvement.....	21,086	0
Public Works Improvement Fund	2,557,600	0
Recreation Development & Restoration Fund.....	314,768	0
Recreation Improvement Fund	47,335	0
School Improvement Fund	16,682	0
Senior Services Center Construction Fund	95,000	0
Town Hall Improvement Fund	164,259	0
<i>Total governmental funds</i>	16,893,316	18,385,861
<i>Proprietary Funds:</i>		
Solid Waste.....	64,692	0
Wastewater Fund.....	0	21,634
Internal Service Fund.....	1,464,980	0
Water Fund	0	21,089
School Cafeteria	5,596	0
<i>Total proprietary funds</i>	1,535,268	42,723
<i>TOTAL ALL FUNDS</i>	\$18,428,584	\$18,428,584

The principal purpose of interfund transfers is to provide a financing source to various funds that may not have the ability to cover all operating costs with revenue generated by the fund. The composition of interfund transfers for the year ended June 30, 2010 is as follows:

<u>Transfer Out</u>	<u>General Fund</u>	<u>School Unrestricted Fund</u>	<u>Non-major Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Total Transfer Out</u>
General Fund		\$47,909,928	\$2,656,196	\$ 16,155	\$50,582,279
School Unrestricted Fund.....			271,537		271,537
School Trust Fund	\$ 17,382	20,413	422,426		460,221
Nonmajor Governmental Funds	1,010,225		117,870		1,128,095
<i>Total transfer in</i>	\$1,027,607	\$47,930,341	\$3,468,029	\$16,155	\$52,442,132

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

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

12. DEFINED BENEFIT PENSION PLANS

(a) General Municipal Employees' Pension Plan

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

The payroll for employees covered by the System for the year ended June 30, 2010 was approximately \$11,987,000 and the Town wide payroll was approximately \$46,934,000.

Plan Description

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

Contributions Required and Contributions Made

General employees are required by State Statute to contribute 7 percent of their annual earnings until the maximum benefit (75 percent of final average salary) is accrued. The Town is required to contribute based on an actuarially computed amount and as provided by State Statute for each participating municipality. The actuarial method used is the entry age normal cost with part of each municipality's unfunded actuarial liability funded over a fixed amortization period and the balance funded over the projected future payroll of active members. Due to large fluctuations in the contribution rates of certain municipalities, the plan has adopted a procedure which would allow a unit the option of paying a smoothed contribution rate. The smoothed contribution rate equals the previous fiscal year's contribution rate plus the greater of 2 percent or one eighth of the increase in contribution rate plus the cost of any benefit improvements. The actuarially determined contribution amount for the Town was determined as described above and was based on an actuarial valuation as of June 30, 2007.

The annual required contribution for the Town which equals the annual pension cost for the year ended June 30, 2010 was approximately \$829,500 for general employees. This contribution represents 6.92% of covered payroll. General municipal employees were required to contribute approximately \$839,100. This contribution represents 7% of covered payroll for the period July 1, 2009 to June 30, 2010.

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

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

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

12. DEFINED BENEFIT PENSION PLANS (Continued)

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

Trend Information

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2008	\$802,800	100%	\$0
2009	\$937,000	100%	\$0
2010	\$829,500	100%	\$0

Trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the State of Rhode Island's Employee Retirement System's June 30, 2009 annual financial report, which may be obtained from the administrative offices of the State of Rhode Island Retirement Board, 40 Fountain Street, Providence, Rhode Island. This report is the most recent report available from the State, who administers the Plan.

Funded Status of Plan

The required supplementary information which follows the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Listed below are the details of the funding progress of the General Municipal Employees' Pension Plan with a valuation date of June 30, 2009 which is the most recent report available from the State who administers this plan.

- Actuarial value of assets - \$43,192,087
- Actuarial accrued liability - \$47,009,273
- Unfunded actuarial accrued liability (UAAL) - \$3,817,186
- Funded Ratio - 91.9%
- Annual covered payroll - \$11,974,048
- UAAL as percentage of payroll - 31.9%

(b) Municipal Police and EMT Pension Plan

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

The payroll for employees covered by the System for the year ended June 30, 2010 was approximately \$3,366,000 (\$2,652,000 for police officers and \$714,000 for EMT's), and the Town wide payroll was approximately \$46,934,000.

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TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

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

12. DEFINED BENEFIT PENSION PLANS (Continued)

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

Plan Description

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

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

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

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

Contributions Required and Contributions Made

Police and EMT personnel are required by State Statute to contribute 9 percent until the maximum benefit (75 percent of final average salary) is accrued. The Town is required to contribute based on an actuarially computed amount and as provided by State Statute for each participating municipality. The actuarial method used is the entry age normal cost with part of each municipality's unfunded actuarial liability funded over a fixed amortization period and the balance funded over the projected future payroll of active members. Due to large fluctuations in the contribution rates of certain municipalities, the plan has adopted a procedure which would allow a unit the option of paying a smoothed contribution rate. The smoothed contribution rate equals the previous fiscal year's contribution rate plus the greater of 2 percent or one eighth of the increase in contribution rate plus the cost of any benefit improvements. The actuarially determined contribution amount for the Town was determined as described above and was based on an actuarial valuation as of June 30, 2007.

The annual required contribution for the Town which equals the annual pension cost for the year ended June 30, 2010 was approximately \$368,000, which consisted of the Town's contribution for police of \$324,600 and EMTs of \$43,400. These contributions represent 12.24% and 6.08% of covered payroll respectively. Employees were required to contribute approximately \$303,000 (\$238,700 for police employees and \$64,300 for EMTs). This employee contribution represents 9% of covered payroll.

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

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

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

12. DEFINED BENEFIT PENSION PLANS (Continued)

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

Trend Information

Municipal Police Pension Plan:

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2008	\$441,000	100%	\$0
2009	\$386,200	100%	\$0
2010	\$324,600	100%	\$0

EMT Pension Plan:

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2008	\$71,400	100%	\$0
2009	\$45,100	100%	\$0
2010	\$43,400	100%	\$0

Trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the State of Rhode Island's Employee Retirement System's June 30, 2009 annual financial report, which may be obtained from the administrative offices of the State of Rhode Island Retirement Board, 40 Fountain Street, Providence, Rhode Island. This report is the most recent report available from the State, who administers the Plan.

Funded Status of Plan

The required supplementary information which follows the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Listed below are the details of the funding progress of the Municipal Police and EMT Pension Plans with a valuation date of June 30, 2009, which is the most recent report available from the State who administers this plan.

Municipal Police Pension Plan:

- Actuarial value of assets - \$21,236,264
- Actuarial accrued liability - \$22,560,153
- Unfunded actuarial accrued liability (UAAL) - \$1,323,889
- Funded Ratio - 94.1%
- Annual covered payroll - \$2,734,277
- UAAL as percentage of payroll - 48.4%

EMT Pension Plan:

- Actuarial value of assets - \$2,241,231
- Actuarial accrued liability - \$1,404,279
- Unfunded actuarial accrued liability (UAAL) - (\$836,952) - assets exceed UAAL
- Funded Ratio - 159.6%
- Annual covered payroll - \$707,353
- UAAL as percentage of payroll - (118.3%)

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

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

12. DEFINED BENEFIT PENSION PLANS (Continued)

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

	General Municipal Employees <u>Pension Plan</u>	Municipal Police and EMT <u>Pension Plan</u>
Valuation Date	6/30/08	6/30/08
Actuarial Cost Method	Entry Age Normal Cost	Entry Age Normal Cost
Amortization Method	Level Percent Closed – 30 year from June 30, 1999	Level Percent Closed –30 year from 6/30/99
Remaining Amortization Period	21 years	21 years
Asset Valuation Method.....	5-year Smoothed Market Value	5-Year Smoothed Market Value
Actuarial assumptions:		
Investment rate of return.....	8.25%, compounded annually	8.25%, compounded annually
Projected Salary Increases.....	4.5% to 8.5%, compounded annually	4.75% to 14.75%, compounded annually
Inflation Adjustment	3%	3%
Cost-of-living Adjustments	3%, not compounded, beginning on the January 1 following participant's retirement	3%, not compounded, beginning on the January 1 following participant's retirement
Participant Information (June 30, 2009).	Active Employees 359 Retirees and beneficiaries <u>133</u> 492	Active Employees 68 Retirees and beneficiaries <u>41</u> 109

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

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

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

12. DEFINED BENEFIT PENSION PLANS (Continued)

(c) Teacher's Pension Plan

All South Kingstown School Department certified school personnel participate in the Employees' Retirement System of the State of Rhode Island ("System"), a cost-sharing multiple-employer public employee retirement system. In addition to classified employees, the System covers substantially all employees of the State of Rhode Island. The payroll for employees covered by the System for the year ended June 30, 2010 was approximately \$26,453,000, which consisted of approximately \$578,000 for employees charged to federal programs and \$25,875,000 for all other certified employees. The School Department's total payroll was approximately \$34,730,000. The Town wide payroll for the year ended June 30, 2010 was approximately \$46,934,000.

Plan Description

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

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

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

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TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

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

12. DEFINED BENEFIT PENSION PLANS (Continued)

(c) Teacher's Pension Plan (Continued)

Plan Description (Continued)

The ERS plan also provides a survivor benefit to public school teachers via a "Teachers Survivor Benefits Fund" in lieu of Social Security. The details of the survivor death benefits and other death benefits are provided in the financial section of the Annual Financial Report of the Employees' Retirement System of Rhode Island for the fiscal year ending June 30, 2009 which can be found at www.ersri.org.

Funding Policy

Rhode Island general laws set the contribution rates for participating plan employees at 9.5% of salary. Annual contributions by both employers and the State on behalf of those employees are determined by actuaries and assessed as percentage of participants' payroll. The School Department was required to contribute 11.25%, 11.886%, and 13.04% for all full-time certified employees for fiscal years 2010, 2009, and 2008, respectively. The required contributions include (a) normal costs; (b) payments to amortize the unfunded frozen actuarial accrued liability as of June 30, 1999 over 30 years; and (c) interest on the unfunded frozen actuarial liability. Normal cost is determined using the entry age normal cost method with frozen initial liability. A variety of significant actuarial assumptions are used to determine the standardized measure of the pension benefit obligation and these assumptions are summarized below:

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

As prescribed by Rhode Island general law, the State pays the entire portion of the annual required contribution attributable to the costs of contributions deferred by the State in prior years plus 40% of contributions assessed to employers on payroll not reimbursable through Federal programs. For fiscal year 2010, actuarial required contributions were 19.01% of the participant's salary. This resulted in contribution rates paid by the State on behalf of the School Department of 7.76% of non-federally reimbursable payrolls totaling \$2,008,361 for the fiscal year ended June 30, 2010. The School Department contributed the remaining 11.25% of the required 19.01%.

The School Department does not have any investments or related party investments with the State Plan. The School Department's contributions for the year ended June 30, 2009 represented approximately 1.2% percent of total contributions required of all participating entities for the fiscal year ended June 30, 2009 (latest available information).

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TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

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

12. DEFINED BENEFIT PENSION PLANS (Continued)

(c) Teacher's Pension Plan (Continued)

The amounts contributed to the plan were as follows:

<u>Years Ending June 30,</u>	<u>Employee</u>	<u>Town's Portion of Annual Required Contributions</u>	<u>Percentage Contributed</u>
2010	\$2,513,031	\$3,008,018	100%
2009	\$2,623,201	\$3,317,000	100%
2008	\$2,569,900	\$3,547,400	100%

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

Trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the State of Rhode Island's Employee Retirement System's June 30, 2009 annual financial report, which may be obtained from the administrative offices of the State of Rhode Island Retirement Board, 40 Fountain Street, Providence, Rhode Island. This report is the most recent report available from the State, who administers the Plan.

13. DEFERRED COMPENSATION PLAN

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

14. HEALTH CARE MANAGEMENT FUND

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

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

- Prospective Premium Basis – which is a fully insured plan (was used by the Town in fiscal 2008) and;
- Cost Plus Basis – under which the Town pays for the actual cost of covered health care services plus a fee to the provider for the administration of the program (used by the Town since July 1, 2008)

For the 2009-2010 fiscal year the Town was under a cost plus basis plan. As of July 1, 2008 the Town switched to a Blue Cross cost plus program provided through the West Bay Community Health Collaborative.

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

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

14. HEALTH CARE MANAGEMENT FUND (Continued)

All funds of the Town participate in the program and make payments to the Health Care Management Fund (an Internal Service Fund) based on recommendations made by the Plan Administrator. Billings from the Health Care Management Fund to other Town funds for fiscal year 2010 were approximately \$11,354,000 (\$10,298,000 in fiscal 2009). At June 30, 2010 the Town has estimated a liability for incurred but not reported claims (IBNR) based on actual claims paid subsequent to year end but related to claims incurred prior to June 30, 2010 as follows.

	<u>2010</u>	<u>2009</u>
IBNR at beginning of year.....	\$ 543,000	\$ 0
Claims incurred during the year.....	10,945,300	9,973,000
Claims paid during the year.....	<u>(10,995,284)</u>	<u>(9,430,000)</u>
IBNR at June 30	<u>\$ 493,016</u>	<u>\$ 543,000</u>

15. COMMITMENTS AND CONTINGENCIES

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

The Town has been notified by the E.P.A. that two former landfills have been placed on the Superfund list. The Rose Hill Regional Landfill was previously operated by the towns of South Kingstown and Narragansett, Rhode Island. A "Record of Decision" (ROD) was issued in December 1999, which delineates EPA's approved remediation strategy for the site. Consent Decree negotiations with EPA began in November 2000 and were completed in January 2003. The Towns have paid \$4,125,000 to settle all past and future federal liabilities associated with the Rose Hill site. South Kingstown's \$2,000,000 payment to the Federal Government was funded with a 20-year general obligation bond sold in September 2002 at an interest rate of 1.648%. Repayment of the debt service associated with this bond will be provided from funds held in reserve within the Solid Waste Fund and from property taxes. The Town of South Kingstown also paid \$504,932 for state natural resource damages and \$62,500 for its share of federal natural resource damages. The Consent Decree also requires reimbursement of 30% of the State of Rhode Island costs associated with the remediation of this landfill site and ongoing operation and maintenance costs. This cost of \$3,941,566 will also be shared equally between the two towns. The Town of South Kingstown's share of the estimated cost of reimbursing the State, over a 27-year period beginning in Fiscal Year 2011 is \$1,970,783. Accordingly, \$1,970,783 has been reported as accrued claims and judgments in the government-wide financial statements at June 30, 2010.

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

At June 30, 2010, the Town had several other lawsuits pending. The total maximum damages being sought from the Town relating to these cases are not known. In the opinion of the Town officials and the Town's legal counsel, the Town's ultimate liability with respect to these cases, if any, will be immaterial.

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

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

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

15. COMMITMENTS AND CONTINGENCIES (Continued)

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

In June 2005 the Town Council authorized entering into a second agreement with the Rhode Island Clean Water Finance Agency to finance the Town's Community Septic System Loan Program. The loan agreement provides the Town with an additional \$1,000,000 non-restoring line-of-credit that will be funded in three increments of \$300,000 and a final increment of \$100,000. Each increment will be funded only upon the complete drawdown of all prior increments. The proceeds of the loan shall be used by the Town towards the operation of the Community Septic System Loan Program. The terms of the loan program are consistent with the terms described in the above noted paragraph except that the new agreement has a 2% (versus 4%) interest rate to property owners. As of June 30, 2010, there are \$858,571 in outstanding loans and an available line-of-credit balance of \$41,429 on the third of the three \$300,000 increments. Accordingly, the total available balance under this \$1,000,000 non-restoring line-of-credit is \$141,429 at June 30, 2010.

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.

16. OPERATING LEASES

In June 2009 the South Kingstown School Department entered into a five year lease agreement for the rental of real estate located in Kingston Rhode Island. The annual lease amount is \$46,605 plus a proportionate share of operating costs and property taxes. The lease has an option for an additional five year term at the expiration of the initial term. Total lease expense paid during fiscal 2010 was approximately \$38,900.

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

2011	\$ 46,605
2012	46,605
2013	46,605
2014	46,605
2015	7,800
Total	<u>\$194,220</u>

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

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

17. OTHER POST EMPLOYMENT BENEFITS

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

School Employees

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

EMS Employees

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

Police Employees

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

Town Employees

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

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

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

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

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

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

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

17. OTHER POST EMPLOYMENT BENEFITS (Continued)

Public Works Employees

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

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

Eligibility:

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

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

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

Funding Policy:

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

The ARC for the fiscal year ended June 30, 2010 was calculated as follows:

Past service cost.....	\$ 892,700
Normal cost.....	755,500
Interest.....	<u>131,900</u>
ARC for fiscal year ended June 30, 2010	1,780,100
Expected benefit payouts during fiscal 2010	<u>(1,271,200)</u>
Net budget impact for fiscal 2010	<u>\$ 508,900</u>

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

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

17. OTHER POST EMPLOYMENT BENEFITS (Continued)

Funding Policy (Continued):

The current year expenditures for these postretirement benefits are recognized on a pay-as-you-go basis, as the monthly premiums for the benefits become due. During the year ended June 30, 2010, expenditures of approximately \$1,222,561 were recognized for postretirement benefits. Of this amount, \$7,005 was paid for life insurance premiums, \$816,077 was paid for health and dental insurance for 72 school retirees, \$292,077 was paid for health insurance for 23 police retirees, \$6,294 was paid for dental insurance for 23 police retirees, \$96,733 was paid for health insurance premiums for 8 public works retirees, and \$4,375 was paid for health insurance premiums for 2 Town retirees.

In addition to the current year payouts noted above, the Town contributed \$512,900 to the Trust Fund in accordance with the required contributions noted in the actuarial valuation report dated July 1, 2007. As noted in the preceding exhibit on page 73, the actuarial valuation report dated July 1, 2008 recommended a contribution of \$508,900 to the Trust Fund in addition to the payout of current year claims. As such the Town is deemed to have funded 100.7% of the required contribution for fiscal 2010. For fiscal 2009 the Town contributed \$512,900 to the OPEB Trust Fund. This contribution represented 100% of the ARC for 2009.

Funded Status of Plan

The required supplementary information which follows the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Listed below are the details of the funding progress of the OPEB Plan with a valuation date of July 1, 2009 which is the most recent report available from the Town of South Kingstown's Actuary.

- | | |
|--|--|
| - Actuarial value of assets - \$0- | - Actuarial accrued liability - \$18,700,000 |
| - Unfunded actuarial accrued liability (UAAL) - \$18,700,000 | |
| - Funded Ratio - 0.00% | - Annual covered payroll - N/A |
| - UAAL as percentage of payroll - N/A | |

Number of Participants:

As of July 1, 2009 there were approximately 1,036 members enrolled in the plan. The members included 797 active employees, 155 retired members, and 84 spouses of retirees.

Actuarial Assumptions:

- a. **Actuarial Method:** Projected Unit Credit Cost Method
- b. **Payroll Growth Rate:** 4.25%
- c. **Post Retirement Mortality:** **Teachers** – GRS table based on male teacher experience. 95% of rates in a GRS table based in female teacher experience. **All Others** – 1994 Group Annuity Mortality for males and females, set forward one year for males. **Disabled** – 65% of the PBGC Table Va for disabled males eligible for Social Security disability benefits. 100% of the PBGC Table VIa for disabled families eligible for Social Security disability benefits.
- d. **Pre-retirement Mortality** – 65% of post-retirement mortality rates. 87.5% of pre-retirement deaths are assumed to be Service Connected for Police and EMS.
- e. **Discount Rate Baseline** – 8.00% - The discount rate is based on the long-term earnings potential of the investments in the Trust. The rate assumes investments are maintained 60% in stocks and 40% in bonds.
- f. **Medical Inflation Rate Baseline** –
 - Initial inflation rate – 6.60%
 - Ultimate inflation rate – 4.40%

(CONCLUDED)

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TOWN OF SOUTH KINGSTOWN

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**Required Supplementary Information
Schedule of Funding Progress For Pension Plans
June 30, 2010
UNAUDITED**

	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Funding Excess (Deficit)	Funded Ratio	Covered Payroll	Funding Excess (Deficit) as A percentage of Covered Payroll
General municipal employees							
pension plan.....	6/30/2007	\$ 37,879,928	\$ 39,465,592	\$ (1,585,664)	96.0%	\$ 11,840,906	-13.4%
	6/30/2008	\$ 42,087,185	\$ 42,973,921	\$ (886,736)	97.9%	\$ 11,911,417	-7.4%
	6/30/2009	\$ 43,192,087	\$ 47,009,273	\$ (3,817,186)	91.9%	\$ 11,974,048	-31.9%
Municipal police							
pension plan.....	6/30/2007	\$ 19,576,836	\$ 19,694,461	\$ (117,625)	99.4%	\$ 2,672,801	-4.4%
	6/30/2008	\$ 21,285,185	\$ 21,490,986	\$ (205,801)	99.0%	\$ 2,780,711	-7.4%
	6/30/2009	\$ 21,236,264	\$ 22,560,153	\$ (1,323,889)	94.1%	\$ 2,734,277	-48.4%
EMT pension plan.....							
	6/30/2007	\$ 1,888,256	\$ 1,239,119	\$ 649,137	152.4%	\$ 645,767	100.5%
	6/30/2008	\$ 2,153,528	\$ 1,235,410	\$ 918,118	174.3%	\$ 656,978	139.7%
	6/30/2009	\$ 2,241,231	\$ 1,404,279	\$ 836,952	159.6%	\$ 707,353	118.3%

The information included in this schedule of funding progress was obtained from the annual actuarial valuation report of the State of Rhode Island's Employee Retirement System for each of the dates indicated. The June 30, 2008 report is the most recent report available as of the date of the audited financial statements. The State of Rhode Island's Employee Retirement System is currently in the process of compiling the information to complete the June 30, 2010 report.

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**Required Supplementary Information
Schedule of Funding Progress OPEB Plan
June 30, 2010
UNAUDITED**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Accrued Liability (UAL)	Funded Ratio	Covered Payroll	UAL as a Percentage of Covered Payroll
Town of South Kingstown - Other Post-Employment Benefit Program						
7/1/2007	\$ -	\$ 15,988,000	\$ (15,988,000)	0.0%	N/A	N/A
7/1/2008	\$ -	\$ 16,484,000	\$ (16,484,000)	0.0%	N/A	N/A
7/1/2009	\$ -	\$ 18,700,000	\$ (18,700,000)	0.0%	N/A	N/A

Note: As of July 1, 2009 the OPEB Trust agreement was not finalized and therefore contributions were in transit at June 30, 2009. All required contributions for fiscal 2009 and 2010 were made during fiscal 2010 and the fair value of those assets are disclosed in the OPEB Trust Fund (a Fiduciary Fund).

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

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

The information included in this schedule of funding progress was obtained from the actuarial valuation report dated May 13, 2010 prepared by Milliman. The July 1, 2009 valuation is the most recent report available as of the date of the audited financial statements.

TOWN OF SOUTH KINGSTOWN

OTHER SUPPLEMENTARY INFORMATION

TOWN OF SOUTH KINGSTOWN

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

TOWN FUNDS

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

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

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

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

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

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

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

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

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

(CONTINUED)

TOWN OF SOUTH KINGSTOWN

NONMAJOR GOVERNMENTAL FUNDS (Continued)

SPECIAL REVENUE FUNDS (Continued)

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

Affordable Housing	Municipal Planning Services Reserve
Alcohol Grant	Onsite Wastewater Plan Implementation
Animal Shelter Benefit Fund	RI Emergency Management Grant
Asset Forfeiture Fund	Seat Belt Enforcement Grants
Byrne Memorial Justice Assistance Grant	South Road School Reserve Fund
Drug Free Communities 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 a playground at Wakefield Elementary School in memory of Nancy Brown.

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

(CONCLUDED)

TOWN OF SOUTH KINGSTOWN

NONMAJOR GOVERNMENTAL FUNDS (Continued)

CAPITAL PROJECTS FUNDS

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

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

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

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

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

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

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

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

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

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

(CONTINUED)

TOWN OF SOUTH KINGSTOWN

NONMAJOR GOVERNMENTAL FUNDS (Continued)

CAPITAL PROJECTS FUNDS (Continued)

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

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

Public 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.

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

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

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

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

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

(CONCLUDED)

TOWN OF SOUTH KINGSTOWN

NONMAJOR GOVERNMENTAL FUNDS (Continued)

PERMANENT FUNDS

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

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

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

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

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

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

(CONCLUDED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2010

SPECIAL REVENUE FUNDS										
	Affordable Housing	Alcohol Grant	Animal Shelter Benefit Fund	Asset Forfeiture Fund	Byrne Memorial Justice Assistance Grant	Community Development Block Grants	Compensated Absences Reserve Fund	Drug Free Communities Grant	Elderly Services	EMS Billing Services Fund
ASSETS										
Cash and cash equivalents			\$ 715,993	\$ 744			\$ 112,437		\$ 53,914	\$ 749,965
Investments										
Accounts and other receivable		\$ 8,050		6,205	\$ 74,430	\$ 267,100		\$ 36,223	26,962	
Due from federal & state governments									20,195	
Prepays										
Due from other funds	\$ 10,000		552,667	29,679			931,440	455	214,922	
TOTAL ASSETS	\$ 10,000	\$ 8,050	\$ 1,268,660	\$ 36,628	\$ 74,430	\$ 267,100	\$ 1,043,877	\$ 36,678	\$ 315,993	\$ 749,965
LIABILITIES										
Accounts payable						\$ 11,642		\$ 2,629	\$ 47,498	\$ 2,525
Retainage payable		\$ 399	\$ 15,394							
Accrued liabilities									23,467	
Due to federal & state governments		7,651				13,444				
Due to other funds				\$ 36,628	\$ 74,430	242,014				
Deferred revenue		8,050	15,394	36,628	74,430	267,100		34,049	378	
TOTAL LIABILITIES	\$ -	\$ 8,050	\$ 15,394	\$ 36,628	\$ 74,430	\$ 267,100	\$ -	\$ 36,678	\$ 71,343	\$ 2,525
FUND BALANCES										
Reserved for prepaids										
Reserved for encumbrances					74,430					
Reserved for endowments										
Designated for fiscal 2010 operations					(74,430)	(26,675)	1,043,877	(5,000)	244,650	747,440
Unreserved, undesignated	10,000	-	1,253,266	-	-	-	1,043,877	-	244,650	747,440
TOTAL FUND BALANCES	10,000	-	1,253,266	-	-	-	1,043,877	-	244,650	747,440
TOTAL LIABILITIES AND FUND BALANCES	\$ 10,000	\$ 8,050	\$ 1,268,660	\$ 36,628	\$ 74,430	\$ 267,100	\$ 1,043,877	\$ 36,678	\$ 315,993	\$ 749,965

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2010

SPECIAL REVENUE FUNDS									
	Governor's Justice Commission Grants	Historical & Vital Recording Fees	Municipal Planning Services Reserve	Narragansett Library Association	Neighborhood Guild	Onsite Wastewater Plan Implementation	Peacedale Office Building	Property Revaluation Reserve Fund	RI Emergency Management Grant
ASSETS									
Cash and cash equivalents				\$ 21,200	\$ 85,671		\$ 227,370		
Investments				16,413					
Accounts and other receivable				575	5,761		-	\$	
Due from federal & state governments					10,840				
Prepays	\$ 48,376				89,785			747,809	
Due from other funds									
TOTAL ASSETS	\$ 48,376	\$ 148,738	\$ 135,593	\$ 38,188	\$ 192,057	\$ -	\$ 227,370	\$ 747,809	\$ -
LIABILITIES									
Accounts payable	\$ 13,990	\$ 300		\$ 32,709			\$ 3,174		
Retainage payable					11,311		3,575		
Accrued liabilities									
Due to federal & state governments									
Due to other funds	1,800		\$ 3,300	\$ 575	-		194		
Deferred revenue	32,586				46,422		6,277		
TOTAL LIABILITIES	48,376	300	3,300	575	90,442	-	13,220	-	\$ -
FUND BALANCES									
Reserved for prepaids	-	-	-	-	10,840	-	-	-	-
Reserved for encumbrances	33,456	276	23,393						
Reserved for endowments									
Designated for fiscal 2010 operations					18,000				
Unreserved, undesignated	(33,456)	148,162	108,900	37,613	72,775	-	214,150	747,809	-
TOTAL FUND BALANCES	-	148,438	132,293	37,613	101,615	-	214,150	747,809	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 48,376	\$ 148,738	\$ 135,593	\$ 38,188	\$ 192,057	\$ -	\$ 227,370	\$ 747,809	\$ -

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2010

	SPECIAL REVENUE FUNDS						
	RI	South Road	Tobacco				
	Resource	Seat Belt	School	Compliance	Nancy Brown	School	Total
	Recovery	Enforcement	Reserve	Investigation	Memorial	Restricted	Special
	Grant	Grants	Fund	Project	Fund	Fund	Revenue Funds
ASSETS							
Cash and cash equivalents					\$ 3,123		\$ 1,970,417
Investments							16,413
Accounts and other receivable							33,298
Due from federal & state governments		\$ 29,450	\$ 308,655	\$ 1,662		\$ 672,354	1,171,706
Prepays							10,840
Due from other funds	\$ 70,244	-	308,655	2,177		36,387	3,278,551
TOTAL ASSETS	\$ 70,244	\$ 29,450	\$ 308,655	\$ 9,838	\$ 3,123	\$ 708,741	\$ 6,481,225
LIABILITIES							
Accounts payable				\$ 4,277			\$ 118,774
Retainage payable							-
Accrued liabilities	\$ 718	-		379		\$ 54,717	109,960
Due to federal & state governments		8,185		1,253		617,436	653,838
Due to other funds		21,265		5,561		36,588	536,198
Deferred revenue	718	29,450	-	9,838		708,741	1,418,770
TOTAL LIABILITIES							
FUND BALANCES							
Reserved for prepaids							10,840
Reserved for encumbrances	15,015						178,245
Reserved for endowments							-
Designated for fiscal 2010 operations							18,000
Unreserved, undesignated	54,511		308,655		3,123		4,855,370
TOTAL FUND BALANCES	69,526		308,655		3,123		5,062,455
TOTAL LIABILITIES AND FUND BALANCES	\$ 70,244	\$ 29,450	\$ 308,655	\$ 9,838	\$ 1,662	\$ 708,741	\$ 6,481,225

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

Combining Balance Sheets
Nonmajor Governmental Funds
June 30, 2010

	CAPITAL PROJECT FUNDS							
	Animal Shelter Addition Fund	Bike Path Maintenance Fund	Bridge Improvement Fund	Capital Equipment & Replacement Fund	Data Processing Improvement Fund	Downtown Intermodal Enhancement Project Fund	Impact Fee Reserve Fund	Land Use Reserve Fund
ASSETS								
Cash and cash equivalents			\$ 126,200					\$ 119,037
Investments								
Accounts and other receivable								
Due from federal & state governments								
Prepays	\$ 29,823	\$ -	250,410	\$ 711,010	\$ 101,813	26,429	\$ 1,459,485	28,783
Due from other funds	\$ 29,823	\$ -	376,610	\$ 711,010	\$ 101,813	26,429	\$ 1,459,485	\$ 147,820
TOTAL ASSETS								
LIABILITIES								
Accounts payable	\$ 129,946		\$ 1,536					
Retainage payable	13,760							
Accrued liabilities								
Due to federal & state governments								
Due to other funds								
Deferred revenue								
TOTAL LIABILITIES	143,706	\$ -	1,536	\$ -	\$ -	\$ -	\$ -	\$ -
FUND BALANCES								
Reserved for prepaids	1,029,044		24,955	50,198		5,700		12,700
Reserved for encumbrances								
Reserved for endowments								
Designated for fiscal 2010 operations								
Unreserved, undesignated	(1,142,927)	-	350,119	660,812	101,813	20,729	\$ 1,459,485	135,120
TOTAL FUND BALANCES	(113,883)	-	375,074	711,010	101,813	26,429	1,459,485	147,820
TOTAL LIABILITIES AND FUND BALANCES	\$ 29,823	\$ -	\$ 376,610	\$ 711,010	\$ 101,813	\$ 26,429	\$ 1,459,485	\$ 147,820

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

Combining Balance Sheets
Nonmajor Governmental Funds
June 30, 2010

	CAPITAL PROJECT FUNDS									
	Open Space Reserve Fund	Police Building Construction Fund	Public Services Office Building Improvement Fund	Public Works Improvement Fund	Recreation Development & Restoration Fund	Recreation Improvement Fund	Saugatucket River Walkway Construction Fund	School Improvement Construction Fund	Senior Services Center Construction Fund	
ASSETS										
Cash and cash equivalents							\$		\$	89,856
Investments					\$ 1,950					
Accounts and other receivable					108,878					
Due from federal & state governments										
Prepays										
Due from other funds										
TOTAL ASSETS	\$ 505,191	\$ 310,615	\$ 21,086	\$ 2,557,600	\$ 314,768	\$ 47,335	\$ -	\$ 16,682	\$ 95,000	
	\$ 505,191	\$ 310,615	\$ 21,086	\$ 2,557,600	\$ 425,596	\$ 47,335	\$ -	\$ 16,682	\$ 184,856	
LIABILITIES										
Accounts payable		\$ 102,311		\$ 49,250	\$ 1,195					
Retainage payable										
Accrued liabilities										
Due to federal & state governments										
Due to other funds										
Deferred revenue										
TOTAL LIABILITIES	-	102,311	-	49,250	108,878	110,073	-	-	-	-
FUND BALANCES										
Reserved for prepaids										
Reserved for encumbrances		45,492		665,150	53,000					
Reserved for endowments										
Designated for fiscal 2010 operations										
Unreserved, undesignated	505,191	162,812	21,086	1,843,200	262,523	47,335	-	16,682	184,856	
TOTAL FUND BALANCES	505,191	208,304	21,086	2,508,350	315,523	47,335	-	16,682	184,856	
TOTAL LIABILITIES AND FUND BALANCES	\$ 505,191	\$ 310,615	\$ 21,086	\$ 2,557,600	\$ 425,596	\$ 47,335	\$ -	\$ 16,682	\$ 184,856	

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2010

	CAPITAL PROJECT FUNDS				PERMANENT FUNDS						Total Nonmajor Governmental Funds
	Town Hall Improvement Fund	Wastewater Construction Fund	Total Capital Project Funds		Hazard Memorial Trust	Gertrude S. Parker Trust	Oliver Watson Home Fund	Walter W. Watson Trust	Kingston Free Library Trust Fund	Total Permanent Funds	
ASSETS											
Cash and cash equivalents		\$ 4,783,394	\$ 5,118,487	\$	\$ 178,128	\$ 10,293	\$ 231,731	\$ 197,224	\$ 135	\$ 617,511	\$ 7,706,415
Investments					225,823				681,077	906,900	923,313
Accounts and other receivable			1,950		2					2	35,250
Due from federal & state governments			108,878								1,280,584
Prepays											10,840
Due from other funds	\$ 164,259		6,640,289								9,918,840
TOTAL ASSETS	\$ 164,259	\$ 4,783,394	\$ 11,869,604	\$	\$ 403,953	\$ 10,293	\$ 231,731	\$ 197,224	\$ 681,212	\$ 1,524,413	\$ 19,875,242
LIABILITIES											
Accounts payable		\$	284,238	\$			\$ 99			\$ 99	\$ 403,111
Retainage payable			13,760								13,760
Accrued liabilities											109,960
Due to federal & state governments											
Due to other funds											653,838
Deferred revenue			108,878								645,076
TOTAL LIABILITIES	\$ -	\$ -	406,876	\$	\$ -	\$ -	\$ 99	\$ -	\$ -	\$ 99	\$ 1,825,745
FUND BALANCES											
Reserved for prepaids											10,840
Reserved for encumbrances			1,886,239					40,339	681,212	725,466	2,064,484
Reserved for endowments					3,915						725,466
Designated for fiscal 2010 operations	164,259	4,783,394	9,576,489		400,038	10,293	231,632	156,885		798,848	15,230,707
Unreserved, undesignated	164,259	4,783,394	11,462,728		403,953	10,293	231,632	197,224	681,212	1,524,314	18,049,497
TOTAL FUND BALANCES	\$ 164,259	\$ 4,783,394	\$ 11,869,604	\$	\$ 403,953	\$ 10,293	\$ 231,731	\$ 197,224	\$ 681,212	\$ 1,524,413	\$ 19,875,242

(CONCLUDED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2010

	SPECIAL REVENUE FUNDS									
	Affordable Housing	Alcohol Grant	Animal Shelter Benefit Fund	Asset Forfeiture Fund	Byrne Memorial Justice Assistance Grant	Community Development Block Grants	Compensated Absences Reserve Fund	Drug Free Communities Grant	Elderly Services	EMS Billing Services Fund
REVENUES:										
Interest and investment income		\$ 4,386					\$ 911		\$ 335	\$ 4,573
Fines and charges			12,900							679,777
Fees and assessments		\$ 8,050		\$ 388		\$ 166,594		\$ 105,352	115,167	
Intergovernmental									336,148	
Contributions										
Other			15,413	713						
Total revenues	\$ -	8,050	32,699	1,101	\$ -	166,594	911	105,352	451,650	684,350
EXPENDITURES:										
Current:										
Recreation										
Education										
Other expenses										
Debt Service:										
Debt service principal		8,050	1,435	1,101		166,594		105,352	676,590	162,711
Bond issuance cost										
Interest expense										
Capital improvements										
Total expenditures	-	8,050	1,435	1,101	-	166,594	-	105,352	676,590	162,711
Excess (deficiency) of revenues over (under) expenditures	-	-	31,264	-	-	-	911	-	(224,940)	521,639
OTHER FINANCING SOURCES (USES)										
Proceeds from Bond Issuance										
Transfers in										
Transfers out										
Total other financing sources (uses)	-	-	-	-	-	-	470,000	-	419,396	(425,000)
Net change in fund balances	-	-	31,264	-	-	-	470,911	-	174,456	96,639
Fund balances - beginning of year	10,000	-	1,222,002	-	-	-	572,966	-	70,194	650,801
Fund balances - end of year	\$ 10,000	\$ -	\$ 1,253,266	\$ -	\$ -	\$ -	\$ 1,043,877	\$ -	\$ 244,650	\$ 747,440

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2010

	SPECIAL REVENUE FUNDS								
	Governor's Justice Commission Grants	Historical & Vital Recording Fees	Municipal Planning Services Reserve	Narragansett Library Association	Neighborhood Guild	Onsite Wastewater Plan Implementation	Peacedale Office Building	Property Revaluation Reserve Fund	RI Emergency Management Grant
REVENUES:									
Interest and investment income				\$ 1,271	\$ 303		\$ 1,584		
Fines and charges		\$ 36,164			383,572		71,778		
Fees and assessments								\$ 93,250	\$ 39,180
Intergovernmental Contributions	\$ 27,304			32,638	12,738		16,902		
Other									
Total revenues	27,304	36,164	\$ -	33,909	396,613	-	90,264	93,250	39,180
EXPENDITURES:									
Current:									
Recreation					742,502				
Education									
Other expenses	27,304	30,417	37,507	20	900		68,781	165,322	39,180
Debt Service:									
Debt service principal					55,000				
Bond issuance cost									
Interest expense					12,425				
Capital improvements							389		
Total expenditures	27,304	30,417	37,507	20	810,827	-	69,170	165,322	39,180
Excess (deficiency) of revenues over (under) expenditures	-	5,747	(37,507)	33,889	(414,214)	-	21,094	(72,072)	-
OTHER FINANCING SOURCES (USES)									
Proceeds from Bond Issuance									
Transfers in			21,800		422,425			335,000	
Transfers out			-	(32,833)			-		
Total other financing sources (uses)	-	-	21,800	(32,833)	422,425	-	-	335,000	-
Net change in fund balances	-	5,747	(15,707)	1,056	8,211	-	21,094	262,928	-
Fund balances - beginning of year	-	142,691	148,000	36,557	93,404	-	193,056	484,881	-
Fund balances - end of year	\$ -	\$ 148,438	\$ 132,293	\$ 37,613	\$ 101,615	\$ -	\$ 214,150	\$ 747,809	\$ -

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2010

	SPECIAL REVENUE FUND							
	RI	South Road		Tobacco				
	Resource Recovery Grant	Seat Belt Enforcement Grants	School Reserve Fund	Substance Abuse	Compliance Investigation Project	Nancy Brown Memorial Fund	School Restricted Fund	Total Special Revenue Funds
REVENUES:								
Interest and investment income						\$ 3		\$ 13,366
Fines and charges			\$ -					1,135,127
Fees and assessments								164,231
Intergovernmental Contributions	\$ 79,452	\$ 28,719		\$ 32,243	\$ 2,080		\$ 1,789,368	2,708,128
Other							81,090	143,368
Total revenues	79,452	28,719	-	32,243	2,080	3	1,873,683	4,183,571
EXPENDITURES:								
Current:								
Recreation								742,502
Education							2,130,220	2,130,220
Other expenses	28,365	28,719		32,243	2,080			1,582,671
Debt Service:								
Debt service principal								55,000
Bond issuance cost								-
Interest expense								12,425
Capital improvements								389
Total expenditures	28,365	28,719	-	32,243	2,080	-	2,130,220	4,523,207
Excess (deficiency) of revenues over (under) expenditures	51,087	-	-	-	-	3	(256,537)	(339,636)
OTHER FINANCING SOURCES (USES)								
Proceeds from Bond Issuance								-
Transfers in	-		(28,478)				256,537	1,925,158
Transfers out			(28,478)				256,537	(506,311)
Total other financing sources (uses)								1,418,847
Net change in fund balances	51,087	-	(28,478)	-	-	3	-	1,079,211
Fund balances - beginning of year	18,439	-	337,133	-	-	3,120	-	3,983,244
Fund balances - end of year	\$ 69,526	\$ -	\$ 308,655	\$ -	\$ -	\$ 3,123	\$ -	\$ 5,062,455

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2010

	CAPITAL PROJECT FUNDS									
	Animal Shelter Addition Fund	Bike Path Maintenance Fund	Bridge Improvement Fund	Capital Equipment & Replacement Fund	Data Processing Improvement Fund	Downtown Intermodal Enhancement Project Fund	Impact Fee Reserve Fund	Land Use Reserve Fund	Library Building Construction	
REVENUES:										
Interest and investment income			\$ 906					\$ 894	\$ 930	
Fines and charges							\$ 362,392			
Fees and assessments			-					250,000		
Intergovernmental Contributions								100,000	46,250	
Other	\$ -									
Total revenues	-	\$ -	906	\$ -	\$ -	\$ -	362,392	350,894	47,180	
EXPENDITURES:										
Current:										
Recreation										
Education										
Other expenses										
Debt Service:										
Debt service principal										
Bond issuance cost										
Interest expense										
Capital improvements	153,022	-	1,536	78,471				702,442	35,885	
Total expenditures	153,022	-	1,536	78,471	-	-	-	702,442	35,885	
Excess (deficiency) of revenues over (under) expenditures	(153,022)	-	(630)	(78,471)	-	-	362,392	(351,548)	11,295	
OTHER FINANCING SOURCES (USES)										
Proceeds from Bond Issuance										
Transfers in	25,000		-	275,000	10,000	39,729		41,058		
Transfers out		(1,712)					(217,197)			
Total other financing sources (uses)	25,000	(1,712)	-	275,000	10,000	39,729	(217,197)	41,058	-	
Net change in fund balances	(128,022)	(1,712)	(630)	196,529	10,000	39,729	145,195	(310,490)	11,295	
Fund balances - beginning of year	14,139	1,712	375,704	514,481	91,813	(13,300)	1,314,290	310,490	136,525	
Fund balances - end of year	\$ (113,883)	\$ -	\$ 375,074	\$ 711,010	\$ 101,813	\$ 26,429	\$ 1,459,485	\$ -	\$ 147,820	

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2010

	CAPITAL PROJECT FUNDS									
	Open Space Reserve Fund	Police Building Construction Fund	Public Services Office Building Improvement Fund	Public Works Improvement Fund	Recreation Development & Restoration Fund	Recreation Improvement Fund	Saugatucket River Walkway Construction Fund	School Improvement Fund	Senior Services Center Construction Fund	
REVENUES:										
Interest and investment income	\$ 971						\$ 36		\$	696
Fines and charges										
Fees and assessments	226,884			\$ 10,469	\$ 10,170					
Intergovernmental										
Contributions										
Other							7,000			
Total revenues	227,855	\$ -	\$ -	\$ 10,469	10,170	\$ -	7,036	\$ -	\$ -	696
EXPENDITURES:										
Current:										
Recreation										
Education										
Other expenses										
Debt Service:										
Debt service principal										
Bond issuance cost										
Interest expense										29,895
Capital improvements										
Total expenditures	552,023	163,637	1,996	95,920	91,826	91,826	7,000	15,000	-	-
Excess (deficiency) of revenues over (under) expenditures	(324,168)	(163,637)	(1,996)	(85,451)	(81,656)	-	36	(44,895)	696	-
OTHER FINANCING SOURCES (USES)										
Proceeds from Bond Issuance										
Transfers in		110,000	15,372	880,000	91,712	-		1,229,895		-
Transfers out	(325,000)	-		(10,371)			(39,729)	15,000		-
Total other financing sources (uses)	(325,000)	110,000	15,372	869,629	91,712	-	(39,729)	1,244,895	-	-
Net change in fund balances	(649,168)	(53,637)	13,376	784,178	10,056	-	(39,693)	1,200,000	696	-
Fund balances - beginning of year	1,154,359	261,941	7,710	1,724,172	305,467	47,335	39,693	(1,183,318)	184,160	-
Fund balances - end of year	\$ 505,191	\$ 208,304	\$ 21,086	\$ 2,508,350	\$ 315,523	\$ 47,335	\$ -	\$ 16,682	\$ 184,856	-

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2010

	CAPITAL PROJECT FUNDS				PERMANENT FUNDS						Total Nonmajor Governmental Funds
	Town Hall Improvement Fund	Wastewater Construction Fund	Total Capital Project Funds	Hazard Memorial Trust	Gertrude S. Parker Trust	Oliver Watson Home Fund	Walter W. Watson Trust	Free Library Trust Fund	Permanent Funds	Total Funds	
REVENUES:											
Interest and investment income		\$ 35,038	\$ 39,471	\$ 35,852	\$ 46	\$ 1,564	\$ 1,541	\$ 71,535	\$ 110,538	\$ 163,375	
Fines and charges										1,135,127	
Fees and assessments		107,536	707,281							871,512	
Intergovernmental			260,170							2,968,298	
Contributions			146,250							289,618	
Other			7,000	246					246	26,597	
Total revenues	\$ -	142,574	1,160,172	36,098	46	1,564	1,541	71,535	110,784	5,454,527	
EXPENDITURES:											
Current:											
Recreation											742,502
Education											2,130,220
Other expenses				20,671	650	1,407	750	7,440	30,918	1,613,589	
Debt Service:											
Debt service principal											55,000
Bond issuance cost			29,895								29,895
Interest expense											12,425
Capital improvements											1,899,147
Total expenditures	-	-	1,928,653	20,671	650	1,407	750	7,440	30,918	6,482,778	
Excess (deficiency) of revenues over (under) expenditures	-	142,574	(768,481)	15,427	(604)	157	791	64,095	79,866	(1,028,251)	
OTHER FINANCING SOURCES (USES)											
Proceeds from Bond Issuance			1,229,895								1,229,895
Transfers in	40,000		1,542,871			(5,000)		(22,775)	(27,775)	(1,128,095)	
Transfers out	-	-	(594,009)			(5,000)		(22,775)	(27,775)	3,569,829	
Total other financing sources (uses)	40,000	-	2,178,757	-	-	(4,843)	791	41,320	52,091	2,541,578	
Net change in fund balances	40,000	142,574	1,410,276	15,427	(604)	(4,843)					
Fund balances - beginning of year	124,259	4,640,820	10,052,452	388,526	10,897	236,475	196,433	639,892	1,472,223	15,507,919	
Fund balances - end of year	\$ 164,259	\$ 4,783,394	\$ 11,462,728	\$ 403,953	\$ 10,293	\$ 231,632	\$ 197,224	\$ 681,212	\$ 1,524,314	\$ 18,049,497	

(CONCLUDED)

TOWN OF SOUTH KINGSTOWN

AGENCY FUNDS

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

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

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

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

Statement of Changes in Assets and Liabilities
Agency Funds
Year ended June 30, 2010

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Unclaimed Estates</u>				
ASSETS:				
Cash	\$ 43,737	\$ 57	\$ -	\$ 43,794
TOTAL ASSETS	<u>\$ 43,737</u>	<u>\$ 57</u>	<u>\$ -</u>	<u>\$ 43,794</u>
LIABILITIES:				
Deposits held in custody for others	\$ 43,737	\$ 57	\$ -	\$ 43,794
TOTAL LIABILITIES	<u>\$ 43,737</u>	<u>\$ 57</u>	<u>\$ -</u>	<u>\$ 43,794</u>
<u>Student Activities Fund</u>				
ASSETS:				
Cash	\$ 291,057	\$ 596,142	\$ 643,756	\$ 243,443
Investments	11,321	713	-	12,034
TOTAL ASSETS	<u>\$ 302,378</u>	<u>\$ 596,855</u>	<u>\$ 643,756</u>	<u>\$ 255,477</u>
LIABILITIES:				
Deposits held in custody for others	\$ 302,378	\$ 596,855	\$ 643,756	\$ 255,477
TOTAL LIABILITIES	<u>\$ 302,378</u>	<u>\$ 596,855</u>	<u>\$ 643,756</u>	<u>\$ 255,477</u>
<u>Total - All Agency Funds</u>				
ASSETS:				
Cash	\$ 334,794	\$ 596,199	\$ 643,756	\$ 287,237
Investments	11,321	713	-	12,034
TOTAL ASSETS	<u>\$ 346,115</u>	<u>\$ 596,912</u>	<u>\$ 643,756</u>	<u>\$ 299,271</u>
LIABILITIES:				
Deposits held in custody for others	346,115	596,912	643,756	299,271
TOTAL LIABILITIES	<u>\$ 346,115</u>	<u>\$ 596,912</u>	<u>\$ 643,756</u>	<u>\$ 299,271</u>

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TOWN OF SOUTH KINGSTOWN

CAPITAL ASSETS

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULES BY SOURCE
JUNE 30, 2010
(WITH COMPARATIVE TOTALS FOR 2009)**

	<u>2010</u>	<u>2009</u>
<i>Governmental funds capital assets:</i>		
Land	\$ 13,669,374	\$ 12,404,909
Buildings	30,322,129	30,284,552
Improvements	47,972,974	47,931,487
Machinery and equipment	16,382,881	15,820,469
Infrastructure	33,398,233	33,207,433
Construction in progress	503,158	254,059
<i>Total governmental funds capital assets</i>	\$ 142,248,749	\$ 139,902,909
<i>Investments in governmental funds capital assets by source:</i>		
General fund	\$ 9,716,920	\$ 9,573,013
Special revenue funds	6,945,197	6,594,971
Capital project funds	125,586,632	123,734,925
<i>Total governmental funds capital assets</i>	\$ 142,248,749	\$ 139,902,909

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
JUNE 30, 2010

<u>Function and activity</u>	<u>Land</u>	<u>Building</u>	<u>Improvements</u>	<u>Machinery And Equipment</u>	<u>Infrastructure</u>	<u>Construction in Progress</u>	<u>Total</u>
General government:							
Council			\$ 99,977	\$ 52,563		\$	\$ 52,563
Clerk				115,295			215,272
Manager				78,702			78,702
Building and grounds	\$ 54,298	\$ 200,361	1,658,867	27,165			1,940,691
Finance and administration				218,938			218,938
Planning				137,359			137,359
Inspector				62,642			62,642
Other - unclassified	46,500	21,442		34,697			102,639
Total general government	100,798	221,803	1,758,844	727,361	-		2,808,806
Schools	337,705	20,334,627	37,403,226	6,568,552			64,644,110
Public Safety:							
Police	542,982	5,096,175		2,127,932			7,767,089
Fire and alarms	48,000	105,677	6,646	615,346	387,260		1,162,929
Emergency management				668,078			668,078
Total public safety	590,982	5,201,852	6,646	3,411,356	387,260		9,598,096
Streets and highways	10,250	777,822	487,641	3,090,850	32,974,388		37,340,951
Recreation and parks	12,499,639	1,952,292	5,165,256	1,743,830	36,585		21,397,602
Public libraries	75,000	129,000	2,837,097	566,743			3,607,840
Elderly services	55,000	1,704,733	314,264	274,189			2,348,186
Construction in progress						\$ 503,158	503,158
Total general capital assets	\$ 13,669,374	\$ 30,322,129	\$ 47,972,974	\$ 16,382,881	\$ 33,398,233	\$ 503,158	\$ 142,248,749

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

<u>Function and Activity</u>	<u>Balance July 1, 2009</u>	<u>Additions & Transfers In</u>	<u>Deductions & Transfers Out</u>	<u>Balance June 30, 2010</u>
General government:				
Council	\$ 52,563			\$ 52,563
Clerk	215,644	\$ 1,844	\$ 2,216	215,272
Manager	61,384	17,318		78,702
Buildings and grounds	1,972,446		31,755	1,940,691
Finance and administration	207,648	21,015	9,725	218,938
Planning	135,406	4,202	2,249	137,359
Inspector	64,517		1,875	62,642
Other - unclassified	124,048	3,392	24,801	102,639
Total general government	2,833,656	47,771	72,621	2,808,806
Schools	64,290,301	357,185	3,376	64,644,110
Public safety:				
Police	7,651,813	315,667	200,391	7,767,089
Fire and alarms	1,110,538	75,175	22,784	1,162,929
Emergency management	666,099	9,003	7,024	668,078
Total public safety	9,428,450	399,845	230,199	9,598,096
Streets and highways	37,109,013	364,130	132,192	37,340,951
Recreation and parks	20,024,914	1,482,972	110,284	21,397,602
Public libraries	3,606,202	15,563	13,925	3,607,840
Elderly services	2,356,314	549	8,677	2,348,186
Construction in progress	254,059	1,929,177	1,680,078	503,158
Total general capital assets	\$ 139,902,909	\$ 4,597,192	\$ 2,251,352	\$ 142,248,749

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TOWN OF SOUTH KINGSTOWN

OTHER EXHIBITS

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND**SCHEDULE OF PROPERTY TAXES RECEIVABLE
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Year	Mill Rate	Property Taxes Receivable July 1, 2009	Current Year Assessment	Transfers Addendums (Net)	Abatements and Adjustments	Amount to be Collected	Collections Net of Refunds	Property Taxes Receivable June 30, 2010
2009	\$11.97		\$ 64,504,174	\$ 119,627	\$ 393,726	\$ 64,230,075	\$ 63,250,506	\$ 979,569
2008	11.97	\$ 1,001,760		1,083	27,794	975,049	893,318	81,731
2007	11.51	60,570			19,462	41,108	13,553	27,555
2006	13.65	24,538			173	24,365	1,982	22,383
2005	13.13	26,854			67	26,787	1,478	25,309
2004	12.58	23,607			90	23,517	420	23,097
2003	19.91	27,111			30	27,081	1,620	25,461
2002	19.02	24,308			-	24,308	1,110	23,198
2001	17.90	28,688			-	28,688	396	28,292
2000	20.75	18,719			-	18,719	54	18,665
1999	20.75	28,246			26,081	2,165	260	1,905
1998	19.38	41,940			40,345	1,595	1,279	316
1997	18.71	299			-	299	-	299
1995	16.84	1,453			1,453	-	-	-
1994	15.92	2,378			2,378	-	-	-
Subtotal		1,310,471	\$ 64,504,174	\$ 120,710	\$ 511,599	\$ 65,423,756	\$ 64,165,976	1,257,780

Less: estimated allowance
for uncollectable accounts

276,145

**Net property taxes
receivable**

\$ 981,635

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLANDSCHEDULE OF PROPERTY TAXES RECEIVABLE
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Schedule of Net Assessed Property Value by Category			Reconciliation of Current Year Property Tax Revenue	
Description of Property	Assessed December 31, 2008		Current year collections	
	Valuations	Levy		
Real property	\$ 4,947,116,630	\$ 59,798,768		\$ 64,165,976
Motor vehicles	99,835,185	1,867,917		336,918
Tangible property	247,815,975	2,995,501		64,502,894
Wholesale and retail inventory	-	-		
Total	5,294,767,790	64,662,187		(391,153)
Exemptions and adjustments	12,803,213	158,013		\$ 64,111,741
Net assessed value	\$ 5,281,964,577	\$ 64,504,174		
			Revenue received 60 days subsequent to fiscal year ending June 30, 2010	
			Subtotal	
			Prior year revenue received in current year (2009 60 day rule)	
			Current year property tax revenue	

(CONCLUDED)

TOWN OF SOUTH KINGSTOWN

STATISTICAL SECTION

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

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

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

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

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

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

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

SCHEDULE 1
NET ASSETS BY COMPONENT
LAST SEVEN FISCAL YEARS
(since implementation of GASB #34)

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

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

SCHEDULE 2

CHANGES IN NET ASSETS, LAST SEVEN FISCAL YEARS
GOVERNMENTAL ACTIVITIES

(accrual basis of accounting)

(information presented for all periods since implementation of GASB #34)

	FISCAL YEARS ENDED JUNE 30,				
	2004	2005	2006	2007	2008
	2009	2010			
Expenses					
Governmental activities:					
General government	\$ 6,478,353	\$ 7,164,843	\$ 7,794,143	\$ 8,559,664	\$ 8,806,804
Public safety	5,812,407	5,975,342	6,163,017	6,701,924	6,784,029
Public works	1,989,518	2,437,890	2,726,315	3,221,185	2,905,202
Human service agency contributions	193,082	197,073	183,015	178,356	183,987
Public libraries	885,097	916,825	953,482	988,273	1,039,669
Education	51,922,916	52,654,614	55,630,802	60,131,860	62,853,934
Recreation	2,108,450	2,138,627	2,281,584	2,319,532	2,322,764
Interest on long-term debt	1,746,861	1,658,708	1,499,745	1,560,963	1,520,722
Total governmental activities	71,136,684	73,143,922	77,232,103	83,661,757	86,417,111
Business-type activities:					
Wastewater	2,682,339	2,747,416	2,792,376	2,972,625	3,144,544
Solid Waste	965,564	891,292	893,562	948,464	945,596
Water	665,256	658,923	679,376	713,784	835,913
School Cafeteria	1,004,783	970,996	1,056,629	1,095,906	1,041,418
Total business-type activities	5,317,942	5,268,627	5,421,943	5,730,779	5,967,471
Total primary government expense	\$ 76,454,626	\$ 78,412,549	\$ 82,654,046	\$ 89,392,536	\$ 92,384,582
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 3,741,721	\$ 3,734,779	\$ 4,534,120	\$ 3,794,768	\$ 3,617,841
Public safety	783,362	784,245	806,200	1,001,582	989,173
Public works	56,300	58,050	59,500	61,100	62,935
Public libraries	48,856	29,117	28,106	28,478	28,348
Education	1,218,151	1,010,984	1,203,376	1,141,449	1,003,973
Recreation	818,419	847,241	885,410	820,278	800,684
Operating grants and contributions	14,260,623	14,490,072	15,030,606	16,188,793	16,321,642
Capital grants and contributions	882,697	729,799	4,186,452	292,834	272,145
Total governmental activities program revenues	21,810,129	21,684,287	26,733,770	23,329,282	23,096,741
Business-type activities:					
Charges for services:					
Wastewater	2,279,726	2,354,188	2,474,993	2,660,233	3,065,229
Solid Waste	991,645	938,736	956,613	950,248	789,355
Water	721,987	765,853	814,374	749,067	866,797
School Cafeteria	802,956	747,852	795,794	787,352	760,830
Operating grants and contributions	221,205	210,425	202,997	234,927	504,696
Capital grants and contributions			404,100	-	307,075
Total business-type activities	5,017,519	5,007,054	5,648,871	5,381,827	6,293,982
Total primary government program revenues	\$ 26,827,648	\$ 26,691,341	\$ 32,382,641	\$ 28,711,109	\$ 29,390,723

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

SCHEDULE 2

CHANGES IN NET ASSETS, LAST SEVEN FISCAL YEARS
GOVERNMENTAL ACTIVITIES

(accrual basis of accounting)
(information presented for all periods since implementation of GASB #34)

	FISCAL YEARS ENDED JUNE 30,						
	2004	2005	2006	2007	2008	2009	2010
Net (Expense)/Revenue							
Governmental activities	\$ (49,326,555)	\$ (51,459,635)	\$ (50,498,333)	\$ (60,332,475)	\$ (63,320,370)	\$ (66,020,323)	\$ (64,547,907)
Business-type activities	(300,423)	(261,573)	226,928	(348,952)	326,511	79,612	75,754
Total primary government net expense	<u>\$ (49,626,978)</u>	<u>\$ (51,721,208)</u>	<u>\$ (50,271,405)</u>	<u>\$ (60,681,427)</u>	<u>\$ (62,993,859)</u>	<u>\$ (65,940,711)</u>	<u>\$ (64,472,153)</u>
General Revenues and Other Changes in Net Assets							
Governmental activities:							
Property taxes	\$ 50,181,817	\$ 51,441,569	\$ 54,828,438	\$ 58,032,552	\$ 60,903,094	\$ 63,974,336	\$ 64,729,407
Motor vehicle phase-out taxes	1,578,608	1,578,608	1,828,726	2,165,338	2,167,848	2,178,075	1,876,190
Telephone and hotel taxes	472,963	425,192	389,466	337,594	339,967	357,171	372,981
Grants and aid not restricted for a specific program	2,030,561	2,131,825	2,400,435	2,396,341	2,295,069	1,737,177	1,440,551
Unrestricted investment earnings	1,439,078	1,373,108	2,084,407	4,000,792	1,073,334	(834,736)	1,822,022
Miscellaneous	79,826	-	7,385	-	-	-	-
Transfers	9,040	32,607	1,087,993	25,197	(880,146)	81,973	(16,155)
Total governmental activities	<u>55,791,893</u>	<u>56,982,909</u>	<u>62,626,850</u>	<u>66,957,814</u>	<u>65,899,166</u>	<u>67,493,996</u>	<u>70,224,996</u>
Business-type activities:							
Unrestricted investment earnings	69,906	98,366	155,843	228,244	182,029	108,359	45,386
Transfers	(9,040)	(32,607)	(1,087,993)	(25,197)	880,146	(81,973)	16,155
Total business-type activities	<u>60,866</u>	<u>65,759</u>	<u>(932,150)</u>	<u>203,047</u>	<u>1,062,175</u>	<u>26,386</u>	<u>61,541</u>
Total primary government	<u>\$ 55,852,759</u>	<u>\$ 57,048,668</u>	<u>\$ 61,694,700</u>	<u>\$ 67,160,861</u>	<u>\$ 66,961,341</u>	<u>\$ 67,520,382</u>	<u>\$ 70,286,537</u>
Change in Net Assets							
Governmental activities	\$ 6,465,338	\$ 5,523,274	\$ 12,128,517	\$ 6,625,339	\$ 2,578,796	\$ 1,473,673	\$ 5,677,089
Business-type activities	(239,557)	(195,814)	(705,222)	(145,905)	1,388,686	105,998	137,295
Total primary government	<u>\$ 6,225,781</u>	<u>\$ 5,327,460</u>	<u>\$ 11,423,295</u>	<u>\$ 6,479,434</u>	<u>\$ 3,967,482</u>	<u>\$ 1,579,671</u>	<u>\$ 5,814,384</u>

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

SCHEDULE 3

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

	Fiscal Year ended June 30									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Fund										
Reserved	\$ 271,551	\$ 162,147	\$ 88,958	\$ 258,879	\$ 366,988	\$ 286,935	\$ 55,127	\$ 211,673	\$ 45,788	\$ 22,133
Unreserved	7,045,572	7,360,947	7,795,115	8,641,616	9,587,047	10,875,912	12,145,834	12,151,623	11,535,780	11,485,482
Total general fund	<u>\$ 7,317,123</u>	<u>\$ 7,523,094</u>	<u>\$ 7,884,073</u>	<u>\$ 8,900,495</u>	<u>\$ 9,954,035</u>	<u>\$ 11,162,847</u>	<u>\$ 12,200,961</u>	<u>\$ 12,363,296</u>	<u>\$ 11,581,568</u>	<u>\$ 11,507,615</u>
All Other Governmental Funds										
Reserved	\$ 15,891,233	\$ 16,168,151	\$ 15,149,953	\$ 15,536,672	\$ 15,131,361	\$ 16,183,103	\$ 16,419,082	\$ 15,431,321	\$ 12,524,961	\$ 15,179,653
Unreserved, reported in:										
Special revenue funds	577,866	1,465,978	1,880,251	2,106,195	2,257,829	2,974,177	3,957,611	5,025,971	6,132,249	7,708,064
Capital project funds	5,529,961	3,281,197	3,640,449	4,238,921	5,207,698	6,481,448	8,629,412	9,022,455	9,966,576	9,576,489
Permanent funds	1,692,663	1,618,618	1,427,198	1,377,532	1,341,590	1,363,510	1,390,975	1,390,717	1,447,322	1,415,680
Total all other governmental funds	<u>\$ 23,691,723</u>	<u>\$ 22,533,944</u>	<u>\$ 22,097,851</u>	<u>\$ 23,259,320</u>	<u>\$ 23,938,478</u>	<u>\$ 27,002,238</u>	<u>\$ 30,397,080</u>	<u>\$ 30,870,464</u>	<u>\$ 30,071,108</u>	<u>\$ 33,879,886</u>

Notes:

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

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

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

	Fiscal Year ended June 30									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Revenues:										
Property Taxes and Interest	\$ 39,247,159	\$ 43,288,150	\$ 46,800,191	\$ 50,233,102	\$ 51,575,179	\$ 54,798,227	\$ 57,995,337	\$ 60,825,348	\$ 63,897,316	\$ 64,686,811
Intergovernmental revenues	14,361,314	16,056,636	16,541,331	17,862,153	17,736,296	22,294,882	19,128,068	18,853,974	16,796,121	16,477,182
Licenses, Fees and Rents	790,718	968,096	2,469,755	2,880,916	2,783,009	3,171,720	2,350,971	2,235,837	1,789,384	2,024,285
Interest on Investments	1,095,358	533,019	949,062	1,425,040	1,359,435	2,076,036	3,978,764	1,059,327	(853,653)	1,808,819
Fines and Charges	-	-	909,323	877,648	930,264	1,135,148	1,229,691	1,163,767	1,114,872	1,135,127
Department Revenue	1,023,493	1,063,885	1,068,252	1,066,283	1,084,946	1,047,988	1,115,818	1,146,290	1,028,183	1,002,911
Other Revenue	2,163,352	2,401,353	2,984,787	1,808,323	1,594,264	1,712,282	1,679,028	1,450,458	1,507,728	1,670,698
State On-behalf Pension	963,493	880,401	1,101,980	1,273,501	1,430,597	1,393,981	2,091,234	2,406,682	2,439,868	2,008,361
Total revenues	59,644,887	65,191,530	72,824,681	77,436,966	78,483,990	87,630,254	89,568,911	89,141,682	87,719,819	90,814,194
Expenditures:										
Current:										
General Government	\$ 2,082,797	\$ 2,156,132	\$ 2,276,905	\$ 2,334,443	\$ 2,402,451	\$ 2,392,210	\$ 2,562,378	\$ 2,643,256	\$ 2,732,722	\$ 2,486,301
Public Safety	4,502,947	5,001,159	5,099,458	5,562,051	5,562,270	5,894,514	6,105,953	6,343,310	6,383,435	6,036,189
Public Services	1,490,040	1,739,524	1,969,076	1,707,808	2,110,290	1,789,493	2,140,379	1,794,767	2,219,582	1,951,422
Public Health Contributions	186,255	178,375	189,848	193,082	197,073	183,015	178,356	183,987	188,927	166,750
Recreation	1,534,520	1,638,812	1,741,754	1,878,405	1,900,685	2,023,334	2,056,094	2,044,667	2,032,015	1,995,969
Public Libraries	669,061	698,361	740,319	771,119	835,864	840,886	873,701	909,506	936,811	918,449
Educational	38,305,841	42,978,657	46,184,080	49,194,399	49,871,652	53,788,014	58,544,022	60,874,616	61,776,284	61,519,957
Capital Improvements	349,325	349,840	7,320,140	5,254,478	3,322,808	11,582,846	3,418,724	1,833,299	1,445,008	2,091,968
Miscellaneous	4,376,826	4,755,840	5,721,328	6,093,843	6,527,815	5,838,673	6,269,940	6,739,952	6,786,000	6,386,655
Debt Service: (3)	5,292,943	5,101,165								
Principal			3,290,000	3,430,000	3,485,000	3,690,000	3,705,000	3,715,000	3,590,000	3,523,093
Interest			1,922,446	1,730,728	1,813,748	1,422,690	1,506,605	1,443,667	1,292,092	1,270,377
Total expenditures	58,790,555	64,597,865	76,455,354	78,130,356	77,975,656	89,445,675	87,361,152	88,526,027	89,382,876	88,347,130
Excess of revenues over (under) expenditures	854,332	593,665	(3,630,673)	(723,390)	508,334	(1,815,421)	2,207,759	615,656	(1,663,057)	2,467,064
Other Financing Sources (Uses):										
Proceeds from borrowing	-	3,925,000	3,400,000	2,875,000	1,191,757	5,000,000	2,200,000	-	-	1,283,916
Sale of property	-	-	-	-	-	-	-	-	-	-
Operating transfers in	1,036,993	1,144,990	37,164,994	39,548,069	40,612,725	44,856,027	47,029,050	49,870,629	52,080,623	52,425,977
Operating transfers out	1,395,136	1,293,406	(36,819,578)	(39,539,029)	(40,580,118)	(43,768,034)	(47,003,853)	(49,850,566)	(51,998,650)	(52,442,132)
Total other financing sources (uses)	2,432,129	6,366,584	3,745,416	2,884,040	1,224,364	6,087,993	2,225,197	20,063	81,973	1,267,761
Net change in fund balances	\$ 3,286,461	\$ 6,957,061	\$ 11,4743	\$ 2,160,650	\$ 1,732,698	\$ 4,272,572	\$ 4,432,956	\$ 635,719	\$ (1,581,084)	\$ 3,734,825
Debt service as a percentage of noncapital expenditures (2)	9.06%	7.94%	7.54%	7.08%	7.10%	6.57%	6.29%	6.05%	5.63%	5.59%

Notes:
(1) Includes General Fund and Special Revenue Funds only for the fiscal years 2000 to 2002. Includes all governmental funds from the 2003 fiscal year forward
(2) The percentage calculation uses the capital outlay figure from Note 1. This differs from the Capital Improvements figure due to capitalizable items included within other functional categories of current expenditures.
(3) Debt Service is broken out into the separate components beginning with fiscal year 2003.

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**SCHEDULE 5
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	
2001	\$2,104,053,904			\$115,326,736	\$13,641,517	\$111,244,812	\$457,427,944	\$1,886,839,025
2002	2,660,680,915			132,438,741	13,909,628	106,082,003	512,134,203	2,400,977,084
2003	2,701,261,405			148,179,398	13,945,979	96,355,727	518,265,842	2,441,476,667
2004	2,753,468,527			160,135,695	13,543,983	106,447,929	530,605,296	2,502,990,838
2005	4,340,743,030			180,488,307	13,501,930	105,413,915	620,197,948	4,019,949,234
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
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
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
2009	5,183,491,136	492,945,505	46,824,460	239,650,476	0	122,641,096	832,047,183	5,255,505,490
2010	5,229,586,265	494,226,005	46,754,260	257,930,859	0	99,835,185	846,367,997	5,281,964,577

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 4.5% for fiscal year 2010.

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

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

Total Direct Rate represents the weighted average of all individual direct rates applied by the Town. Prior to 2000, all property was taxed at the same rate. At that time, the motor vehicles tax rate was frozen at \$18.71. For fiscal year 2010, the property tax rate, exclusive of motor vehicles, was \$12.0876.

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

SCHEDULE 5A

ASSESSED VALUES AND ACTUAL VALUES OF TAXABLE PROPERTY
CALCULATION OF TOTAL DIRECT TAX RATE FOR FISCAL YEAR ENDED JUNE 30, 2010

Note: Exclude Exempt Property

Category	Assessed Value	Direct Rate Per \$1000	Total Tax Levy
Real Estate	4,947,116,630		
Less Exemptions	12,312,284		
Net Real Estate	4,934,804,346	\$ 12.088	\$ 59,649,941
Tangible/Personal Inventory	247,815,975	\$ 12.088	\$ 2,995,500
Motor Vehicle	99,835,185	0	0
Less Exemptions	490,929		
Net Motor Vehicle	99,344,256	\$ 18.71	\$ 1,858,731
	<u>5,281,964,577</u>		<u>\$ 64,504,172</u>

Total Assessed Value: 5,281,964,577
 Divided by Total Levy: \$ 64,504,172
 (Times 1000)
\$ 12.21 Weighted Avg/Total Direct Rate

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

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

	2010			2001		
	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value
American Power Conversion	\$ 71,801,368	1	1.36%	\$ 29,311,439	1	1.55%
Grandville At The Commons LP	44,060,100	2	0.83%			
Narragansett Electric	23,901,341	3	0.45%	11,153,609	2	0.59%
APC America Inc	20,816,500	4	0.39%			
Jerry Brown Farm Assn Inc	18,893,100	5	0.36%			
SHP III South Kingstown LLC	18,644,600	6	0.35%			
HCP HB2 South Bay Manor LLC	16,094,500	7	0.30%	4,087,734	8	0.22%
SCC Investments II, LLC	15,530,700	8	0.29%	8,400,000	3	0.45%
Wakefield Mall Associates	13,504,900	9	0.26%			
Pulte Homes of New England, LLC	12,498,900	10	0.24%			
United Water Company				5,830,095	4	0.31%
Belmar Housing Associates LP				5,001,800	5	0.27%
South Farm Limited Partnership				4,646,400	6	0.25%
Peace Dale United Housing				4,171,900	7	0.22%
Coxcom Inc				4,083,163	9	0.22%
AKG Inc				4,018,800	10	0.21%
Total	\$ 255,746,009		4.84%	\$ 80,704,940		4.28%

Source: Town of South Kingstown Assessor

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

SCHEDULE 7
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

FISCAL YEAR	ACTUAL TAX RATE	GROSS LEVY	ADDENDUMS & ADJUSTMENTS	ABATEMENTS & ADJUSTMENTS	NET LEVY	END OF YEAR			UNCOLLECTED(2)		
						LEVY (1)	% OF NET LEVY	AS OF 8/31/10	% OF NET LEVY	% OF NET LEVY	% OF NET LEVY
2009-10	\$12.09	\$64,504,174	\$122,542	\$393,725	\$64,232,991	\$647,960	1.01%	\$647,960	1.01%		
2008-09	11.97	63,726,992	101,962	414,004	63,414,950	\$616,114	0.97%	616,114	0.97%		
2007-08	11.51	60,692,561	115,217	510,031	60,297,747	529,770	0.88%	55,696	0.09%		
2006-07	13.65	57,665,644	254,220	393,125	57,526,739	400,959	0.70%	24,247	0.04%		
2005-06	13.13	54,722,908	138,292	487,838	54,373,362	358,734	0.66%	26,493	0.05%		
2004-05	12.58	51,148,277	225,887	402,320	50,971,844	318,634	0.63%	23,306	0.05%		
2003-04	19.91	49,568,970	236,967	255,014	49,550,923	412,527	0.83%	26,724	0.05%		
2002-03	19.02	46,304,107	274,347	219,072	46,359,382	507,464	1.09%	24,257	0.05%		
2001-02	17.90	43,002,755	189,310	358,553	42,832,512	545,782	1.27%	28,299	0.07%		
2000-01	20.75	38,854,143	177,991	241,929	38,790,205	547,386	1.41%	18,714	0.05%		

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.

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

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

General Bonded Debt

Fiscal Year June 30,	General Obligation Bonds	Taxable Assessed Value	Percent of Taxable Assessed Value	U.S. Census Estimated Population	Per Capita
2001	\$39,810,000	\$1,886,839,025	2.11%	28,272	\$1,408
2002	40,620,000	2,400,977,084	1.69%	28,565	1,422
2003	41,230,000	2,441,476,667	1.69%	28,949	1,424
2004	40,599,011	2,502,990,838	1.62%	29,246	1,388
2005	36,905,000	4,019,949,234	0.92%	29,235	1,262
2006	38,215,000	4,123,048,580	0.93%	29,374	1,301
2007	36,710,000	4,193,188,291	0.88%	29,238	1,256
2008	32,995,000	5,215,698,720	0.63%	29,188	1,130
2009	29,405,000	5,255,505,490	0.56%	29,195	1,007
2010	27,085,000	5,281,964,577	0.51%	29,195	928

Business-Type Activities

Fiscal Year June 30,	Wastewater Bonds	Solid Waste Bonds	Water Bonds	Total Primary Government	Total Personal Income	Percent of Personal Income *	Per Capita
2001	\$618,803			\$40,428,803	\$960,880,464	4.21%	\$1,430
2002	575,892			41,195,892	998,003,970	4.13%	1,442
2003	531,573			41,761,573	1,051,225,037	3.97%	1,443
2004	985,800			41,584,811	1,143,781,814	3.64%	1,422
2005	916,525	\$1,845,898		39,667,423	1,187,788,815	3.34%	1,357
2006	845,699	2,715,600		41,776,299	1,238,760,328	3.37%	1,422
2007	773,271	2,593,058		40,076,329	1,299,132,054	3.08%	1,371
2008	699,189	2,467,208	\$400,000	36,561,397	1,355,928,540	2.70%	1,253
2009	622,398	2,338,985	324,000	32,690,383	Not Available	Not Available	1,120
2010	543,843	2,207,323	246,000	30,082,166	Not Available	Not Available	1,030

Notes:

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

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

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

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

Fiscal Year Ended June 30	Total Direct Tax Rate	Overlapping Rates		
		Union Fire District	Indian Lake Fire District	Kingston Fire District
2001	\$20.28	\$0.60	\$1.11	\$1.00
2002	17.91	0.82	1.11	0.83
2003	18.97	0.54	1.49	0.95
2004	19.80	0.61	1.35	1.00
2005	12.72	0.41	1.35	0.62
2006	13.27	0.45	1.05	0.62
2007	13.75	0.54	1.13	0.67
2008	11.64	0.40	0.73	0.58
2009	12.13	0.46	0.70	0.61
2010	12.21	0.44	0.70	0.65

Notes:

The Town's basic tax rate increase cannot exceed 4.5% of the prior year's rate unless the State of Rhode Island approves such increase.

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

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

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

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

	2001	2002	2003	Fiscal Year ended June 30 2004	2005	2006	2007	2008	2009	2010
Total assessed value	\$ 1,886,839,025	\$ 2,400,977,084	\$ 2,441,476,667	\$ 2,502,990,838	\$ 4,019,949,234	\$ 4,123,048,580	\$ 4,193,188,291	\$ 5,215,698,720	\$ 5,255,505,490	\$ 5,281,964,577
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	56,605,171	72,029,313	73,244,300	75,089,725	120,598,477	123,691,457	125,795,649	156,470,962	157,665,165	158,458,937
Total net debt applicable to the limit	4,167,678	4,922,142	6,269,607	7,319,813	6,686,300	7,755,901	8,013,858	7,240,508	6,564,785	5,911,770
Legal debt margin	\$ 52,437,493	\$ 67,107,171	\$ 66,974,693	\$ 67,769,912	\$ 113,912,177	\$ 115,935,556	\$ 117,781,791	\$ 149,230,454	\$ 151,100,380	\$ 152,547,167
Total net debt applicable to the limit as a percentage of debt limit	7.36%	6.83%	8.56%	9.75%	5.54%	6.27%	6.37%	4.63%	4.16%	3.75%

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

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

SCHEDULE 11

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

Fiscal Year June 30,	(3) Population	ESTIMATED		School Enrollment	Unemployment Rate (2)
		Per Capita Personal Income (1)	Total Personal Income (1) (thousands)		
2001	28,272	\$ 33,987	\$ 960,880	4,358	3.5%
2002	28,565	34,938	998,004	4,321	3.6%
2003	28,949	36,313	1,051,225	4,214	4.1%
2004	29,246	39,109	1,143,782	4,190	4.5%
2005	29,235	40,629	1,187,789	4,056	4.3%
2006	29,374	42,172	1,238,760	3,875	4.3%
2007	29,238	44,433	1,299,132	3,803	4.4%
2008	29,188	46,455	1,355,929	3,658	4.3%
2009	29,195	Not Available	Not Available	3,599	6.6%
2010	29,195	Not Available	Not Available	3,548	9.2%

(1) Per Bureau of Economic Analysis - Washington County. The income data released in April 2010 represents 2008 data. Personal income is only available at the county level. The Town's population is 23% of the County.

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

(3) The non-census year statistics are estimates calculated by the RI Division of Planning. Most current available is 2009.

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

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

2010 (2)				2002 (3)			
Employer	Percentage of Total Town			Employers	Percentage of Total Town		
	Employees	Rank	Employment		Employees	Rank	Employment
University of Rhode Island	2,486	1	17.5%	University of Rhode Island	2,614	1	18.4%
American Power Conversion	1,039	2	7.3%	American Power Conversion	1,300	2	9.2%
South County Hospital	930	3	6.5%	South County Hospital	900	3	6.3%
Town of South Kingstown (1)	800	4	5.6%	Town of South Kingstown (1)	866	4	6.1%
Shaw's Supermarket	160	5	1.1%	Shaw's Supermarket	160	5	1.1%
Arnold Lumber Co., Inc.	140	6	1.0%	HealthTouch, Inc.	110	6	0.8%
HealthTouch	110	7	0.8%	Ro-Jacks Food Stores Inc	100	7	0.7%
South Kingstown Nursing & Rehab Center	110	8	0.8%	Chelo's	100	8	0.7%
Modine Manufacturing	100	9	0.7%				
Total	5,875		41.2%	Total	6,150		43.4%

NOTES

- (1) Includes both school and municipal full-time employees
 (2) The most recent figures available are as of February, 2010. RIEDC does not report employers with less than 100 employees.
 (3) RIEDC, May 1, 2002. No historical data available for principal employers between March 2000 and May 2002.

Source: Rhode Island Economic Development Corporation (RIEDC)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

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

	Fiscal Year ended June 30,									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Government:	38	38	37	37	37	37	38	38	36	33
Public Safety:										
Police - Officers	47	53	54	54	56	54	54	54	54	53
Police - Civilians	22	22	22	22	22	22	22	22	22	22
Emer. Medical Services	13	17	17	17	17	17	17	17	17	17
Communications	1	1	1	1	3	3	3	3	3	2
	83	93	94	94	97	96	96	96	96	94
Public Works:										
Streets & Highways	20	20	20	20	20	20	19	19	19	18
Administration	4	4	4	4	4	4	4	4	4	4
	24	24	24	24	24	24	23	23	23	22
Parks & Recreation	9	10	10	10	11	11	12	12	12	11
Libraries	12	12	12	12	12	12	12	11	12	12
TOTAL GENERAL FUND	166	176	177	177	181	180	181	180	179	172
Water	5	4	4	4	4	4	4	4	4	4
Wastewater	19	19	19	19	19	19	18	18	18	18
Neighborhood Guild	5	5	6	6	5	5	5	5	5	5
Senior Services	9	9	9	9	9	9	9	9	8	8
Other	1	1	1	1	1	1	1	1	1	1
Public education:										
Certified	336	371	374	383	379	371	381	373	367	348
Non-certified	160	194	199	212	205	195	207	208	203	195
Administrative	23	25	23	23	22	21	21	21	22	21
	519	590	596	618	606	587	608	601	592	564
Total	724	804	812	834	825	805	827	819	807	772

Source: Town Budgets and School Department Budgets

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

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

Function/Program	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Police:										
Physical arrests	520	1,048	1,178	1,258	1,179	856	738	667	714 (+)	718
Traffic violations	9,655	9,257	9,030	9,739	6,814	6,755	7,621	8,197	4,650 (+)	3,147
Parking violations	698	585	845	1,140	1,263	716	715	1,046	1,145 (+)	1,239
Emergency Medical Services:										
Number of calls answered	1,949	1,943 (2)	2,075	2,221	2,191	2,531	2,487	2,584	2,637	2,703
Animal Control:										
Number of complaints	1,590	1,537	1,303	1,403	1,386	1,288	1,447	1,408	1,334	1,324
Number of impoundments	828	695	738	755	673	614	588	601	401	418
Communications:										
Fire alarm activations				204 *	193	186	261	240	227	254
Streets & Highways:										
Street Sweeping (miles)	149	149	149	150	150	150	150	150	150	150
Road regrading (miles)	45	45	45	45	45	45	45	45	45	45
Street plowing/delicing (OT hours)	2,043	598	2,147	2,657	4,574	2,314	931	1,836	2,500	1,666
Culture & Recreation:										
Programs/Classes (enroll/attend)	57,925	58,664	54,924	64,222	61,584	66,846	60,707	46,528	35,716 (3)	33,345
Libraries:										
Volumes in Collection	66,416	68,873	68,673	68,550	65,542	66,469	66,865	67,700	66,769	68,721
Volumes borrowed	272,064	296,165	318,959	316,232	306,506	295,807	306,722	302,654	313,716	301,834
Reference requests filled	27,616	29,072	30,168	30,502	28,840	29,139	28,052	29,088	28,221	26,865
Water:										
New connections (net)	0	76	30	15	11	15	0	60	35	9
Average daily consumption (1) (thousands of gallons)	358	376	380	340	400	340	313	376	364	317
Wastewater:										
Average daily sewage treatment (thousands of gallons)	2,901	2,446	2,819	2,715	2,992	2,985	2,967	2,473	2,733	3,052
Senior Services:										
Adult Day Care services (client days)	3,829	3,667	3,956	4,125	3,573	4,017	3,834	3,210	2,304	4,109
Senior transportation (trips)	9,117	7,940	8,897	8,953	8,935	9,124	8,293	6,706	9,269	7,631
Congregate meals served	12,897	17,161	15,840	15,011	14,645	15,136	15,379	13,587	12,765	11,512

Sources: Various Town departments

Notes:

Indicators are not available for the general government function.

(1) Consumption is calculated from billed usage

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

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

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

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

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

<u>Function/Program</u>	<u>Fiscal Year 2001</u>	<u>Fiscal Year 2002</u>	<u>Fiscal Year 2003</u>	<u>Fiscal Year 2004</u>	<u>Fiscal Year 2005</u>	<u>Fiscal Year 2006</u>	<u>Fiscal Year 2007</u>	<u>Fiscal Year 2008</u>	<u>Fiscal Year 2009</u>	<u>Fiscal Year 2010</u>
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	13	14	15	15	16	16	16	16	16	16
Public works:										
Streets (miles)			145 *	145	145	147	147	148	148	149
Culture and recreation:										
Park acreage	320	320	410	440	440	440	440	440	440	453
Tennis courts	12	12	19	25	25	25	25	25	25	25
Community centers	1	1	1	1	1	1	1	1	1	1
Libraries	3	3	3	3	3	3	3	3	3	3
Water:										
Water mains (miles)	45	45	45	45	48	48	48	49	49	49
Fire hydrants	253	253	253	253	253	253	253	253	253	253
Storage capacity (thousands of gallons-treated)	800	800	800	800	800	800	800	800	800	800
Wastewater:										
Sanitary sewers (miles)	45	50	52	53	53	53	53	53	53	53
Storm drains (miles)					46 *	46	47	47	53	53
WWTF avg. daily design flow (thous. of gallons)	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000

Sources: Various town departments

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

* first year this information was available

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TOWN OF SOUTH KINGSTOWN

SINGLE AUDIT SECTION

This section contains information regarding federal grant activity for the year ended June 30, 2010, which was audited in accordance with generally accepted auditing standards and "Government Auditing Standards" issued by the Comptroller General of the United States and under the guidelines of the Single Audit Act of 1984 as amended by the Single Audit Act Amendments of 1996 and the United States Office of Management and Budget's Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations."

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010**

Federal Grantor Pass-Through Grantor Program title	Federal CFDA Number	Expenditures
U.S. Department of Housing and Urban Development		
Rhode Island Governor's Office of Housing & Energy & Intergovernmental Relations		
Community Development Block Grants - Small Cities Program	14.219	\$ 166,144
U.S. Department of Transportation		
Rhode Island Department of Transportation		
Highway Safety Grant	20.604	9,332
Rhode Island Department of Health		
Seat-Belt Enforcement	20.604	28,719
Total U.S. Department of Transportation		<u>38,051</u>
U.S. Department of Health		
Rhode Island Department of Health		
Underage Drinking and Alcohol Grant	93.XXX	8,050
Block Grants for Community Mental Health - Drug Free Communities	93.958	103,352
Tobacco Compliance Investigation Grant	93.XXX	2,080
Total U.S. Department of Health		<u>113,482</u>
U.S. Department of Justice		
State of Rhode Island Governors Justice Commission		
Governor Justice Commission Grant	16.XXX	27,304
U.S. Department of Homeland Security		
Rhode Island Emergency Management Agency		
Homeland Security Grant Program	97.067	39,180
Total U.S. Department of Homeland Security		<u>39,180</u>
U.S. Department of Education		
RI Department of Education		
Title I	84.010	* 314,514
Title I - ARRA Funding	84.389	* 84,199
Title II	84.367	** 207,306
Title II D - E2T2	84.318	** 26,880
Title II - ARRA Funding	84.386	** 4,215
Title III	84.365A	7,355
Title IV	84.186	15,810
Project IDEA - Part B	84.027A	*** 763,844
State Fiscal Stabilization Fund	84.394	714,097
IDEA Part B - ARRA Funding	84.391	*** 285,651
Preschool - ARRA Funding	84.392	*** 14,885
Perkins	84.048	3,245
Early learning (89-313) - preschool	84.173	*** 27,380
Total U.S. Department Education		<u>2,469,381</u>
U.S. Department of Agriculture		
State of RI Department of Education		
Food Commodities	10.555	22,120
National Lunch Program	10.555	274,624
Total U.S. Department of Agriculture		<u>296,744</u>
Total Federal Expenditures		<u>\$ 3,150,286</u>

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

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2010**

1. General

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

2. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting. The accompanying Schedule of Expenditures of Federal Awards also includes \$22,120 for the value of food commodities which is reported as a component of the Federal School Lunch Program. These commodities are not reported in revenue or expenses of the Business-Type Activities for financial statement purposes.

3. Determination of Major Programs

The determination of major federal financial assistance programs was based upon the overall level of expenditures for all federal programs for the Town of South Kingstown, Rhode Island. As such, the threshold for determining Type A and Type B programs is defined as those with program expenditures greater than \$300,000 or 3 percent of total expenditures when the total expenditures are over \$10,000,000. For the fiscal year ended June 30, 2010, the following programs were considered major programs:

Title I.....	CFDA #84.010 *
Title I – ARRA Funding.....	CFDA #84.389 *
Project IDEA.....	CFDA #84.027 **
IDEA Part B – ARRA Funding.....	CFDA #84.391 **
Preschool – ARRA Funding	CFDA #84.392 **
Early Learning (89-313) Preschool	CFDA #84.173 **
State Fiscal Stabilization – ARRA Funds.....	CFDA #84.394

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

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

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Town Council
South Kingstown, Rhode Island

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, the statement of revenues, expenditures and changes in fund balances – budget and actual – budgetary basis, and the aggregate remaining fund information as of and for the year ended June 30, 2010, which collectively comprise the Town of South Kingstown, Rhode Island's basic financial statements and have issued our report thereon dated November 24, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Boston

Newton

Taunton

Concord

Compliance and Other Matters

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

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

A handwritten signature in black ink, appearing to read "Braver PC".

Providence, Rhode Island
November 24, 2010

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

To the Honorable Town Council
South Kingstown, Rhode Island

Compliance

We have audited the compliance of the Town of South Kingstown, Rhode Island, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. The Town of South Kingstown, Rhode Island's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Town of South Kingstown, Rhode Island's management. Our responsibility is to express an opinion on the Town of South Kingstown, Rhode Island's compliance based on our audit.

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

In our opinion, the Town of South Kingstown, Rhode Island, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

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

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

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



Providence, Rhode Island
November 24, 2010

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

A. SUMMARY OF AUDITOR'S RESULTS

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

State Fiscal Stabilization Fund	CFDA #84.394
IDEA Part B	CFDA #84.027 *
Early Learning (89-313) Preschool.....	CFDA #84.173 *
Preschool ARRA Funding	CFDA #84.392 *
IDEA Part B ARRA Funding	CFDA #84.391 *
Title I	CFDA #84.010 **
Title I ARRA Funding.....	CFDA #84.389 **

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

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

B. FINDINGS -- RELATED TO AUDIT OF FINANCIAL STATEMENTS

Current Year Findings:

None noted.

Prior Year Findings:

None noted.

C. FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS

Current Year Findings:

None noted.

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2010

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

