

THE TOWN OF
SOUTH KINGSTOWN, RHODE ISLAND

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

FOR THE FISCAL YEAR ENDED
JUNE 30, 2008



PREPARED BY: FINANCE DEPARTMENT

TOWN OF SOUTH KINGSTOWN

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YEAR ENDED JUNE 30, 2008

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Town of South Kingstown, Rhode Island

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

FINANCE DEPARTMENT

November 26, 2008

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, 2008, 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, 2008, 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, 2008, 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 2007-2008 fiscal year budget was the first budget approved under the new procedures. It is the responsibility of the Town Manager to submit a proposed budget for the following fiscal year to the Town Council on or before March 1st of each year. The Town Council holds several budget work sessions in March to discuss the details of his proposed budget document. The Town Council may revise and adopt a preliminary budget not later than March 22nd of each year. Two public hearings are required to be conducted on the preliminary budget prior to April 18th.

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

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

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

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

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

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

FACTORS AFFECTING FINANCIAL CONDITION

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

Local economy. The economy is centered on the University of Rhode Island, which has an enrollment in excess of 15,900 and employs more than 2,450 people. South County Hospital and tourism trade are also key components of the South Kingstown economy. According to the latest employment data available for the 2007 calendar year, as reported by the RI Department of Labor and Training, the Town experienced an increase in private sector employment between 2002 and 2007 amounting to 1,390 new jobs. Total annual employment in the private sector increased from 8,414 to 9,804.

The University of Rhode Island (URI) has recently constructed two new dormitories in the North Campus District adding an additional 800 beds. A new \$60,000,000 facility, the 140,000 square foot Center for Biotechnology and Life Sciences, is now under construction. A new College of Pharmacy building is in the planning stages and is scheduled to begin construction in the near future. Estimated cost of the new pharmacy facility is \$65,000,000. A feasibility study for a Research and Technology Park was completed in October of 2007. Conceptual plans call for 320,000 square feet of office/light industrial space in six, four-story "campus" style buildings. The intent of the park is to foster and incubate the marketing and development of "intellectual property" from the faculty and professional staff of the University and provide a non-traditional revenue stream to this public institution. URI recently acquired 114 acres of land of which the Park will occupy approximately 30 acres. The University's land holdings north of Flagg Road in the vicinity of the proposed research and technology park total approximately 300 acres.

In November of 2007 South County Hospital completed construction of a new 60 room inpatient bed tower, featuring all private rooms and state of the art patient support technology. The bed tower replaces out of date semi-private rooms in the facility. Upgrades and renovations were recently completed in the diagnostic imagery department, emergency room and the hospital laboratory facilities. The hospital is in the process of developing a new master plan that will include continued refurbishment of the facility, a potential new oncology unit, the addition of a new operating room suite and reconfigured parking and site circulation.

FACTORS AFFECTING FINANCIAL CONDITION (Continued)

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

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 2008 estimated population is 31,023.
- The median sale price of a single-family home in South Kingstown dropped to \$329,000 in the first half of 2008, compared to the year-end 2007 median sales price of \$388,750. This represents a ten year increase of \$188,000 from the year 1998, when a median priced house was selling for \$141,000.
- With the issuance of 109 building permits for new housing units in 2007, the Town's total year-round housing count has reached 11,551. Construction activity since 1998 has resulted in the addition of 1,906 units or an average of 191 new units annually over the ten-year period. Single family housing construction amounted to 1,294 units or an average of 129 houses per year.
- Estimated local median family income in 2008 was \$88,696, which is \$18,509 or 26.3 percent more than the statewide median income of \$70,187.
- Private sector jobs totaled 9,804 in 2007, of which 2,508 were in Health Care and Social Assistance, 1,517 were in Retail Trade, 1,228 were in Accommodations and Food Service and 794 were in Manufacturing jobs.
- The size of the resident workforce increased from 14,287 to 15,921 between 1998 and September 2008. Similarly, the number of employed residents grew from 13,804 to 14,810. The September 2008 unemployment rate for South Kingstown was reported at 7.0 percent, compared to the statewide average of 8.3 percent.
- Fifty-three percent (53%) of South Kingstown residents, older than age 25, had a college degree in 2000, another 38% had completed high school and 9% did not have a high school diploma.

Long-term 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 2008-2009 fiscal year capital improvement plan projects needs through fiscal year 2014. The plan provides for the needs of the general government and addresses such issues as infrastructure, major equipment replacement, school facilities, public safety, recreation and open space purchases.

FACTORS AFFECTING FINANCIAL CONDITION (Continued)

This plan estimates total project cost over the six-year period of approximately \$22,406,700. Financing, net of third party sources for these projects by debt issuance, approximates \$11,423,000. In addition, \$14,520,000 in capital projects to be funded on a "pay as you go" basis are projected over the same six-year period. The total estimated cost of the two components of the six-year capital improvement plan is \$36,926,700.

Major projects to be bonded in the plan include: Recreation and open space programs for \$9,885,000; general municipal improvements for \$9,398,700; and school building improvements for \$3,123,000.

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

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

Pension and other post-employment benefits. The Town of South Kingstown participates in the Municipal Employees' Retirement System of the State of Rhode Island (MERS), an agent multiple employer defined benefit pension plan for all permanent employees, who work in excess of 20 hours per week, except for certified school department employees. The Town has separate plans for general municipal and non-certified school employees, police and emergency medical personnel. Each year, an independent actuary engaged by the MERS calculates the amount of the annual contribution that the Town of South Kingstown must make to each pension plan to ensure that the plan will be able to fully meet its obligations to retired employees on a timely basis. As a matter of policy, the Town of South Kingstown fully funds each year's annual required contribution to the pension plan as determined by the actuary. The actuarial assumptions and methods used in the actuary's report comply with the parameters for disclosure that appear in Governmental Accounting Standards Board Statement No. 25 (GASB 25). As of June 30, 2006, which is the latest information available, the Town of South Kingstown has funded 92.5 percent of the present value of the projected benefits earned by general municipal and non-certified school employees; 95.5 percent of the present value of the projected benefits earned by police employees; and 145.8 percent of the present value of the projected benefits earned by emergency medical personnel. Several actuarial assumptions were changed as a result of an experience study, which was performed by an outside consultant and approved by the Retirement Board for the period covering June 30, 2000 to June 30, 2006. Changes were made to the termination, retirement, and disability rates and salary increase assumptions.

FACTORS AFFECTING FINANCIAL CONDITION (Continued)

Pension and other post-employment benefits (Continued)

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

The Town of South Kingstown also provides postretirement healthcare benefits for certain retirees and their dependents. As of the end of the current fiscal year, there were 77 retired employees receiving these benefits, which are financed on a pay-as-you-go basis. As of June 30, 2008, GAAP does not require the Town to report a liability in the financial statements, in connection with an employer's obligation to provide these benefits. The Town is considered a phase two government and accordingly, GASB Statement 45 is applicable for the fiscal year ending June 30, 2009. The Town has completed an actuarial valuation of the OPEB obligations and will implement the requirements in the Town's financial statements for the fiscal year ending June 30, 2009.

Additional information on the Town of South Kingstown's pension arrangements and post-employment benefits can be found in Note 12 on pages 62-69 and Note 17 on pages 71-73 respectively in the notes to the financial statements.

COMMITMENTS AND CONTINGENCIES

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

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

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

COMMITMENTS AND CONTINGENCIES(Continued)

The Consent Decree also requires reimbursement of 30% of the State of Rhode Island costs associated with the remediation of this landfill site and ongoing operation and maintenance costs. These costs will also be shared equally between the two Towns. The estimated cost of reimbursing the State, over a 27-year period beginning in fiscal year 2011, is \$3,835,954, of which South Kingstown is responsible for \$1,918,000. The estimated liability of \$1,918,000 has been included in the government-wide financial statements at June 30, 2008.

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 estimate for the site remediation at this location is \$7,072,692. The estimated remaining municipal share for the Town of South Kingstown is \$100,000 for past response costs. This current liability has been reported as a payable in the government-wide financial statements at June 30, 2008. 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, 2007. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

A Certificate of Achievement is valid for a period of one year only. The Town of South Kingstown has received a Certificate of Achievement for the last eighteen consecutive fiscal years (fiscal years ended June 30, 1990-2007). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

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

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

Respectfully submitted,



Alan R. Lord,
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of South Kingstown
Rhode Island

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

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.

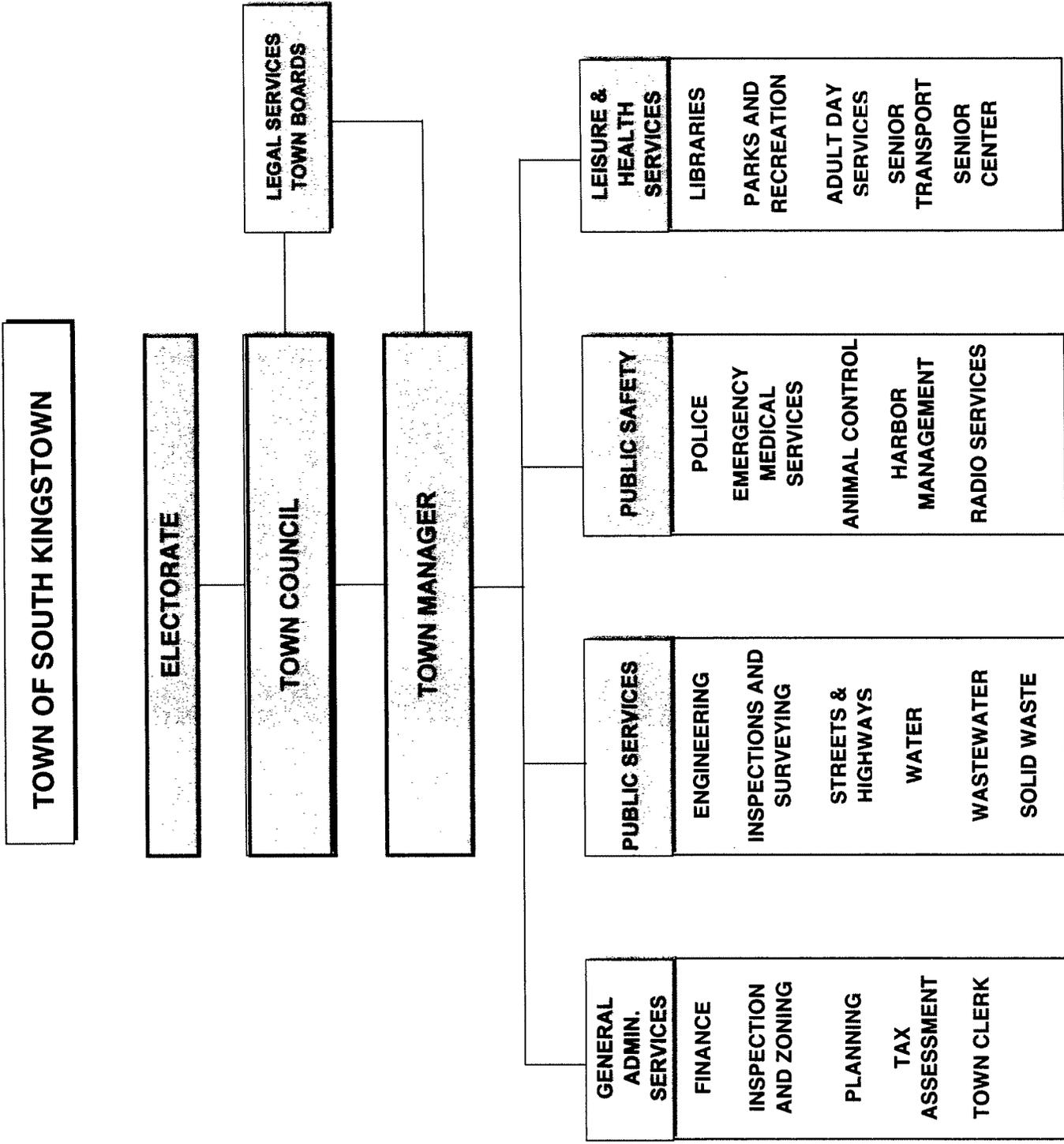


Oliver S. Cox

President

Jeffrey R. Emer

Executive Director



TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
TOWN OFFICIALS
June 30, 2008

TOWN COUNCIL

Mary S. Eddy, President

Kathleen A. Fogarty, Vice President
William J. Flatley

James W. O'Neill
Ella M. Whaley

TOWN MANAGER

Stephen A. Alfred

TOWN ATTORNEYS

Michael Ursillo
Andrew Teitz
Terrence G. Simpson
Nancy Letendre

PROBATE JUDGE

Stephen R. White

DEPARTMENT HEADS

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

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

TOWN OF SOUTH KINGSTOWN

FINANCIAL SECTION

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of South Kingstown, Rhode Island as of and for the year ended June 30, 2008, 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, 2008, 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, 2008, and the respective changes in financial position, and, where applicable, cash flows 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 26, 2008 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 important for assessing the results of our audit.

Boston

Newton

The Management's Discussion and Analysis and the Schedule of Funding Progress for Pension Plans on pages 3 through 15 and page 73, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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



Providence, Rhode Island
November 26, 2008

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, 2008. 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 \$122,128,463 (net assets). Of this amount, \$27,710,348 (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 \$3,967,482. Total net assets for the previous fiscal year have been restated by \$5,417,408 to account for costs which had been recognized as Construction in Progress for the West Kingston Landfill Superfund site and exceeded the estimated fair market value of the improvements.
- As of the close of the current fiscal year, the Town of South Kingstown's governmental funds reported combined ending fund balances of \$43,233,760. Approximately 64% of this total amount, \$27,590,766 is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$12,151,623. Of this amount, \$1,200,000 was designated to finance the 2009 fiscal year budget and \$1,000,000 was designated for Superfund site cleanup costs.
- The Town's total bonded debt declined by \$3,514,932 (8.8 percent) during the current fiscal year. The key factor in this decline was the retirement of \$3,914,932 in bonds, which were offset somewhat, by the issuance of \$400,000 in new revenue bonds in the Water Enterprise Fund. The new bonds were used to fund the replacement of water meters in the South Shore and Middlebridge water systems.

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-nine 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, EPA wastewater management project fund and the school trust funds, all of which are considered to be major funds. Data from the other fifty-five 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 benefits to its employees. Required supplementary information can be found on page 75 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 76-90.

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 \$122,128,463 at the close of the most recent fiscal year.

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND NET ASSETS

For the Fiscal Year ending June 30, 2008 (in 000's)

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
	Restated				Restated	
Current and Other Assets	\$ 51,568	\$ 52,313	\$ 5,421	\$ 4,998	\$ 56,989	\$ 57,311
Capital Assets	88,950	90,503	26,047	24,792	114,997	115,295
Total Assets	140,518	142,816	31,468	29,790	171,986	172,606
Long-Term Liabilities	33,731	37,371	3,414	3,255	37,145	40,626
Other Liabilities	11,206	12,443	1,507	1,376	12,713	13,819
Total Liabilities	44,937	49,814	4,921	4,631	49,858	54,445
Net Assets:						
Invested in capital assets net of related debt	55,955	53,793	22,481	21,426	78,436	75,219
Unrestricted	23,644	22,078	4,066	3,733	27,710	25,811
Restricted	15,982	17,131			15,982	17,131
Total Net Assets	\$ 95,581	\$ 93,002	\$ 26,547	\$ 25,159	\$ 122,128	\$ 118,161

By far the largest portion of the Town's net assets (64.2%) reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town 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 (13.1 percent or \$15,981,878) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$27,710,348) 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 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 Town's net assets increased by \$3,967,482 during the current fiscal year. Of this amount, governmental activities accounted for \$2,578,796 of the increase while business-type activities accounted for an increase of \$1,388,686.

Governmental activities. Governmental activities increased the Town of South Kingstown's net assets by \$2,578,796, thereby accounting for 65 percent of the total growth in the net assets of the Town.

Key elements of this increase are as follows:

- Property taxes are the largest revenue source for governmental activities accounting for approximately 67.7 percent of total revenues. Operating grants and contributions and charges for services, fees, and licenses provide approximately 18.2 percent and 7.2 percent of total revenues respectively.

Major revenue factors included:

- Based on state law, a statistical revaluation of all property assessments was required for the 2008 fiscal year. Property tax revenues for the 2008 fiscal year increased by \$2,870,542 or 4.95%. Based on the revaluation total taxable property increased by \$1,022,510,429 from \$4,193,188,291 to \$5,215,698,720. This represents a 24.3% increase in taxable property. Based on the increase in values, the property tax rate declined from \$13.65 to \$11.51 per thousand dollars of assessed value.
- Capital grants and contributions declined by \$8,846.
- Charges for services declined by \$357,320, which was directly related to significant declines in several revenue sources. Building inspection fees, town clerk recording fees, probate court fees, Medicaid revenues, tuition income, Guild program fees, and wastewater connection fees all decreased significantly in the 2008 fiscal year. Somewhat offsetting the above reductions in charges for services were increases in recreation department fees and school miscellaneous fees and charges.
- Operating grants and contributions increased by \$145,468 from the previous year. The increase in this revenue source was attributable to additional funding in State aid for the School Department and grant funding for the EPA Wastewater Management program, offset by a decline in reimbursement from the State for statistical property revaluation expenditures.
- Investment earnings declined from \$4,000,792 in the prior fiscal year to \$1,073,334 in the fiscal year ended June 30, 2008. The decrease of \$2,927,458 was mainly attributable to a decline of \$2,697,462 in the School Trust Funds' investment income. The decline was the result of unfavorable equity market and bond market conditions, which produced significant losses in the fund's portfolio. In addition, the General Fund generated \$86,537 less in investment earnings, as compared to the previous year, due to lower interest rates. The remaining balance of \$143,459 of the decline was distributed amongst the other governmental funds based on lower interest rates.

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

For the Fiscal Years ending June 30, 2008 and 2007 in 000's

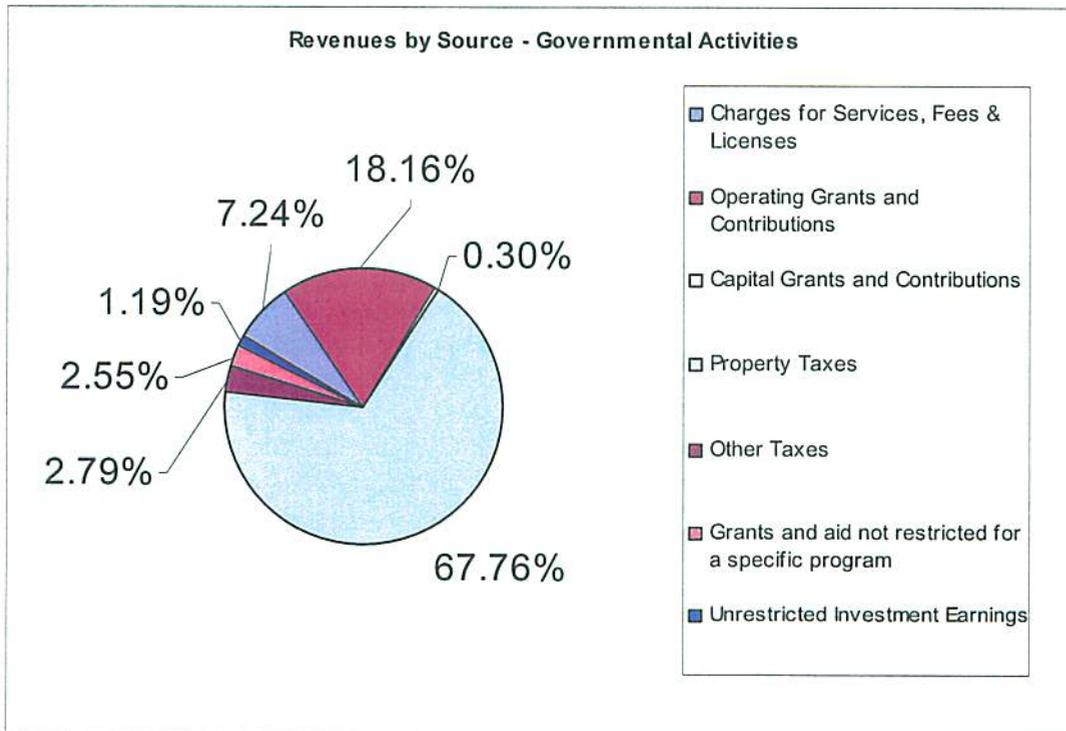
	Governmental Activities		Business Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program Revenues:						
Charges for Services	\$ 6,503	\$ 6,860	\$ 5,482	\$ 5,147	\$ 11,985	\$ 12,007
Operating Grants and Contributions	16,322	16,176	505	235	16,827	16,411
Capital Grants and Contributions	272	281	307	0	579	281
General Revenues:						
Property taxes	60,903	58,033			60,903	58,033
Other taxes						
Motor vehicle phase-out taxes	2,168	2,166			2,168	2,166
Telephone and hotel taxes	340	338			340	338
Grants and aid not restricted for a specific program	2,295	2,396			2,295	2,396
Unrestricted investment earnings	1,074	4,001	182	228	1,256	4,229
Miscellaneous	0	0			0	0
Total Revenues	\$ 89,877	\$ 90,251	\$ 6,476	\$ 5,610	\$ 96,353	\$ 95,861
Expenses:						
General Government	\$ 8,807	\$ 8,560			\$ 8,807	\$ 8,560
Public Safety	6,784	6,702			6,784	6,702
Public Works	2,905	3,221			2,905	3,221
Human Service Agencies	184	178			184	178
Public Libraries	1,040	988			1,040	988
Education	62,854	60,132			62,854	60,132
Recreation	2,323	2,319			2,323	2,319
Interest on long-term debt	1,521	1,561			1,521	1,561
Wastewater			3,145	2,973	3,145	2,973
Solid Waste			946	937	946	937
Water			836	714	836	714
School Cafeteria			1,041	1,096	1,041	1,096
Total Expenses	\$ 86,418	\$ 83,661	\$ 5,968	\$ 5,720	\$ 92,386	\$ 89,381
Increase in net assets before transfers	3,459	6,590	508	(110)	3,967	6,480
Transfers	(880)	37	880	(37)	0	0
Increase in net assets	\$ 2,579	\$ 6,627	\$ 1,388	\$ (147)	\$ 3,967	\$ 6,480
Net assets 7/1/07 -Restated	93,002	86,375	25,159	25,306	118,161	111,681
Net assets 6/30/08	\$ 95,581	\$ 93,002	\$ 26,547	\$ 25,159	\$ 122,128	\$ 118,161

Changes in Net Assets (Continued)

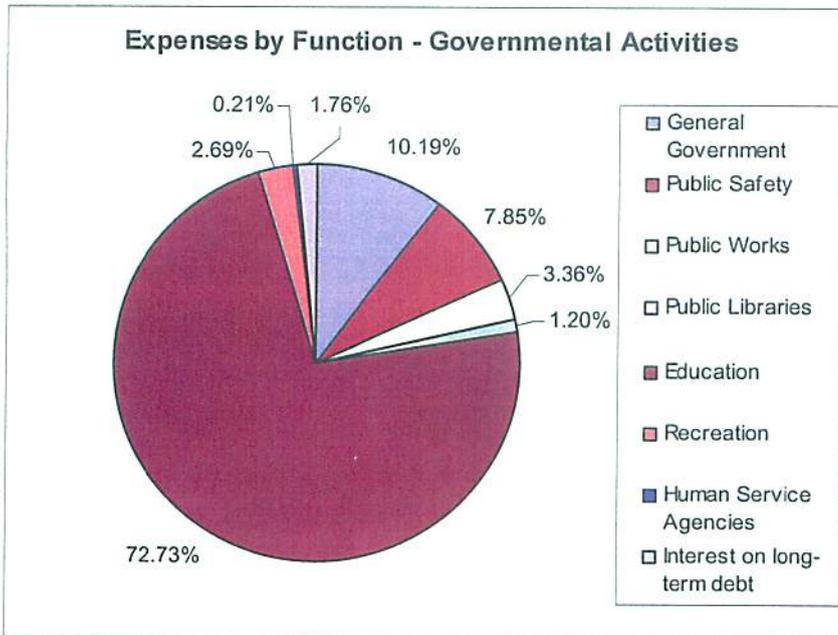
Education expenses account for approximately 72.7 percent of the total expenses within the governmental funds of the Town of South Kingstown. Public safety and general government expenses account for approximately 7.9 percent and 10.2 percent respectively of the total expenses for the 2008 fiscal year.

For the most part, increases in expenses closely paralleled inflation, wage and benefit cost increases. Major expense factors included:

- Increases in employee full-time wages resulting from negotiated step and cost of living increases.
- Employee health care benefit costs rose by 5.76% or \$137,390 due to an increase in premiums.
- The employer's share of retirement costs for general fund employees increased significantly by \$191,939.
- An increase of \$2,276,006 or 5.25% in property taxes were transferred to the school unrestricted fund. Overall, the school unrestricted fund education costs increased by \$1,984,894. This amount includes \$933,581 for increased costs associated with school department employees' fringe benefit costs. Of this amount \$582,605 represented increased employer contributions to the retirement system.



Changes in Net Assets (Continued)



Business-type activities. Net assets in business-type activities increased by \$1,388,686 resulting in a 5.5% increase in business-type net assets.

Charges for services for business-type activities accounted for 84.7% of the total revenue sources. The balance of revenues for business-type activities was from operating grants and contributions (7.8%), capital grants and contributions (4.7%) and from investment earnings (2.8%).

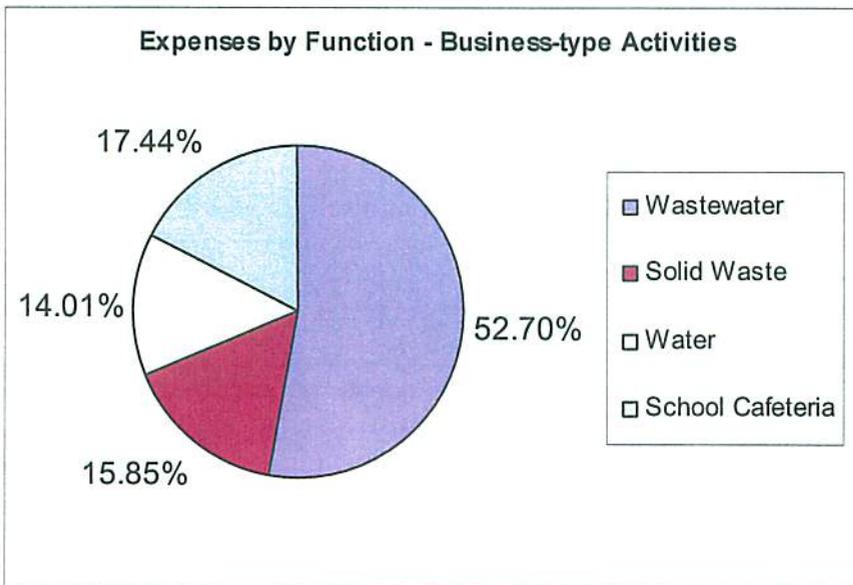
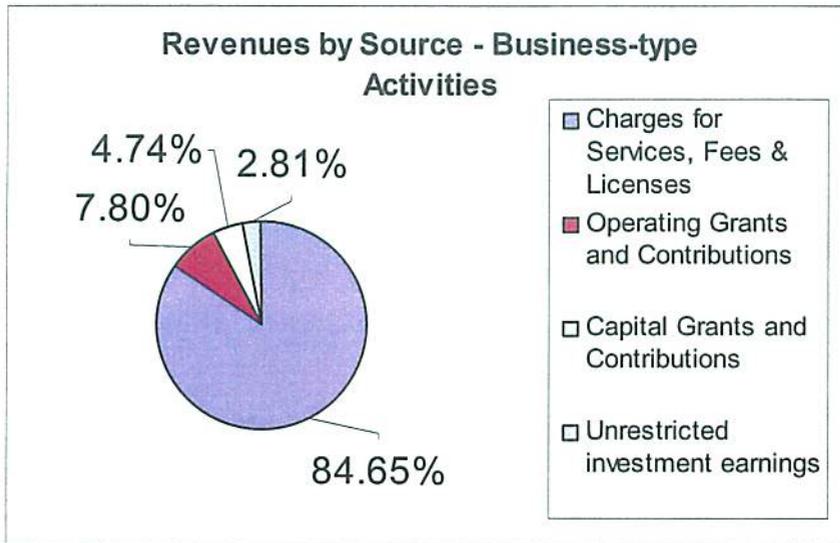
Wastewater treatment expenses account for approximately 52.7% of the total expenditures within the business-type activities of the Town. Solid waste, school cafeteria operations and water fund expenses account for approximately 15.8%, 14.0% and 17.5% respectively of the total business-type activities expenditures for the 2008 fiscal year.

Charges for services for business-type activities increased from \$5,146,900 to \$5,482,211 or 6.5%. The wastewater fund had an increase of \$404,996. The increase in the wastewater fund was attributable to greater usage revenues from residents and higher fees received from the two other regional partners. Charges for services for the water fund increased by \$117,730, while the solid waste fund experienced a reduction of \$160,893 in these program revenues. The increase in the water fund charges was the result of greater usage revenues from residents and an increase in service connection fees. Solid waste fees declined based on a reduction in the sale of residential use stickers, a decline in tipping fee reimbursements, and rental income from the transfer station operation. Charges for services for the cafeteria fund declined by \$26,522. Operating grants and contributions increased by \$19,769 in the cafeteria fund. Unrestricted investment earnings declined from \$228,244 to \$182,029 for all business-type activities. Lower interest rates earned on investments were responsible for generating the decline in this revenue source.

The 5.8% increase in expenses in the wastewater fund was due to increasing costs for wages, retirement and health care costs, and the increased costs for capital maintenance expenses. The 17.1% increase in water fund expenses was due to a \$49,632 increase in depreciation expense, based on the addition of new fixed assets during the 2008 fiscal year. Engineering and professional service expenses were \$38,698 greater than the previous year and wholesale water purchased for the South Shore water system accounted for another \$10,208 of the increase, while increased administration and general expenses accounted for \$13,196.

Changes in Net Assets (Continued)

The 1.0% increase in expenses for the solid waste fund was attributable to several variances, both positive and negative. Costs to operate the cafeteria fund declined by \$54,488 or 5.0%.



Financial Analysis of the Government's Funds

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

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

Financial Analysis of the Government's Funds (Continued)

As of the end of the current fiscal year, the Town of South Kingstown's governmental funds reported combined ending fund balances of \$43,233,760. Approximately 64 percent of this total amount; \$27,590,766, constitutes unreserved fund balance of which \$9,951,623 is available for spending at the government's discretion within the Town's General Fund. The remaining unreserved fund balance of \$17,639,143 includes \$1,665,000 designated to help finance the 2008-2009 fiscal year budget, \$1,000,000 designated to help pay for Superfund remediation costs, \$4,560,971 for Special Revenue Funds, \$9,022,455 earmarked for Capital Project Funds, and \$1,390,717 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 (\$993,235), 2) reserved for various endowments (\$14,591,161), or 3) reserved for future expenses, which have been prepaid (\$25,176), and professional development (\$33,422).

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 \$12,151,623 while total fund balance reached \$12,363,296. 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 16.4 percent of the 2009 FY Adopted General Fund Expenditure Budget, while total fund balance represents 16.7 percent of that same amount.

The fund balance of the Town of South Kingstown's general fund increased by \$162,335 during the current fiscal year. Key factors in this growth are as follows:

- A budgetary basis operating surplus in the general fund of \$1,204,427. Revenues over budget accounted for \$914,959 of the surplus, while expenditures under budget contributed \$269,494 to the surplus, with other financing sources finishing the fiscal year with a \$19,974 surplus.
- Positive budget variances in the revenue accounts such as property taxes (\$452,076), investment income (\$289,760), licenses and fees (\$99,013), miscellaneous revenues (\$29,881) and departmental revenues (\$124,753) all contributed to the surplus. Offsetting these positive variances was a shortfall in state aid revenues (\$80,524).
- Favorable expenditure variances of significance included savings in the public safety accounts (\$20,693), general government accounts (\$106,131), public works (\$53,100), debt service (\$75,230) and capital improvements (\$9,618).
- The surplus in other financing sources was mainly due to an additional transfer of \$15,423 over the budgeted amount from the Narragansett Library Association

The school fund has a total fund balance of \$1,994,348 of which \$31,927 has already been committed to liquidate contracts and purchase orders of the prior period, \$33,422 is reserved for future professional development expenses of the School fund and \$420,000 is designated to help finance the 2008-2009 fiscal year budget. The remaining balance of \$1,495,316 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 \$731,643, a decline of \$37,217. Unrestricted net assets in the wastewater fund increased by \$359,699 to a total of \$1,865,878. The solid waste fund had unrestricted net assets of \$1,537,343, which was an increase in value of \$34,114 while the school cafeteria operations decreased by \$23,232 to a deficit position of \$68,872.

Financial Analysis of the Government's Funds (Continued)

Proprietary funds (Continued)

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 2007-2008 fiscal year with a \$1,204,427 budgetary surplus. Differences between the original budget and the final amended budget were relatively minor and only involved transferring funds from departments with expenditure surpluses to departments with expenditure deficits.

The balance of accounts with over-expenditures had funds available within their major program functions to cover the deficits. The over-expenditures covered the Recreation Department and totaled \$15,671, which were offset by Recreation revenues over budget by \$46,677.

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, 2008 amounts to \$114,997,633 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, infrastructure, and construction in progress. The total increase in the Town of South Kingstown's investment in capital assets for the current fiscal year was .3 percent (a 1.7 percent decrease for governmental activities and a 5.0 percent increase for business-type activities).

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

- A variety of road construction projects were ongoing; construction in progress as of the end of the current fiscal year had reached \$231,649. Projects capitalized as infrastructure totaled \$186,068.
- A total of \$900,209 in engineering and remediation costs for the closing of the West Kingston landfill were capitalized in the Solid Waste Fund. These costs were reported as transfers from governmental activities to business activities in fiscal 2008. Other construction in progress costs of \$5,613,147 associated with this project were restated as prior year expenses in the governmental activities of the government-wide statements.
- Various school building improvements were completed at a cost of \$339,655. Other miscellaneous school improvements accounted for an additional \$172,255 in construction in progress.
- Construction in progress at June 30, 2008 also included \$674,867 for the Saugatucket River walkway project and \$86,989 for the Silver Lake Bridge Repair project.

Capital Asset and Debt Administration (Continued)

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

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$ 12,340	\$ 12,340	\$ 1,586	\$ 709	\$ 13,926	\$ 13,049
Land Improvements	7,650	7,718	2,344	161	9,994	7,879
Buildings	18,736	19,172	4,667	4,871	23,403	24,043
Building Improvements	25,310	26,024	2,084	2,169	27,394	28,193
Equipment	3,778	3,984	2,905	2,278	6,683	6,262
Vehicles	2,467	2,352	78	98	2,545	2,450
Infrastructure	17,365	17,283	12,384	12,313	29,749	29,596
Construction in Progress	1,304	1,631	-	2,193	1,304	3,824
Total	\$ 88,950	\$ 90,504	\$ 26,048	\$ 24,792	\$ 114,998	\$ 115,296

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 \$36,561,396, entirely backed by the full faith and credit of the Town. Bonds authorized but unissued totaled an additional \$13,915,000.

State statutes limit the amount of general obligation bonded debt a town can issue to 3 percent of net assessed property values. However, all bonds approved through State enabling legislation and voter referendums are exempt from the limit. At June 30, 2008, the Town had a debt limit of \$156,470,962. Of the Town's \$36,561,396 in debt outstanding, \$7,240,508 is subject to the Town's legal debt limit. A balance of \$149,230,454 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	
	2008	2007	2008	2007	2008	2007
General Obligation Bonds	\$32,995	\$36,710	\$3,566	\$3,366	\$36,561	\$40,076

The Town's total bonded debt declined by \$3,514,932 (8.8 percent) during the current fiscal year. During the year principal payments of \$3,914,932 were made to reduce existing debt. The payments were offset by the issuance of \$400,000 in new revenue bonds for the replacement of water meters for the Town's water system.

Capital Asset and Debt Administration (Continued)

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

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

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

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the Town of South Kingstown, as of September 2008, was 7.0 percent, which is an increase from a rate of 4.2 percent a year ago. This compares favorably to the state's average unemployment rate of 8.3 percent but lags the national average rate of 4.6 percent.
- Primarily a residential community, the Town completed a statistical property revaluation, as of December 31, 2006, which had a significant impact on the Town's tax base. The Grant List grew from \$4.2 billion to \$5.2 billion, or a twenty-four percent increase for the 2007-2008 fiscal year.
- The State of Rhode Island continues to have significant budget deficit problems, which could result in a loss of state-aid received by the Town and the School Department.

All of these factors were considered in preparing the Town of South Kingstown's budget for the 2009 fiscal year.

During the current fiscal year, unreserved fund balance in the general fund increased to \$12,151,623. The Town of South Kingstown has designated \$1,200,000 of this amount for spending in the 2009 fiscal year budget. It is intended that this use of available fund balance will help reduce the amount of property taxes necessary to fund the 2009 fiscal year budget. In addition, the Town has designated \$1,000,000 of the unreserved fund balance for Superfund site cleanup costs.

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

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TOWN OF SOUTH KINGSTOWN

BASIC FINANCIAL STATEMENTS



TOWN OF SOUTH KINGSTOWN, RHODE ISLAND**Statement of Net Assets**
June 30, 2008

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 34,470,025	\$ 4,130,344	\$ 38,600,369
Investments	14,602,042		14,602,042
Accounts receivable	1,007,965	962,042	1,970,007
Internal balances	(197,694)	197,694	-
Due from federal and state governments	842,628	111,598	954,226
Prepays	25,176	-	25,176
Total Current Assets	50,750,142	5,401,678	56,151,820
Noncurrent Assets:			
Deferred charges - refunding	570,201		570,201
Deferred charges - bond issuance	248,327	19,432	267,759
Capital assets not being depreciated	13,643,736	1,586,529	15,230,265
Capital assets, net of accumulated depreciation	75,306,212	24,461,156	99,767,368
Total Noncurrent Assets	89,768,476	26,067,117	115,835,593
TOTAL ASSETS	140,518,618	31,468,795	171,987,413
LIABILITIES:			
Current Liabilities:			
Accounts payable	1,479,370	478,855	1,958,225
Accrued liabilities	3,012,609	32,526	3,045,135
Due to federal and state governments	135,444	15,733	151,177
Unearned revenue	946,014	575,925	1,521,939
Deposits held in custody of others	96,965	-	96,965
Current portion of compensated absences	1,946,000	123,075	2,069,075
Current portion of claims and judgements	-	-	-
Current portion of bonds	3,590,000	281,014	3,871,014
Total Current Liabilities	11,206,402	1,507,128	12,713,530
Noncurrent Liabilities:			
Compensated absences	2,408,034	129,004	2,537,038
Accrued claims and judgements	1,918,000	-	1,918,000
General obligation bonds, net	29,405,000	3,285,382	32,690,382
Total Noncurrent Liabilities	33,731,034	3,414,386	37,145,420
TOTAL LIABILITIES	44,937,436	4,921,514	49,858,950
NET ASSETS:			
Invested in capital assets net of related debt	55,954,948	22,481,289	78,436,237
Restricted for:			
Endowments:			
Expendable	2,122,020		2,122,020
Nonexpendable	13,859,858		13,859,858
Unrestricted	23,644,356	4,065,992	27,710,348
TOTAL NET ASSETS	\$ 95,581,182	\$ 26,547,281	\$ 122,128,463

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, 2008

Functions/Programs:	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services, Fees & Licenses	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 8,806,804	\$ 3,617,841	\$ 1,195,020	\$ 272,145	\$ (3,721,798)	\$	\$ (3,721,798)
Public safety	6,784,029	989,173	-	-	(5,794,856)		(5,794,856)
Public works	2,905,202	62,935	-	-	(2,842,267)		(2,842,267)
Human service agency contributions	183,987	-	-	-	(183,987)		(183,987)
Public libraries	1,039,669	28,348	237,241	-	(774,080)		(774,080)
Education	62,853,934	1,003,973	14,535,622	-	(47,314,339)		(47,314,339)
Recreation	2,322,764	800,684	18,830	-	(1,503,250)		(1,503,250)
Interest on long-term debt	1,520,722	-	334,929	-	(1,185,793)		(1,185,793)
Total governmental activities	86,417,111	6,502,954	16,321,642	272,145	(63,320,370)		(63,320,370)
Business-type activities:							
Wastewater	3,144,544	3,065,229	-	307,075		\$ 227,760	227,760
Solid Waste	945,596	789,355	250,000	-		93,759	93,759
Water	835,913	866,797	-	-		30,884	30,884
School Cafeteria	1,041,418	760,830	254,696	-		(25,892)	(25,892)
Total business-type activities	5,967,471	5,482,211	504,696	307,075		326,511	326,511
Total	\$ 92,384,582	\$ 11,985,165	\$ 16,826,338	\$ 579,220	\$ (63,320,370)	\$ 326,511	(62,993,859)
General revenues:							
Property taxes					60,903,094		60,903,094
Motor vehicle phase-out taxes					2,167,848		2,167,848
Telephone and hotel taxes					339,967		339,967
Grants and aid not restricted for a specific program					2,295,069		2,295,069
Unrestricted investment earnings					1,073,334	182,029	1,255,363
Transfers					(880,146)	880,146	-
Total general revenues and transfers					65,899,166	1,062,175	66,961,341
Change in Net assets					2,578,796	1,388,686	3,967,482
Net assets - beginning of year (as restated)					93,002,386	25,158,595	118,160,981
Net assets - ending of year					\$ 95,581,182	\$ 26,547,281	\$ 122,128,463

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, 2008

	General Fund	EPA Waste Management Project	School Unrestricted Fund	School Trust Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:						
Cash and cash equivalents	\$ 24,864,119		\$ 40,433	\$ 903,239	\$ 8,025,349	\$ 33,833,140
Investments				13,614,695	987,347	14,602,042
Accounts and other receivable	947,357		25,955	1,398	33,255	1,007,965
Due from federal and state governments	-		94,801		747,827	842,628
Prepaid expenditures	6,673		13,683		4,820	25,176
Due from other funds	409,193		4,851,123		6,338,857	11,599,173
TOTAL ASSETS	\$ 26,227,342	\$ -	\$ 5,025,995	\$ 14,519,332	\$ 16,137,455	\$ 61,910,124
LIABILITIES AND FUND BALANCES:						
LIABILITIES:						
Accounts payable	\$ 330,104		\$ 710,531		\$ 394,321	\$ 1,434,956
Retainage payable	-				43,414	43,414
Accrued liabilities	651,814		2,275,134		85,661	3,012,609
Due to federal & state governments	35,444				100,000	135,444
Due to other funds	12,027,935		38,282	\$ 138,486	474,014	12,678,717
Deferred revenues	721,784		7,700		544,775	1,274,259
Deposits held in custody for others	96,965					96,965
TOTAL LIABILITIES	\$ 13,864,046	\$ -	\$ 3,031,647	\$ 138,486	\$ 1,642,185	\$ 18,676,364
FUND BALANCES:						
Reserved for prepaid expenditures	6,673		13,683		4,820	25,176
Reserved for encumbrances	205,000		31,927		756,308	993,235
Reserved for endowments				13,648,833	942,328	14,591,161
Reserved for professional development			33,422			33,422
Unreserved:						
Designated for General fund	2,200,000					2,200,000
Designated for special revenue funds			420,000		45,000	465,000
General fund	9,951,623					9,951,623
Special revenue funds			1,495,316		3,065,655	4,560,971
Capital project funds					9,022,455	9,022,455
Permanent Purpose Trust funds				732,013	658,704	1,390,717
TOTAL FUND BALANCES	\$ 12,363,296	\$ -	\$ 1,994,348	\$ 14,380,846	\$ 14,495,270	\$ 43,233,760
TOTAL LIABILITIES AND FUND BALANCES	\$ 26,227,342	\$ -	\$ 5,025,995	\$ 14,519,332	\$ 16,137,455	\$ 61,910,124

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, 2008*

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	\$ 43,233,760
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the Gov't Fund balance sheet	88,949,948
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.	818,528
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.	(39,267,034)
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.	525,101
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.	1,517,735
Net premium on refunding has been recorded as deferred revenue on the Statement of Net Assets	<u>(196,856)</u>
Total Net Assets reported in Exhibit A-1	<u>\$ 95,581,182</u>

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year the Ended June 30, 2008

	General Fund	EPA Waste Management Project	School Unrestricted Fund	School Trust Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:						
General property taxes	\$ 60,825,348					\$ 60,825,348
Intergovernmental	5,375,054	\$ 465,550	\$ 10,548,898		\$ 2,464,672	18,853,974
Licenses and fees	1,207,013				1,028,824	2,235,837
Investment income (loss)	1,289,760			\$ (569,602)	339,169	1,059,327
Fines and charges					1,163,767	1,163,767
Departmental	1,146,290					1,146,290
Contributions					136,015	136,015
State on behalf pension contribution			2,406,682			2,406,682
Other	286,375		1,003,973		24,095	1,314,443
TOTAL REVENUES	70,129,840	465,550	13,959,353	(569,602)	5,156,542	89,141,683
EXPENDITURES:						
Current:						
General government	2,643,256					2,643,256
Public safety	6,343,310					6,343,310
Public works	1,794,767					1,794,767
Human service agency contributions	183,987					183,987
Public libraries	909,506					909,506
Education			59,051,078		1,823,538	60,874,616
Recreation	1,314,745				729,922	2,044,667
Other	4,687,447	465,550		54,347	1,532,608	6,739,952
Debt Service:						
Principal	3,660,000				55,000	3,715,000
Interest and other costs	1,425,742				17,925	1,443,667
Capital:						
Capital expenditures	97,271				1,736,028	1,833,299
TOTAL EXPENDITURES	23,060,031	465,550	59,051,078	54,347	5,895,021	88,526,027
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	47,069,809	-	(45,091,725)	(623,949)	(738,479)	615,656
OTHER FINANCING SOURCES (USES)						
Transfers in	1,079,552		45,651,549		3,139,528	49,870,629
Transfers out	(47,987,026)		(269,696)	(499,916)	(1,093,928)	(49,850,566)
TOTAL OTHER FINANCING SOURCES (USES)	(46,907,474)	-	45,381,853	(499,916)	2,045,600	20,063
NET CHANGE IN FUND BALANCES	162,335	-	290,128	(1,123,865)	1,307,121	635,719
FUND BALANCE AT BEGINNING OF YEAR	12,200,961	-	1,704,220	15,504,711	13,188,149	42,598,041
FUND BALANCE AT END OF YEAR	\$ 12,363,296	\$ -	\$ 1,994,348	\$ 14,380,846	\$ 14,495,270	\$ 43,233,760

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

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds (Exhibit B-2) to the Statement of Activities (Exhibit A-2)
Year Ended June 30, 2008**

Net Change in Fund Balances - Total Governmental Funds (Exhibit B-2):	\$ 635,719
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.	(548,443)
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 2008.	(104,854)
Governmental funds report principal repayments on debt obligations as an expenditure. However, the repayment of principal has no effect on the net assets.	3,715,000
Governmental funds do not report estimated accrued claims and judgements as a liability in the Fund Statements if they are not going to be paid with current available resources. These liabilities are reported in the government-wide financial statements as long-term debt. This adjustment reflects the increase in the estimate from the amount reported at June 30, 2007	(76,180)
Governmental funds report debt issuance costs and premiums on debt financing when they occur. The net effect of these transactions on the statement of activities and changes in net assets was.	(109,665)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds. Deferred tax revenue decreased from fiscal 2007.	(57,619)
Allowance for doubtful accounts on tax receivables is not reported in the governmental fund statement of revenue, expenditures and changes in fund balances. The change in the allowance is included in the fund balance sheet as a contra to both tax receivables and deferred tax revenue. The decrease in the allowance provision is recorded against tax revenue in the statement of activities.	135,365
Excess of internal service funds' revenues over expenses, reported as governmental fund activity in the statement of activities and changes in net assets.	191,927
During fiscal 2008 the Governmental Activities transferred assets to the Solid Waste Fund (Business Type). The transfer represented assets which were reported as construction in progress as of June 30, 2007 in the Governmental Activities as the costs were paid through a capital projects fund. In fiscal 2008 some of the costs incurred were transferred to the Solid Waste Fund and capitalized to as the Solid Waste will be paying the debt service costs related to these assets. The debt obligation was reported in the Solid Waste Fund when the obligation was entered into.	(900,209)
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>(302,245)</u>
Change in Net Assets of Governmental Activities in the Statement of Activities (Exhibit A-2)	<u>\$ 2,578,796</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, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues and Designated Fund Balance:				
Property taxes:				
Current taxes	\$ 59,587,074	\$ 59,587,074	\$ 59,773,947	\$ 186,873
Prior taxes	300,000	300,000	468,813	168,813
Total taxes current and prior	59,887,074	59,887,074	60,242,760	355,686
Interest on taxes	275,000	275,000	381,550	106,550
Payment in lieu of taxes	211,198	211,198	201,038	(10,160)
Total property taxes	60,373,272	60,373,272	60,825,348	452,076
State aid - Town:				
General state aid	1,136,942	1,136,942	994,199	(142,743)
Telephone tax	225,000	225,000	271,798	46,798
Meals and Beverage tax	485,000	485,000	511,101	26,101
Chapter 26 - School housing	1,099,822	1,099,822	1,116,126	16,304
State library construction	50,971	50,971	50,971	-
State library general aid	173,094	173,094	173,094	-
State library endowment aid	21,749	21,749	21,748	(1)
State motor vehicle phase-out	2,200,000	2,200,000	2,167,848	(32,152)
Hotel tax	63,000	63,000	68,169	5,169
Total state aid - Town	5,455,578	5,455,578	5,375,054	(80,524)
Licenses, fees and rents:				
Business licenses and fees	394,000	394,000	447,929	53,929
Nonbusiness licenses and fees	364,000	364,000	374,028	10,028
Real Estate conveyance fees	85,000	85,000	107,724	22,724
Rental of Town properties	265,000	265,000	277,332	12,332
Total licenses, fees and rents	1,108,000	1,108,000	1,207,013	99,013
Investment income - short term	1,000,000	1,000,000	1,289,760	289,760
Departmental revenues:				
Police department revenues	300,800	300,800	394,225	93,425
Park rental revenue	10,000	10,000	15,737	5,737
Town beach parking	66,150	66,150	90,261	24,111
Boat and mooring	12,000	12,000	9,704	(2,296)
Animal control fees	4,000	4,000	4,030	30
Libraries	29,000	29,000	28,348	(652)
Dog/cat licenses and fines	4,000	4,000	4,765	765
Planning department	400	400	179	(221)
Recreation department	170,350	170,350	200,869	30,519
Recreation self-support program	119,600	119,600	99,810	(19,790)
Wastewater department	32,200	32,200	32,200	-
Water department	17,500	17,500	17,500	-
Solid waste program	13,235	13,235	13,235	-
Fire alarm	15,000	15,000	5,904	(9,096)
Interfund computer	98,350	98,350	98,350	-
Peace Dale office	2,700	2,700	2,700	-
Stepping stone - creative	58,752	58,752	62,370	3,618
Stepping stone - self supported	6,000	6,000	5,438	(562)
Recreation Dept - Outside Sponsors	5,000	5,000	4,420	(580)
Narragansett - Dog Pound	55,000	55,000	55,000	-
Geographic information systems program	1,500	1,500	1,245	(255)
Total departmental revenues	1,021,537	1,021,537	1,146,290	124,753

(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, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Miscellaneous revenues:				
School crossing guards	79,000	79,000	75,200	(3,800)
Payroll and accounting	5,800	5,800	5,800	-
School field maintenance reimbursement	46,732	46,732	46,732	-
Heat detector	3,300	3,300	3,300	-
Miscellaneous - Town	106,000	106,000	128,560	22,560
Copy charges	18,000	18,000	29,121	11,121
Total miscellaneous	258,832	258,832	288,713	29,881
Use of June 30, 2007 designated fund balance	1,200,000	1,200,000	1,200,000	-
Total revenues and designated fund balance	70,417,219	70,417,219	71,332,178	914,959
Expenditures:				
General government:				
Town council	13,250	12,849	12,307	542
Financial town meeting	9,559	9,559	676	8,883
Legal staff	157,947	158,348	158,348	-
Probate judge	4,000	4,000	4,000	-
Town clerk	257,871	257,871	256,135	1,736
Public information	4,847	4,847	2,907	1,940
Canvassing authority	49,683	49,683	47,013	2,670
Town manager's office	303,130	303,130	298,636	4,494
Personnel administration	86,019	86,019	66,089	19,930
League of cities and towns	11,115	11,115	11,115	-
Town hall operations	217,942	178,942	178,529	413
Finance department	450,694	430,694	409,973	20,721
Tax assessor's office	232,546	232,546	230,179	2,367
Assessment board of review	1,950	1,950	630	1,320
Data processing division	228,561	228,561	209,709	18,852
Geographic information systems	110,658	110,658	103,563	7,095
Post year audit	19,275	14,275	7,150	7,125
Planning board	4,680	4,680	2,840	1,840
Planning department	274,465	274,465	273,691	774
Zoning board of review	65,496	50,496	49,790	706
Zoning/building inspection	270,209	270,209	266,503	3,706
Miscellaneous boards and agencies	37,700	37,700	36,683	1,017
Total general government	2,811,597	2,732,597	2,626,466	106,131
Public safety:				
Police department	4,992,666	4,887,666	4,882,331	5,335
Animal control - RD/shelter	228,273	209,743	206,053	3,690
Radio/communication	224,830	224,830	216,596	8,234
Harbor patrol	41,800	41,800	38,366	3,434
Fire company donation	3,600	3,600	3,600	-
Emergency medical services	977,834	996,364	996,364	-
Total public safety	6,469,003	6,364,003	6,343,310	20,693
Public works:				
Public works administration	288,463	253,463	231,133	22,330
Streets and highway	1,712,659	1,577,659	1,576,730	929
Tree warden	43,781	43,781	23,533	20,248
Street lighting	150,000	150,000	140,407	9,593
Total public works	2,194,903	2,024,903	1,971,803	53,100

(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, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Human service agency contributions:				
South Shore Mental Health	20,157	20,157	20,157	-
Visiting Nurses Association	33,000	33,000	33,000	-
R.I. Rape Crisis Center	2,000	2,000	2,000	-
Sympatico	18,000	18,000	18,000	-
South County Community Action	30,900	30,900	30,900	-
NRI Community Services	1,000	1,000	1,000	-
Literacy Volunteers	1,000	1,000	1,000	-
Washington County Coalition for Children	500	500	500	-
Cane Day Care Center	11,000	11,000	11,000	-
Hospice of Washington County	2,000	2,000	2,000	-
Washington County Adult Learning Center	4,120	4,120	4,120	-
Jonnycake Center	15,000	15,000	15,000	-
Women Resource Center	5,000	5,000	5,000	-
Volunteers in Action	750	750	750	-
Health Center of South County	33,000	33,000	33,000	-
Galllee Mission	1,060	1,060	1,060	-
The Samaritans	500	500	500	-
S C Emergency Shelter	5,000	5,000	5,000	-
Total human service agency contributions	183,987	183,987	183,987	-
Recreation:				
Recreation department	1,291,574	1,307,424	1,307,424	-
Celebrations	7,500	7,321	7,321	-
Total recreation	1,299,074	1,314,745	1,314,745	-
Public libraries	938,395	913,395	909,506	3,889
Capital improvements/projects	269,000	106,889	97,271	9,618
Miscellaneous:				
Insurance	239,000	193,224	193,224	-
Unemployment insurance	10,000	44,028	44,028	-
Contingency	80,000	102,400	102,400	-
FICA	796,002	758,315	758,315	-
Contribution to Town retirement	922,170	885,993	885,993	-
Health insurance	2,522,853	2,522,853	2,522,853	-
Police pension	20,255	20,255	20,254	1
Workers' compensation	218,000	161,212	160,380	832
Total miscellaneous	4,808,280	4,688,280	4,687,447	833
Debt Service	5,160,972	5,160,972	5,085,742	75,230
Total expenditures	24,135,211	23,489,771	23,220,277	269,494
Excess of revenues and designated fund balance over expenditures	46,282,008	46,927,448	48,111,901	1,184,453

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, 2008

	<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	652,579	652,579	652,579	-
From School Trust Funds	16,000	16,000	19,624	3,624
From Permanent Trust Funds	28,000	28,000	28,926	926
From Special Revenue Funds	363,000	363,000	378,423	15,423
To Compensated Absences Special Revenue Fund	-	(381,440)	(381,440)	-
To Wastewater Fund	(23,616)	(23,616)	(23,615)	1
To Elderly Services Fund	(395,468)	(395,468)	(395,468)	-
To Municipal Planning Services	(38,000)	(38,000)	(38,000)	-
Tax transfer to School Fund	(45,628,503)	(45,628,503)	(45,628,503)	-
To Property Reval. & Municipal Escrow - Spec. Rev. Funds	(40,000)	(90,000)	(90,000)	-
To Capital Project Funds	(1,216,000)	(1,430,000)	(1,430,000)	-
Total other financing uses	(46,282,008)	(46,927,448)	(46,907,474)	19,974
Excess of revenues, other sources and uses of designated fund balance over expenditures and other financing uses	\$ -	\$ -	\$ 1,204,427	\$ 1,204,427

(CONCLUDED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

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

For the Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
State aid	\$ 10,571,518	\$ 10,571,518	\$ 10,548,698	\$ (22,820)
Tuition	315,000	315,000	127,185	(187,815)
Miscellaneous	1,043,223	1,043,223	876,788	(166,435)
Total revenues	11,929,741	11,929,741	11,552,671	(377,070)
Expenditures:				
Salaries	33,485,214	33,478,054	33,290,742	187,312
Employee benefits	13,835,187	13,835,187	13,661,706	173,481
Purchased services	8,913,169	8,920,948	8,349,046	571,902
Supplies and materials	1,080,325	1,050,635	1,014,316	36,319
Capital outlay	432,738	464,284	420,912	43,372
Other	140,211	137,736	146,594	(8,858)
Total expenditures	57,886,844	57,886,844	56,883,316	1,003,528
Excess of revenues over (under) expenditures before other financing sources (uses)	(45,957,103)	(45,957,103)	(45,330,645)	626,458
Other financing sources (uses):				
Operating transfer from Town of South Kingstown General Fund	45,628,503	45,628,503	45,628,503	0
Operating transfer from Town of South Kingstown Trust Funds	20,000	20,000	23,046	3,046
Transfer to School Improvement Capital Project Fund	(26,400)	(26,400)	(26,400)	0
Use of June 30, 2007 designated fund balance	335,000	335,000	335,000	0
Total other financing sources (uses)	45,957,103	45,957,103	45,960,149	3,046
Excess of revenues and other financing sources over expenditures and other financing uses	\$ -	\$ -	\$ 629,504	\$ 629,504

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, 2008

	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)	Totals (prior year)	Health Care Management Internal Service Fund	
ASSETS:												
Current Assets:												
Cash and cash equivalents	\$ 2,036,780	\$ 1,991,227	\$ 1,382,845	\$ 1,457,505	\$ 674,373	\$ 760,234	\$ 36,346	\$ 75,498	\$ 4,130,344	\$	\$	636,885
Investments	678,374	648,230	88,055	147,269	194,578	128,218	21,035	17,893	962,042	111,598		
Accounts and other receivables, net	83,916		250,329	42,294			27,882	44,279	253,677			881,850
Due from federal and state governments							3,348					
Due from other funds												
Prepaid expenses												
Total Current Assets	2,799,070	2,639,457	1,701,229	1,647,068	868,951	888,452	88,411	137,670	5,457,661	1,518,735		
Noncurrent Assets:												
Capital assets not being depreciated	169,651	169,651	1,005,003	2,320,603	411,875	411,875			1,586,529			
Capital assets, net of accumulated depreciation	17,753,189	17,840,950	2,338,108	1,717,233	4,357,409	3,862,383	12,450	15,110	24,461,156			
Total Noncurrent Assets	17,922,840	18,010,601	3,343,111	2,492,326	4,769,284	4,274,258	12,450	15,110	26,047,685	-		
TOTAL ASSETS	20,721,910	20,650,058	5,044,340	4,139,394	5,638,235	5,162,710	100,861	152,780	31,505,346	1,518,735		
LIABILITIES:												
Current Liabilities:												
Accounts payable	104,069	72,734	169,854	56,106	47,649	23,447	157,283	183,310	478,855	1,000		
Accrued liabilities	27,427	24,941		293	5,099	4,259			32,526			
Due to federal and state governments	15,733	45,114		95,765	42,681	55,663			15,733			
Due to other funds	13,302	186,159							55,983			
Deferred revenue	575,925	671,737							575,925			
Current portion of compensated absences	103,300	72,500	2,775	2,500	17,000	19,500			123,075			
Current portion of bonds	76,791	74,082	128,223	125,850	76,000				281,014			
Total Current Liabilities	916,547	1,147,267	300,852	280,514	188,429	102,869	157,283	183,310	1,563,111	1,000		
Noncurrent Liabilities:												
General obligation bonds, net of current portion	622,398	699,189	2,338,984	2,467,207	324,000	-			3,285,382			
Deferred bond issuance costs, net	(7,007)	(8,409)	(12,425)	(14,200)					(19,432)			
Compensated absences	100,443	68,502	3,682	3,375	24,879	16,723			129,004			
Total Noncurrent Liabilities	715,834	759,282	2,330,241	2,456,382	348,879	16,723	-	-	3,394,954	-		
TOTAL LIABILITIES	1,632,381	1,906,549	2,631,093	2,736,896	537,308	119,592	157,283	183,310	4,958,065	1,000		
NET ASSETS:												
Invested in capital assets, net of related debt	17,223,651	17,237,330	875,904	(100,731)	4,369,284	4,274,258	12,450	15,110	22,481,289			
Unrestricted	1,865,878	1,506,179	1,537,343	1,503,229	731,643	768,860	(68,872)	(45,640)	4,065,992			1,517,735
TOTAL NET ASSETS	\$ 19,089,529	\$ 18,743,509	\$ 2,413,247	\$ 1,402,498	\$ 5,100,927	\$ 5,043,118	\$ (56,422)	\$ (30,530)	\$ 26,547,281	\$	\$	1,517,735

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, 2008

	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
OPERATING REVENUES:										
Charges for usage and service	\$ 2,695,241	\$ 2,301,784	\$ 715,011	\$ 841,742	\$ 838,003	\$ 729,725	\$ 760,830	\$ 787,352	\$ 5,009,085	\$ 10,263,299
Other revenues	389,988	358,449	74,344	108,506	28,794	19,342			473,126	
Total Operating Revenues	3,085,229	2,660,233	789,355	950,248	866,797	749,067	760,830	787,352	5,482,211	10,263,299
OPERATING EXPENSES:										
Wells					150,256	145,218			150,256	
Pumping	366,837	371,999			8,865	10,430			375,702	
Distribution					13,341	18,817			13,341	
Treating and sludge	1,297,238	1,317,780		794,445					1,297,238	
Transportation and disposal			630,570						630,570	
Residential recycling program			143,872						143,872	
Other operating	124,681	119,899	2,682	(12)					127,363	
Administrative and general	629,114	545,304	73,766	74,432	411,346	393,692			1,114,226	
Health care management										10,085,379
Depreciation and amortization	588,543	592,525	43,313	23,005	157,973	108,341	2,660	2,660	792,489	
School cafeteria operations							1,038,758	1,093,246	1,038,758	
Repairs and maintenance	104,234	5,237			92,457	37,286			196,691	
Total Operating Expenses	3,110,647	2,952,744	894,203	891,870	834,238	713,784	1,041,418	1,095,906	5,880,506	10,085,379
OPERATING INCOME (LOSS)	(45,418)	(292,511)	(104,848)	58,378	32,559	35,283	(280,588)	(308,554)	(398,295)	177,920
NONOPERATING REVENUES (EXPENSES):										
Investment income	94,645	106,218	60,459	78,856	26,925	42,750		420	182,029	14,007
Contributions	307,075				(1,675)		1,000		308,075	
Loss on disposal of capital assets	(16,983)		(7,886)						(26,544)	
State and federal grants			250,000				253,696	234,927	503,696	
Interest expense	(16,914)	(19,881)	(43,507)	(44,751)					(60,421)	
Net Nonoperating Revenues	367,823	86,337	259,066	34,105	25,250	42,750	254,696	235,347	906,835	14,007
INCOME (LOSS) BEFORE CONTRIBUTIONS	322,405	(206,174)	154,218	92,483	57,809	78,033	(25,892)	(73,207)	508,540	191,927
Transfers in										
Transfers (Out)	23,615		900,209	(37,040)					923,824	
CHANGE IN NET ASSETS	346,020	(206,174)	1,010,749	55,443	57,809	78,033	(25,892)	(73,207)	1,388,686	191,927
TOTAL NET ASSETS - BEGINNING	18,743,509	18,949,683	1,402,498	1,347,055	5,043,118	4,965,085	(30,530)	42,677	25,158,595	1,325,808
TOTAL NET ASSETS - ENDING	\$ 19,089,529	\$ 18,743,509	\$ 2,413,247	\$ 1,402,498	\$ 5,100,927	\$ 5,043,118	\$ (56,422)	\$ (30,530)	\$ 26,547,281	\$ 1,517,735

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, 2008

	Business-type Activities- Enterprise Funds					Totals	Governmental Activities Health Care Management Internal Service Fund
	Wastewater	Solid Waste	Water	School Cafeteria			
\$ 2,855,357	\$ 868,569	\$ 800,437	\$ 757,688	\$ 5,282,051		\$ 9,993,408	
(2,063,893)	(759,434)	(240,717)	(1,064,785)	(4,128,829)		(10,023,819)	
(563,887)	(73,184)	(417,832)		(1,054,903)			
227,577	35,951	141,888	(307,097)	98,319	(30,411)		
23,615	(43,678)		270,293	(20,063)		-	
	250,000		1,000	520,293			
	(208,035)		(3,348)	1,000			
23,615	(1,713)		267,945	(211,383)	289,847		
(209,288)	-	(654,674)	-	(863,962)			
		400,000		400,000			
(74,082)	(125,850)			(199,932)			
(16,914)	(43,507)			(60,421)			
(300,284)	(169,357)	(254,674)	-	(724,315)	0		
94,645	60,459	26,925	-	182,029	14,007		
94,645	60,459	26,925	-	182,029	14,007		

CASH FLOWS FROM OPERATING ACTIVITIES:
 Cash received from customers
 Cash received from providing services
 Cash paid to suppliers for goods and services and other operating payments
 Cash paid to employees
 Cash paid for claims
 Cash paid for other operating expenses
Net cash provided (used) by operating activities

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:
 Transfers to (from) other funds
 Nonoperating grants received
 Donations and contributions
 Increase in due to (from) other funds
Net cash provided (used) by noncapital financing activities

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:
 Acquisition of capital assets
 Bond proceeds received
 Principal paid on bonds
 Interest paid on bonds
Net cash provided (used) for capital and related financing activities

CASH FLOWS FROM INVESTING ACTIVITIES:
 Investment income
Net cash provided (used) by investing activities

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2008

	Business-type Activities-Enterprise Funds				Totals	Governmental Activities Health Care Management Internal Service Fund
	Wastewater	Solid Waste	Water	School Cafeteria		
	45,553	(74,660)	(85,861)	(39,152)	(154,120)	(16,404)
	1,991,227	1,457,505	760,234	75,498	4,284,464	653,289
	\$ 2,036,780	\$ 1,382,845	\$ 674,373	\$ 36,346	\$ 4,130,344	\$ 636,885
	\$ (45,418)	\$ (104,848)	\$ 32,559	\$ (280,588)	\$ (398,295)	\$ 177,920
	588,543	43,313	157,973	2,660	792,489	
	62,741	582	5,656		68,979	
	(30,144)	79,214	(66,360)	(3,142)	(20,432)	
	(83,916)				(83,916)	(269,891)
	31,335	113,748	24,202	(26,027)	143,258	60,560
	2,486		840		3,326	1,000
	(172,857)	(96,058)	(12,982)		(281,897)	-
	(29,381)				(29,381)	
	(95,812)				(95,812)	
	\$ 227,577	\$ 35,951	\$ 141,888	\$ (307,097)	\$ 98,319	\$ (30,411)

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 prepaid expenses	
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

Non-cash transactions:

During the fiscal year ended June 30, 2008 the Wastewater Fund received donated infrastructure assets with a fair market value of approximately \$307,075. The donation of these assets came from property developers. The donation constitutes a non cash transaction and accordingly, the value have been omitted from the statement of cash flows.

During the fiscal year ended June 30, 2008 the Solid Waste Fund received capital assets transferred from the Governmental Activities totaling \$900,209. The transfer and value of the capital assets constitutes a non cash transaction and accordingly, the value of such has been omitted from the Statement of Cash Flows.

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2008

	Cemetery Care Private - Purpose Trust Fund	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 186,797	\$ 342,900
Other receivables	1,651	
Investments	-	10,560
TOTAL ASSETS	<u>188,448</u>	<u>353,460</u>
LIABILITIES		
Accounts payable and accrued expenses	889	
Deposits held in custody for others		353,460
TOTAL LIABILITIES	<u>889</u>	<u>353,460</u>
NET ASSETS		
Held in trust for perpetual care	<u>\$ 187,559</u>	<u>\$ -</u>

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the year ended June 30, 2008**

	Cemetery Care Private -Purpose Trust Fund
ADDITIONS:	
Charges for services	\$ 3,350
Investment income	7,996
TOTAL ADDITIONS	<u>11,346</u>
DEDUCTIONS:	
Operating expenses in accordance with agreement	<u>9,448</u>
TOTAL DEDUCTIONS	<u>9,448</u>
CHANGE IN NET ASSETS	1,898
NET ASSETS - BEGINNING OF YEAR	185,661
NET ASSETS - END OF YEAR	<u>\$ 187,559</u>

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

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TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

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 2008.

- 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, 2008.

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

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, 2008**

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, 2008. 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 one private-purpose trust fund, the Cemetery-Care Fund. The net assets of this fund are utilized for the care and maintenance of cemeteries within the Town.

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

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: EPA Waste Management Project	This fund is used to report the activity of various septic design, development and study projects occurring in the Town as well as in two surrounding communities. The Town acts as the administrator of these projects. This fund did not meet the criteria for reporting as a major fund however, management elected to present the fund as a major fund.
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, 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Major and Non-Major Funds (Continued)

<u>Fund</u>	<u>Brief Description</u>
Non-Major:	
Special Revenue Funds:	Affordable Housing, Alcohol Grant, Animal Shelter Benefit Fund, Asset Forfeiture Fund, Community Development Block Grants, Compensated Absences Reserve Fund, Drug Free Communities Grants, Elderly Services, EMS Billing Services Fund, Federal Forfeiture 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, RIPTIDE, Seat Belt Enforcement Grants, SIGS, South Road School Reserve Fund, State Homeland Security Grant, Stormwater Management Plan, Substance Abuse, Tobacco Compliance Investigation Project, Nancy Brown Memorial Fund, and School Restricted Funds.
Capital Project Funds:	Animal Shelter Addition, Bike Path Maintenance, Bridge Improvement, Capital Equipment & Replacement Fund, Data Processing Improvement, Downtown Intermodal Enhancement Project, Impact Fee Reserve, Land Use Reserve, Library Building Construction, Open Space Reserve, Police Building Construction, Public Service Office Building Improvement, Public Works Improvement, Recreation Development and Restoration, Recreation Improvement, Saugatucket River Walkway Construction, School Improvement, Senior Services Center Construction, Town Hall Improvement, Wastewater Construction, and West Kingstown Landfill 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, 2008**

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, 2008**

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 \$100,000 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 \$992,336 at June 30, 2008. The allowance for uncollectible accounts includes \$973,836 for property taxes and \$18,500 for enterprise fund service fees. Major receivable balances for the governmental activities include property taxes (96% of balance). Business-type activities report service fees as its major receivables.

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

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

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 \$200 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, 2008**

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, 2006 and prior and are not collected within 60 days of June 30, 2008. Net deferred taxes included in the fund financial statements were \$525,101 at June 30, 2008.

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, 2008**

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 \$39,267,034 are as follows:

Bonds payable	\$32,995,000
Accrued claims and judgments	1,918,000
Compensated absences	<u>4,354,034</u>
Total	<u>\$39,267,034</u>

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

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 (\$548,443) difference are as follows:

Capital outlays	\$3,211,238
Depreciation expense	<u>(3,759,681)</u>
Net adjustment	<u>(\$ 548,443)</u>

Another element of the reconciliation states that "the governmental fund reflects this activity when it is paid with measurable and available resources." The details of the (\$302,245) are as follows:

Increase in liability for compensated absences... ..	<u>(\$302,245)</u>
------------------------------------------------------	--------------------

Another element of that reconciliation states that, "Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds." The details of this (\$57,619) difference are as follows:

Gross deferred tax revenue - ending	\$1,346,757
Gross deferred tax revenue – beginning	<u>(1,404,376)</u>
Net adjustment (decrease net asset)	<u>(\$ 57,619)</u>

Recently Issued Accounting Standards

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

- ✓ GASB Statement No. 45 – Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions, effective for the Town's fiscal year ending June 30, 2009.
- ✓ GASB Statement No. 49 – Accounting for Financial Reporting for Pollution Remediation Obligations, effective for the Town's fiscal year ending June 30, 2009.
- ✓ GASB Statement No. 51 – Accounting and Financial Reporting for Intangible Assets, effective for the Town's fiscal year ending June 30, 2010.
- ✓ GASB Statement No. 52 – Land and Other Real Estate Held as Investments by Endowments, effective for the Town's fiscal year ending June 30, 2009.
- ✓ GASB Statement No. 53 – Accounting and Financial Reporting for Derivative Instruments, effective for the Town's fiscal year ending June 30, 2010.

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, 2008**

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, 2008**

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 2008 and 2007 were \$205,000 and \$47,092, respectively, resulting in a net difference of \$157,908 (budgetary expenditures in excess of GAAP expenditures).

The total expenditures on a budgetary basis (\$23,220,277) exceed the GAAP basis expenditures (\$23,060,031) by \$160,246. This difference is the result of the increase in encumbrances of \$157,908 plus \$2,338 for a decrease which was recorded as an adjustment to miscellaneous revenue (voided 2007 encumbrances) for budget purposes.

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, 2008 was \$1,200,000.

As a result of the accounting for encumbrances and use of prior years' fund balance, the increase in fund balance of the General Fund as reported on a budgetary basis (Exhibit C-1) exceeds the increase in fund balance as reported in the fund statements (Exhibit B-2) by \$1,042,092.

(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 2008 and 2007 were \$31,927 and \$36,303, respectively, resulting in a net difference of \$4,376 between actual expenditures on the fund statements and actual expenditures on a budgetary basis. Only the revenues and expenditures of special revenue funds which have legally adopted annual budgeted appropriations are included in Exhibit C-2. The Unrestricted School Fund is the only Special Revenue Fund classified as a major fund (as defined in Note 1, page 34) which legally adopts an annual budget.

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

REVENUES

Total School Unrestricted revenues, from Exhibit B-2	\$13,959,353
Adjustments:	
State on behalf pension contribution not budgeted.....	<u>(2,406,682)</u>
Total budgetary basis revenues, from Exhibit C-2	<u>\$11,552,671</u>

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

2. BUDGETARY PROCESS (Continued)

(c) Special Revenue Funds (Continued)

EXPENDITURES

Total School Unrestricted expenditures, from Exhibit B-2	\$59,051,078
Adjustments:	
Decrease in encumbrances.....	(4,376)
State on behalf pension contribution not budgeted.....	(2,406,682)
Add transfer to School Restricted Fund reported as an expenditure for budgetary purposes.....	<u>243,296</u>
Total budgetary basis expenditures from Exhibit C-2	<u>\$56,883,316</u>

OTHER FINANCING SOURCES (USES)

Total other financing sources (uses), from Exhibit B-2	\$45,381,853
Adjustments:	
Add transfer to School Restricted Fund reported as an expenditure for budgetary purposes.....	243,296
Add use of June 30, 2007 designated fund balance as another financing source for budgetary purposes.....	<u>335,000</u>
Total budgetary basis other financing sources (uses) from Exhibit C-2	<u>\$45,960,149</u>

Exhibit B-2 includes the EPA Waste Management Project Fund and the School Trust Fund as major funds of the Town of South Kingstown, Rhode Island. The EPA Waste Management Project Fund is a Special Revenue Fund and the School Trust Fund is a Permanent Fund; however, the Town does not legally adopt a budget for these funds. Accordingly, at June 30, 2008, there are no differences between GAAP and budgetary reporting of these funds.

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, 2008**

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, 2008 was \$39,130,066 (including Fiduciary Funds) while the bank balance was \$39,993,918. Of the bank balance, \$512,928 was covered by federal depository insurance and \$39,480,990 was uninsured. The Town has entered into collateralization agreements with various financial institutions and as a result, \$39,454,999 of the uninsured balance at June 30, 2008 was collateralized by securities held by the financial institutions and/or third parties in the name of the Town. The remaining uninsured balance of \$25,991 was held in money market and other accounts which were not covered by collateralization agreements.

Investments

At June 30, 2008 the Town's investments totaled \$14,612,602 (including those held in Fiduciary Funds) and consisted of the following:

	<u>Fair Value</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Rating</u>
Domestic Common Stock	\$6,777,854	n/a	n/a	not rated
Foreign Common Stock.....	1,612,959	n/a	n/a	not rated
Mutual Funds.....	319,090	n/a	n/a	not rated
Asset Backed Securities.....	160,915	4.2-5.4%	2/2012-12/2049	AAA
Foreign Bonds	32,940	5.625-5.85%	11/2017-3/2036	A3
Foreign Bonds	54,344	3.375-4.88%	5/2011-5/2013	AA1
Foreign Bonds	74,042	5.625-8.25%	2/2010-7/2017	BAA1
Foreign Bonds	19,593	5.7%	5/2017	BAA2
Foreign Bonds	19,360	6.25%	1/2017	BAA3

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

4. CASH AND INVESTMENTS (Continued)

Investments (Continued)

	<u>Fair Value</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Rating</u>
Corporate Bonds.....	200,857	5.3–7.875%	2/2009 – 8/2036	AA3
Corporate Bonds.....	131,510	4.95–6.87%	9/2011–9/2017	BAA3
Corporate Bonds.....	167,466	5.25–6%	12/2013–4/2018	BAA1
Corporate Bonds.....	368,150	3.875–8.25%	11/2008–4/2033	A1
Corporate Bonds.....	193,183	4.75–7%	2/2011–10/2026	A3
Corporate Bonds.....	360,972	5.125–8.375%	1/2011–8/2017	BAA2
Corporate Bonds.....	412,342	4.875–8.125%	1/2009–12/2049	A2
Corporate Bonds.....	613,964	3.7–6%	10/2011–6/2047	AAA
Corporate Bonds.....	79,689	3.375–4.875%	1/2011–5/2013	AA1
Corporate Bonds.....	80,153	3.875 – 5.25%	9/2009 – 9/2035	AA2
Corporate Bonds.....	83,643	5.9 – 9%	4/2009 – 10/2009	Aa1
Corporate Bonds.....	39,354	5.875%	10/2008	Baa1
Corporate Bonds.....	35,995	7.375%	10/2009	Aa2
Federal National Mortgage Assoc.	214,539	4.25 – 6.5%	5/2009 – 10/2037	AAA
Federal Home Loan Mtge Corp.	411,464	4.25 - 6%	9/2008 – 4/2038	AAA
Federal Farm Credit Bank	75,938	4.125%	7/2009	AAA
United States Treasury Notes	1,368,551	3 – 4.375%	4/2009 - 7/2012	AAA
United States Treasury Bonds	693,175	5%	5/2037	AAA
GNMA	10,560	5.5%	11/2032	AAA
Total Investments	<u>\$ 14,612,602</u>			

Interest Rate Risk

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

Concentration of Credit Risk

At June 30, 2008 the Town had a diversified portfolio and was not deemed to be concentrated in any one investment category. Although 60% of the investments were held in common stock and mutual funds, these investments were in a wide range of companies and various industries enabling the Town to minimize its risk.

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

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 \$100,000, rated "well capitalized" on its most recent audited financial statement/SEC filings if deposits exceed \$100,000, 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 \$100,000 are collateralized.

5. PROPERTY TAXES

The Town completed a full revaluation of real property and tangible personal property as of December 31, 2003. The latest assessed values were effective for the property tax levy beginning with fiscal year 2004-2005. The assessed value of motor vehicles is determined annually by the state vehicle value commission.

During the year ended June 30, 2008, the Town received \$2,167,848 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 year.

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. The General Revenue Sharing 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, or 2008 fiscal years. In fiscal 2004, 2.7% of total State tax revenues were earmarked for General Revenue Sharing to cities and towns. In fiscal 2005 an additional \$1 million was added to the total General Revenue Sharing to cities and towns rather than the planned increase to 3% of the State tax revenues. In fiscal 2006 General Revenue Sharing was increased to 3% of the State tax revenues. Revenue sharing was frozen at the same dollar amount for the 2007-2008 fiscal year.

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 2008 were based on a net assessed value of approximately \$5,215,698,720 at December 31, 2006 and amounted to approximately \$60,693,000. Collections through June 30, 2008 amounted to approximately \$59,389,000, which represents approximately 97.9% of the total tax levy.

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

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, 2008 (\$1,759,315) are recorded as a receivable, net of an allowance for uncollectible property taxes of \$821,656. Those net property taxes receivable which were not collected within the 60 days immediately following June 30, 2008 are recorded as deferred revenue and amounted to \$525,101 at June 30, 2008. Property taxes recognized as revenue on the Fund statements for the fiscal year ended June 30, 2008 (due to their collection within the 60 days immediately following June 30, 2008) amounted to \$412,558.

On June 30, 2008, the Town levied property taxes for its next fiscal year based on the December 31, 2007 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	\$4,916,170,101	\$12,728,448	\$4,903,441,653	\$11.9692	\$58,690,275
Motor vehicle	122,641,096	579,754	122,061,342	18.71	2,283,770
Tangible property	<u>230,002,495</u>	<u>0</u>	<u>230,002,495</u>	<u>11.9692</u>	<u>2,752,947</u>
Total	<u>\$5,268,813,692</u>	<u>\$13,308,202</u>	<u>\$5,255,505,490</u>		<u>\$63,726,992</u>

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

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008 was as follows:

	(Restated) Balances <u>7/1/07</u>	<u>Additions</u>	<u>Retirements & Disposals</u>	Balances <u>6/30/08</u>
Governmental Activity:				
Nondepreciable Assets:				
Land	\$ 12,339,801	\$ 0	\$ 0	\$12,339,801
Construction in progress	1,630,248	1,882,379	2,208,692	1,303,935
Depreciable Assets:				
Buildings	30,112,487	172,065	0	30,284,552
Building improvements	37,633,005	340,055	0	37,973,060
Equipment	10,779,853	530,738	160,783	11,149,808
Vehicles	4,579,012	620,276	460,631	4,738,657
Infrastructure	30,471,173	974,208	0	31,445,381
Land improvements	8,958,505	0	37,943	8,920,562
Total cost	<u>136,504,084</u>	<u>4,519,721</u>	<u>2,868,049</u>	<u>138,155,756</u>
Accumulated Depreciation:				
Land improvements	(1,240,799)	(67,603)	(37,943)	(1,270,459)
Buildings	(10,940,024)	(608,341)	0	(11,548,365)
Building improvements	(11,608,483)	(1,054,830)	0	(12,663,313)
Equipment	(6,796,206)	(716,602)	(140,678)	(7,372,130)
Vehicles	(2,226,666)	(420,254)	(375,882)	(2,271,038)
Infrastructure	<u>(13,188,452)</u>	<u>(892,051)</u>	<u>0</u>	<u>(14,080,503)</u>
Total accumulated depreciation	<u>(46,000,630)</u>	<u>(3,759,681)</u>	<u>(554,503)</u>	<u>(49,205,808)</u>
Net capital assets	<u>\$ 90,503,454</u>	<u>\$ 760,040</u>	<u>\$2,313,546</u>	<u>\$88,949,948</u>

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

6. CAPITAL ASSETS (Continued)

	<u>Balances</u> <u>7/1/07</u>	<u>Additions</u>	<u>Retirements &</u> <u>Disposals</u>	<u>Balances</u> <u>6/30/08</u>
Business-type Activities:				
Nondepreciable Assets:				
Land	\$ 708,907	\$ 877,622	\$ 0	\$ 1,586,529
Construction in progress	2,193,222	0	2,193,222	0
Depreciable Assets:				
Land improvements	478,871	2,215,809	12,532	2,682,148
Buildings	10,507,763	0	0	10,507,763
Building improvements	2,663,881	0	0	2,663,881
Equipment	5,777,835	863,963	174,802	6,466,996
Vehicles	487,696	0	0	487,696
Infrastructure	19,077,635	307,075	58,460	19,326,250
Total cost	41,895,810	4,264,469	2,439,016	43,721,263
Accumulated Depreciation:				
Land improvements	(317,782)	(32,659)	(12,532)	(337,909)
Buildings	(5,636,223)	(204,657)	0	(5,840,880)
Building improvements	(494,982)	(85,323)	0	(580,305)
Equipment	(3,499,685)	(212,320)	(149,933)	(3,562,072)
Vehicles	(390,065)	(19,881)	0	(409,946)
Infrastructure	(6,764,778)	(234,473)	(56,785)	(6,942,466)
Total accumulated depreciation	(17,103,515)	(789,313)	(219,250)	(17,673,578)
Net capital assets	\$24,792,295	\$3,475,156	\$2,219,766	\$26,047,685

During the fiscal year ended June 30, 2008 the Town transferred capital assets of \$900,209 from the Governmental Activities to the Solid Waste Fund (Business Activities). The transfer represented assets reported in construction in progress of the Governmental Activities relating to the West Kingstown Landfill Project. These assets have been transferred to the Solid Waste Fund in fiscal 2008 as the Solid Waste Fund will be repaying the debt obligations related to these assets. Accordingly, the retirements/disposals and additions of the Governmental Activities and Business-Type Activities, respectively, include this transfer.

Depreciation expense for the year ended June 30, 2008 was charged to the following functions/programs of the Town:

Governmental Activities:	
General government	\$ 166,809
Education	1,682,052
Public safety	424,536
Public works	1,108,446
Recreation	271,452
Public libraries	106,386
Total	\$3,759,681
Business-type Activities:	
Wastewater Fund	\$ 587,142
Solid Waste Fund	41,538
Water Fund	157,973
School Cafeteria Fund	2,660
Total	\$ 789,313

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

6. CAPITAL ASSETS (Continued)

The following is a summary of Construction in Progress for the Governmental Activities at June 30, 2008:

Public Works Improvements.....	\$ 231,651
Bridge Improvement.....	457,799
Saugatucket Walkway.....	304,058
Recreation Improvements.....	49,089
Downtown Intermodal Enhancement Project.....	13,739
Open Space.....	5,300
South Road School Improvements.....	62,184
Animal Shelter Addition.....	7,500
School Improvement.....	<u>172,615</u>
Total.....	<u>\$1,303,935</u>

7. DUE FROM FEDERAL AND STATE GOVERNMENTS

Due from/to federal and state governments represent balances on contracts and grants as well as for services provided and consisted of the following at June 30, 2008:

	<u>Due From</u>	<u>Due To</u>
General Fund:		
State of Rhode Island.....	\$ 0	\$ 35,444
School Unrestricted Fund:		
State of Rhode Island – Department of Education.....	94,801	0
Other Governmental Funds:		
State of Rhode Island – Department of Education.....	147,349	0
State of Rhode Island – various departments.....	600,478	
Federal Government – EPA.....	0	100,000
Wastewater Fund:		
University of Rhode Island.....	70,037	0
Town of Narragansett.....	13,879	0
State of Rhode Island - DEM.....	0	15,733
School Cafeteria Fund:		
State of Rhode Island.....	<u>27,682</u>	<u>0</u>
Total all fund types.....	<u>\$ 954,226</u>	<u>\$ 151,177</u>

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

8. LONG-TERM DEBT

(a) At June 30, 2008, 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, 2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>Outstanding June 30, 2008</u>	<u>Due Within One Year</u>
Governmental Activities:									
General obligation bonds:									
School/public improvement	06/15/98	\$2,075,000	06/15/18	4.2% - 6.5%	\$1,130,000		\$105,000	\$1,025,000	(a) \$105,000
Refunding	06/15/98	8,240,000	12/15/11	4.15% - 5.75%	2,740,000		600,000	2,140,000	(b) 585,000
Public improvement	06/15/99	2,060,000	06/15/19	3.5% - 5.2%	1,220,000		105,000	1,115,000	(c) 105,000
School	06/15/00	10,000,000	06/15/20	5.50% - 6.25%	1,500,000		500,000	1,000,000	(d) 500,000
School public improvement	06/15/02	3,925,000	06/15/22	3.0% - 4.9%	2,900,000		205,000	2,695,000	(e) 205,000
Advance refunding	10/01/02	6,740,000	06/01/14	2.5% - 5.0%	3,695,000		585,000	3,110,000	(f) 570,000
School/Open Space	06/15/03	1,400,000	06/15/23	3.0% - 5.0%	1,120,000		70,000	1,050,000	(g) 70,000
Advance refunding	06/15/03	6,560,000	11/15/15	2.0% - 2.25%	3,460,000		650,000	2,810,000	(h) 560,000
School/Open Space/Public Improv.	06/15/04	2,875,000	06/15/24	3.75% - 5.0%	2,440,000		145,000	2,295,000	(i) 145,000
School improvements	06/15/05	1,000,000	06/15/25	3.25% - 5.5%	900,000		50,000	850,000	(j) 50,000
Advance refunding	06/15/05	9,440,000	06/15/20	3.25% - 5.5%	8,655,000		340,000	8,315,000	(k) 335,000
Advance refunding	06/15/06	5,000,000	06/15/26	4.0% - 5.0%	4,750,000		250,000	4,500,000	(l) 250,000
School/Open Space/Public Imp.	06/15/07	2,200,000	06/15/27	4.0% - 5.5%	2,200,000		110,000	2,090,000	(m) 110,000
Total general obligations bonds		\$61,515,000			36,710,000	\$ 0	3,715,000	32,995,000	3,590,000
Compensated absences					4,051,789	2,247,876	1,945,631	4,354,034	1,946,000
Claims and judgments					1,841,820	76,180	0	1,918,000	0
Governmental activities long-term Liabilities					\$42,603,609	\$2,324,056	\$5,660,631	\$39,267,034	\$5,536,000

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

8. LONG-TERM DEBT (Continued)

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

Description	Date Issued	Original Principal	Maturity Date	Interest Rate	Outstanding June 30, 2007	Additions	Retirements	Outstanding June 30, 2008	Due Within One Year
Business Type Activities:									
<i>General obligation & revenue bonds:</i>									
Wastewater fund – GO bond.....	08/19/92	\$ 920,000	09/01/12	5.88%	\$ 339,271		\$ 52,083	\$ 287,188	\$ 53,791
Wastewater fund – GO bond.....	11/13/02	500,000	09/01/23	1.2%	434,000		22,000	412,000	23,000
Solid waste fund – GO bond.....	09/03/02	2,000,000	09/01/22	1.64%	1,683,057		84,849	1,598,208	87,223
Solid waste fund – GO bond.....	11/22/05	950,000	09/01/25	1.34%	910,000		41,000	869,000	41,000
Water fund – revenue bond.....	06/05/08	400,000	09/01/12	1.68%-2.55%	0	\$ 400,000	0	400,000	76,000
Total bonds.....		\$4,770,000			3,366,328	400,000	199,932	3,566,396	281,014
Compensated absences.....					183,100	124,652	55,673	252,079	123,075
Business-type activities, long-term liabilities.....					\$3,549,428	\$524,652	\$255,605	\$3,818,475	\$404,089

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

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

8. LONG-TERM DEBT (Continued)

(b) Additional Debt Information

Of the Town's \$36,561,396 total bonds payable (including bonds payable of the wastewater, water and solid-waste enterprise funds), \$7,240,508 is subject to its legal debt limits. The \$7,240,508 outstanding does not exceed the Town's legal debt limit of approximately \$156,471,000, which is 3% of the assessed value (\$5,215,699,000) of taxable property of the Town as of December 31, 2006. The total long-term debt of the Town (\$42,805,557) represents .82% of the assessed value of the taxable property of the Town at June 30, 2008 (assessment date December 31, 2006).

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

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

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

(c) Debt Service Requirements

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

Year ending June 30:	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2009	\$ 3,590,000	\$1,288,292	\$281,014	\$ 64,161	\$ 5,223,467
2010	3,545,000	1,142,698	288,217	60,932	5,036,847
2011	3,440,000	1,005,123	295,547	54,654	4,795,324
2012	3,180,000	880,830	303,006	47,898	4,411,734
2013	2,775,000	771,046	310,600	40,734	3,897,380
2014 - 2018	10,065,000	2,474,448	888,376	147,784	13,575,608
2019 - 2023	4,970,000	864,248	1,001,636	65,130	6,901,014
2024 - 2027	1,430,000	125,400	198,000	5,423	1,758,823
Total	<u>\$32,995,000</u>	<u>\$8,552,085</u>	<u>\$3,566,396</u>	<u>\$486,716</u>	<u>\$45,600,197</u>

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

8. LONG-TERM DEBT (Continued)

(d) Advanced and Current Refundings and Defeased Debt

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

As of June 30, 2008, the in-substance defeased bonds outstanding were as follows. This debt as well as the escrow trust fund assets are not reflected in the financial statements of the Town of South Kingstown, Rhode Island.

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

(e) Schedule of long-term debt by purpose at June 30, 2008 is as follows:

	<u>Amount</u>	<u>Percent</u>
School and public improvements	\$32,995,000	77%
Superfund remediation project	2,467,208	6%
Sewer wastewater projects	699,188	2%
Water meter replacement project	400,000	1%
Claims and judgments	1,918,000	4%
Compensated absences	4,606,113	10%
Total	<u>\$43,085,509</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, 2008**

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 \$1,342,700 during 2008.

The Town recognizes revenue for excess usage occurring during the fiscal year although the corresponding billings take place after the fiscal year end (September, 2008). At June 30, 2008, the Town recorded a receivable totaling approximately \$249,000. The receivable reflects amounts billed for excess usage as of June 30, 2008.

(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, 2008). At June 30, 2008, unbilled service charges amounted to approximately \$186,000.

(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, 2008 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	\$789,355	\$3,065,229	\$866,797	\$760,830	\$5,482,211
Operating grants	250,000	0	0	253,696	503,696
Contributions from property owners	0	307,075	0	0	307,075
Depreciation and amortization expense	43,313	588,543	157,973	2,660	792,489
Operating income (loss).....	(104,848)	(45,418)	32,559	(280,588)	(398,295)
Change in net assets	1,010,749	346,020	57,809	(25,892)	1,388,686
Transfer-in (out)	856,531	23,615	0	0	880,146
Capital asset additions.....	0	209,288	654,674	0	863,962
Net working capital.....	1,400,377	1,882,523	680,522	(68,872)	3,894,550
Total assets.....	5,044,340	20,721,910	5,638,235	100,861	31,505,346
Bonds payable	2,467,207	699,189	400,000	0	3,566,396
Total net assets.....	2,413,247	19,089,529	5,100,927	(56,422)	26,547,281

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

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, 2008 were as follows:

MAJOR GOVERNMENTAL FUNDS:

General fund:

Reserved for encumbrances.....	\$ 205,000
Reserved for prepaid	6,673

School Unrestricted Fund:

Reserved for encumbrances.....	31,927
Reserved for prepaid	13,683
Reserved for professional development.....	33,422

School Trust Fund:

Reserved for endowments.....	13,648,833
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NONMAJOR GOVERNMENTAL FUNDS:

Special Revenue Funds:

Reserved for prepaids.....	4,820
Reserved for encumbrances	112,765

Capital Project Funds:

Reserved for encumbrances	643,543
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Permanent Funds:

Reserved for endowments	<u>942,328</u>
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Total reservations of fund balances **\$15,642,994**

Designations of unreserved fund balances at June 30, 2008 were as follows:

General fund:

Designated for fiscal 2009 operations.....	\$1,200,000
Designated for Superfund site cleanup.....	1,000,000

School unrestricted fund:

Designated for fiscal 2009 operations.....	420,000
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Non-Major Special Revenue funds:

Designated for 2009 operations - Elderly Services	20,000
Designated for 2009 operations - Neighborhood Guild	20,000
Designated for 2009 operations - Peacedale Office Building	<u>5,000</u>

Total designations of unreserved fund balances **\$2,665,000**

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

10. FUND EQUITY BALANCES (DEFICITS) (Continued)

(b) Net Assets

Unrestricted net assets at June 30, 2008 include the following designations:

Enterprise funds:

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

(c) Fund Deficits

The following funds had deficit fund equity balances at June 30, 2008:

Nonmajor Governmental Funds:

Capital Project Funds:

Downtown Intermodal Enhancement Project	\$ 13,300
School Improvement Fund	<u>333,728</u>
Total Nonmajor Governmental Funds	<u>\$347,028</u>

Business-Type Activities:

School Cafeteria	<u>\$56,422</u>
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The deficit fund equity balances of the Capital Project Funds noted above will be eliminated through future transfers and/or issuance of long-term debt obligations. The deficit fund equity of the School Cafeteria Fund is expected to be eliminated through cost savings and increases in user fees.

The following individual funds had deficits for the year ending June 30, 2008:

Major Governmental Funds:

School Trust Fund	<u>\$1,123,865</u>
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Business-Type Activities:

School Cafeteria	<u>\$25,892</u>
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Non-major Governmental Activities:

Special Revenue Funds:

Elderly Services	\$ 62,533
Narragansett Library Association	18,738
Peacedale Office Building	15,327

Capital Project Funds:

Animal Shelter Addition	7,500
Bike Path Maintenance	943
Bridge Improvement Fund	28,274
Capital Equipment & Replacement Fund	36,519
Saugatucket River Walkway Construction	51
School Improvement Fund	450,404
Senior Services Center Construction Fund	26,386
West Kingston Landfill Fund	601

Permanent Funds:

Hazard Memorial Trust	3,259
Gertrude S. Parker Trust	<u>28,926</u>

Total deficits non-major governmental activities	<u>\$679,461</u>
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TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

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, 2008 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	\$ 409,193	\$12,027,935
School Unrestricted Fund	4,851,123	38,282
School Trust Funds.....	0	138,486
<i>Non-major Governmental Funds:</i>		
Affordable Housing	10,000	0
Alcohol Grant	0	393
Animal Shelter Benefit Fund	491,334	0
Asset Forfeiture Fund.....	28,629	0
Community Development Block Grants	0	90,460
Compensated Absences Reserve Fund	447,966	0
Drug Free Communities Grant.....	0	14,967
Elderly Services.....	0	26,937
Governor Justice Commission Grants	0	1,800
Historical & Vital Recording Fees.....	122,430	0
Municipal Planning Services Reserve.....	95,000	0
Neighborhood Guild	102,333	0
Onsite Wastewater Plan Implementation	0	317
Peacedale Office Building	1,534	4,000
Property Revaluation Reserve Fund	187,682	0
RI Emergency Management Grant	0	18,324
Seat Belt Enforcement Grant	0	5,595
South Road School Reserve.....	361,782	0
Substance Abuse	7,566	0
Tobacco Compliance Investigation	0	1,973
School Restricted Fund	34,934	115,267
Animal Shelter Addition Fund.....	80,000	0
Bike Path Maintenance Fund	5,162	0
Bridge Improvement Fund.....	85,840	0
Capital Equipment & Replacement Fund.....	143,909	0
Data Processing Improvement Fund.....	81,813	0
Downtown Intermodal Enhancement Project.....	0	13,300
Impact Fee Reserve Fund.....	1,262,076	0
Land Use Reserve Fund	135,476	0
Library Building Construction	28,817	0
Open Space Reserve Fund.....	521,364	0

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

11. INTERFUND BALANCES AND TRANSFERS (Continued)

<u>Governmental Funds:</u>	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
<i>Non-major Governmental Funds:</i>		
Police Building Construction Fund.....	204,380	0
Public Service Office Building Improvement	8,082	
Public Works Improvement Fund	1,326,000	0
Recreation Development & Restoration Fund.....	220,154	0
Recreation Improvement Fund	37,335	0
Saugatucket River Walkway Construction Fund	29,600	
School Improvement Fund	0	180,681
Senior Services Center Construction Fund	73,200	0
Town Hall Improvement Fund	104,259	0
West Kingston Landfill Fund.....	100,000	0
Walter W. Watson Trust.....	200	0
Total governmental funds	11,599,173	12,678,717
<i>Proprietary Funds:</i>		
Solid Waste	250,329	0
Wastewater Fund	0	13,302
Internal Service Fund.....	881,850	0
Water Fund	0	42,681
School Cafeteria	3,348	0
Total proprietary funds	1,135,527	55,983
 TOTAL ALL FUNDS	 \$12,734,700	 \$12,734,700

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, 2008 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		\$45,628,503	\$2,334,908	\$ 23,615	\$47,987,026
School Unrestricted Fund.....			269,696		269,696
School Trust Fund.....	\$ 19,624	23,046	457,246		499,916
Non-major Governmental Funds.....	1,059,928		34,000		1,093,928
Governmental Activities.....				900,209	900,209
Enterprise Funds			43,678		43,678
Total transfer in	\$1,079,552	\$45,651,549	\$3,139,528	\$923,824	\$50,794,453

The transfers noted above includes \$900,209 which represents capital assets transferred from the Governmental Activities to the Business-Type Activities. During fiscal 2008 the Town transferred capital assets which had been acquired in previous years. These capital assets were recorded in the Governmental Activities as construction in progress at June 30, 2007. However, during fiscal 2008 the Town transferred these assets to the Solid-Waste Fund to offset the debt related to these assets which will be repaid through user fees in the Solid-Waste Fund.

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

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, 2008 was approximately \$12,017,000 and the Town wide payroll was approximately \$47,230,000.

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, 2005.

The annual required contribution for the Town which equals the annual pension cost for the year ended June 30, 2008 was approximately \$802,800 for general employees. This contribution represents 6.68% of covered payroll. General municipal employees were required to contribute approximately \$841,200. This contribution represents 7% of covered payroll for the period July 1, 2007 to June 30, 2008.

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, 2008**

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>
2006	\$329,700	100%	\$0
2007	\$563,000	100%	\$0
2008	\$802,800	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, 2006 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, 2006 which is the most recent report available from the State who administers this plan.

- Actuarial value of assets - \$33,449,613
- Actuarial accrued liability - \$36,166,668
- Unfunded actuarial accrued liability (UAAL) - \$2,717,054
- Funded Ratio - 92.5%
- Annual covered payroll - \$10,919,738
- UAAL as percentage of payroll - 24.9%

(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, 2008 was approximately \$3,385,700 (\$2,705,500 for police officers and \$680,200 for EMT's), and the Town wide payroll was approximately \$47,230,000.

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TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

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, 2005.

The annual required contribution for the Town which equals the annual pension cost for the year ended June 30, 2008 was approximately \$512,400, which consisted of the Town's contribution for police of \$441,000 and EMTs of \$71,400. These contributions represent 16.29% and 10.49% of covered payroll respectively. Employees were required to contribute approximately \$307,300 (\$246,100 for police employees and \$61,200 for EMTs). This 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, 2008**

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>
2006	\$244,000	100%	\$0
2007	\$364,000	100%	\$0
2008	\$441,000	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>
2006	\$67,000	100%	\$0
2007	\$66,000	100%	\$0
2008	\$71,400	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, 2006 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, 2006, which is the most recent report available from the State who administers this plan.

Municipal Police Pension Plan:

- Actuarial value of assets - \$17,618,956
- Actuarial accrued liability - \$18,455,191
- Unfunded actuarial accrued liability (UAAL) - \$836,236
- Funded Ratio - 95.5%
- Annual covered payroll - \$2,442,113
- UAAL as percentage of payroll - 34.2%

EMT Pension Plan:

- Actuarial value of assets - \$1,564,636
- Actuarial accrued liability - \$1,072,870
- Unfunded actuarial accrued liability (UAAL) - (\$491,766) - assets exceed UAAL
- Funded Ratio - 145.8%
- Annual covered payroll - \$565,116
- UAAL as percentage of payroll - (87.0%)

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

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	6/30/05	6/30/05
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	N/A – No unfunded actuarial accrued liability	N/A – No unfunded actuarial accrued liability
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 9%, compounded annually	5.0% to 15.5%, 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, 2006) .	Active Employees 362	Active Employees 67
	Retirees and beneficiaries 113	Retirees and beneficiaries 32
	<u>475</u>	<u>99</u>

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

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

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, 2008 was approximately \$27,052,000, which consisted of \$222,000 for employees charged to federal programs and \$26,830,000 for all other employees. The School Department's total payroll was approximately \$34,696,000. The Town wide payroll for the year ended June 30, 2008 was approximately \$47,230,000.

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" 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.

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, 2008**

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, 2006 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 13.04%, 11.62%, and 9.72% for all full-time employees for fiscal years 2008, 2007 and 2006, 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 – 17.0 percent, compounded annually.
- (d) **Retirement age** - Teachers are assumed to retire at the later of age 61 or completion of the service requirements.
- (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 2008, actuarial required contributions were 22.01% of the participant's salary. This resulted in contribution rates paid by the State on behalf of the School Department of 8.97% of non-federally reimbursable payrolls totaling \$2,406,682 for the fiscal year ended June 30, 2008. The School Department contributed the remaining 13.04% of the required 22.01%.

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, 2006 represented approximately 1.3% percent of total contributions required of all participating entities for the fiscal year ended June 30, 2006 (latest available information).

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TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

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>
2008	\$2,569,900	\$3,547,400	100%
2007	\$2,490,307	\$3,060,000	100%
2006	\$2,348,541	\$2,381,832	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, 2006 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 sixteen 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 and;
- Cost Plus Basis – under which the Town pays for the actual cost of covered health care services plus a fee to the provider for the administration of the program.

For the 2007-2008 fiscal year the Town was under a prospective premium plan. As of July 1, 2008 the Town has 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, 2008**

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 2008 were approximately \$9,620,000.

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 \$3,835,954 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 \$1,918,000. Accordingly, \$1,918,000 has been reported as accrued claims and judgments in the government-wide financial statements at June 30, 2008.

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 \$6,412,755. In addition, the final Consent Decree requires the group to pay a total of \$650,000 in consideration of past response costs, future response costs and state response costs and natural resources damages of \$9,937. The Town of South Kingstown's share is estimated to be \$100,000. This liability has been recorded in the West Kingston Landfill Capital Project Fund in the governmental fund statements at June 30, 2008. The final estimated cost of the project equals \$7,072,692. In addition to these costs there will be ongoing maintenance costs which will be paid out on an annual basis as part of the annual operating budget.

In addition, at June 30, 2008, 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, 2008**

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, 2008, there are \$300,000 in outstanding loans and an available 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, 2008, there are \$658,714 in outstanding loans and an available line-of-credit balance of \$241,286 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 \$341,286 at June 30, 2008.

16. OPERATING LEASES

The Town has an operating lease for copier equipment for the School Department. The lease term is for 60 months and requires minimum monthly payments of \$7,853. Total lease expenditures incurred under this agreement were approximately \$94,000 for the year ended June 30, 2008.

Future minimum lease payments under this agreement are as follows:

2009	\$ 94,240
2010	31,412
Total	<u>\$125,652</u>

17. OTHER POST EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 12, the Town provides postemployment benefits (health, dental, and life insurance) in accordance with union contracts. These 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 for a period of up to five years after retirement or until the retiree reaches the age of 70.

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

17. OTHER POST EMPLOYMENT BENEFITS (Continued)

EMS Employees

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

Police Employees

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

Town Employees

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

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

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

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

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

Public Works Employees

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

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

17. OTHER POST EMPLOYMENT BENEFITS (Continued)

Public Works Employees (Continued)

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

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

Expenditures for Other Post Employment Benefits

The 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, 2008, expenditures of approximately \$903,100 were recognized for postretirement benefits. Of this amount, \$6,100 was paid for life insurance premiums, \$547,100 was paid for health and dental insurance for 52 school retirees, \$262,500 was paid for health insurance for 20 police retirees, \$4,700 was paid for dental insurance for 6 police retirees, \$81,400 was paid for health insurance premiums for 5 public works retirees, and \$1,300 was paid for health insurance premiums for one Town retiree.

Implementation of GASB Statement #45 – Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions (OPEB)

The Town of South Kingstown, Rhode Island is considered a phase two government (as defined by GASB) and accordingly, GASB Statement #45 is applicable for the fiscal year ending June 30, 2009. As of the date of this financial statement the Town has obtained an actuarial valuation of the OPEB obligations and will implement the requirements of GASB Statement #45 effective July 1, 2008.

The information presented below is a summary of the results of the actuarial valuation for the OPEB obligations with a valuation date of July 1, 2007. This information is not currently required under GASB standards for the Town of South Kingstown, but is being provided by management to fully disclose the financial condition and obligations of the Town's finances. All disclosures required in accordance with GASB Statement #45 will be included in the Town's financial statements for the fiscal year ending June 30, 2009.

- Unfunded accrued liability (UAL) was estimated at \$15,988,000.
- Annual required contribution (ARC) for fiscal 2009 was determined to be \$1,694,400.
- Expected benefit payouts in fiscal 2009 are estimated at \$1,181,500.
- Fiscal 2009 budget impact required to contribute in accordance with the ARC is \$512,900.
- The estimated UAL at July 1, 2007 is allocated as follows: \$7,159,600 for Town governmental activities; \$8,048,700 for the School Department (a governmental activity); and \$779,700 for Town business-type activities.
- The UAL at July 1, 2007 was determined to be allocated at \$10,273,300 for active employees and \$5,714,700 for current retired members.
- The fiscal 2009 ARC is allocated as follows: \$697,300 for Town governmental activities; \$929,600 for the School Department (a governmental activity); and \$67,500 for Town business-type activities.
- The fiscal 2009 budget impact allocated as follows: \$310,200 for Town governmental activities; \$168,900 for the School Department (a governmental activity); and \$33,800 for Town business-type activities.

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

18. CONSTRUCTION COMMITMENTS

As of June 30, 2008, the Town had approximately \$644,000 of contractual commitments with respect to unfinished capital projects. It is anticipated that these projects will be completed during the next fiscal year.

19. RESTATEMENT

The Town of South Kingstown along with the Town of Narragansett, Rhode Island and the University of Rhode Island agreed to participate in the remediation of the West Kingston Landfill site under the State landfill closure regulations. This landfill began operation in the 1950's and ceased operations in 1978. The costs associated with this remediation project have been recorded as expenditures in a capital projects fund as incurred in accordance with the modified accrual method of accounting for governmental funds. However, much of these costs were capitalized and reported as construction in progress in the governmental activities of the Government-wide financial statements. Upon completion of the project and review of the costs incurred management determined that the costs capitalized exceeded the estimated fair market value of the property, equipment, land improvements, and infrastructure by \$5,417,408. Accordingly, the net assets of the governmental activities reported in the Government-wide financial statements have been restated by \$5,417,408 at June 30, 2007. Presented below is the effect of this restatement on the Statement of Net Assets of the governmental activities as of June 30, 2007. This restatement did not impact the changes in net assets reported on the Statement of Activities for the fiscal year ended June 30, 2007 due to the fact that the restatement represents costs incurred and capitalized in years preceding fiscal 2007.

Capital assets not being depreciated, as originally stated.....	\$19,387,457
Landfill remediation costs in excess of fair value	<u>(5,417,408)</u>
<i>Capital assets not being depreciated, as restated</i>	<u>\$13,970,049</u>
Net Assets at June 30, 2007, as originally reported	\$98,419,794
Restatement of capital assets.....	<u>(5,417,408)</u>
<i>Net Assets at June 30, 2007, as restated</i>	<u>\$93,002,386</u>
Total Government-wide net assets at June 30, 2007, as originally stated .	\$123,578,389
Restated of capital assets in the governmental activities.....	<u>(5,417,408)</u>
<i>Government-wide net assets at June 30, 2007, as restated</i>	<u>\$118,160,981</u>

(CONCLUDED)

TOWN OF SOUTH KINGSTOWN

REQUIRED SUPPLEMENTARY INFORMATION



TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**Required Supplementary Information
Schedule of Funding Progress
June 30, 2008
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	6/30/2004	\$ 30,821,463	\$ 29,817,072	\$ 1,004,391	103.4%	\$ 10,187,695	9.9%
	6/30/2005	\$ 31,283,650	\$ 33,072,044	\$ (1,788,394)	94.6%	\$ 10,367,494	-17.3%
	6/30/2006	\$ 33,449,613	\$ 36,166,668	\$ (2,717,055)	92.5%	\$ 10,919,738	-24.9%
Municipal police pension plan	6/30/2004	\$ 16,629,649	\$ 16,777,616	\$ (147,967)	99.1%	\$ 2,389,710	-6.2%
	6/30/2005	\$ 16,681,847	\$ 17,934,085	\$ (1,252,238)	93.0%	\$ 2,384,560	-52.5%
	6/30/2006	\$ 17,618,956	\$ 18,455,191	\$ (836,235)	95.5%	\$ 2,442,113	-34.2%
EMT pension plan	6/30/2004	\$ 1,177,048	\$ 930,747	\$ 246,301	126.5%	\$ 580,428	42.4%
	6/30/2005	\$ 1,351,701	\$ 1,144,190	\$ 207,511	118.1%	\$ 610,973	34.0%
	6/30/2006	\$ 1,564,636	\$ 1,072,870	\$ 491,766	145.8%	\$ 565,116	87.0%

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, 2006 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, 2007 report.

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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.

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

SCHOOL FUNDS

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

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

(CONCLUDED)

TOWN OF SOUTH KINGSTOWN

NONMAJOR GOVERNMENTAL FUNDS (Continued)

CAPITAL PROJECTS FUNDS

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

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

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

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

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

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

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

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

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

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

(CONTINUED)

TOWN OF SOUTH KINGSTOWN

NONMAJOR GOVERNMENTAL FUNDS (Continued)

CAPITAL PROJECTS FUNDS (Continued)

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

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

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

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

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

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

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

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

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

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

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

West Kingston Landfill Fund – This fund is used to account for study and engineering costs for the superfund site at the West Kingston Landfill.

(CONCLUDED)

TOWN OF SOUTH KINGSTOWN

NONMAJOR GOVERNMENTAL FUNDS (Continued)

PERMANENT FUNDS

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

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

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

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

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

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

(CONCLUDED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008

	SPECIAL REVENUE FUNDS									
	Affordable Housing	Alcohol Grant	Animal Shelter Benefit Fund	Asset Forfeiture Fund	Community Development Block Grants	Compensated Absences Reserve Fund	Drug Free Communities Grant	Elderly Services		
ASSETS										
Cash and cash equivalents			\$ 695,624	\$ 557				\$ 54,663		
Investments										
Accounts and other receivable		\$ 3,293		\$ 4,191	\$ 266,727		\$ 64,464	23,160		
Due from federal & state governments										
Prepays										
Due from other funds	\$ 10,000		491,334	28,629		\$ 447,966				
TOTAL ASSETS	\$ 10,000	\$ 3,293	\$ 1,186,958	\$ 33,377	\$ 266,727	\$ 447,966	\$ 64,464	\$ 77,823		
LIABILITIES										
Accounts payable			\$ 350		\$ 15,704		\$ 2,236	\$ 6,492		
Retainage payable		\$ 393	11,570					13,402		
Accrued liabilities										
Due to federal & state governments										
Due to other funds										
Deferred revenue				\$ 33,377	90,460		14,967	26,937		
TOTAL LIABILITIES	\$ -	\$ 3,293	\$ 11,920	\$ 33,377	\$ 266,727	\$ -	\$ 64,464	\$ 46,831		
FUND BALANCES										
Reserved for prepaids										
Reserved for encumbrances					31,952		5,000			
Reserved for endowments										
Designated for fiscal 2009 operations					(31,952)		(5,000)	20,000		
Unreserved, undesignated	10,000		1,175,038		447,966		10,992	10,992		
TOTAL FUND BALANCES	10,000		1,175,038		447,966		30,992	30,992		
TOTAL LIABILITIES AND FUND BALANCES	\$ 10,000	\$ 3,293	\$ 1,186,958	\$ 33,377	\$ 266,727	\$ 447,966	\$ 64,464	\$ 77,823		

(CONTINUED)

TOWN OF SQUID KINGSTOWN, RHODE ISLAND

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2008

	SPECIAL REVENUE FUNDS									
	EMS Billing Services Fund	Federal Forfeiture Fund	Governor Justice Commission Grants	Historical & Vital Recording Fees	Municipal Planning Services Reserve	Narragansett Library Association	Neighborhood Guild	Onsite Wastewater Plan Implementation	Peacedale Office Building	
ASSETS										
Cash and cash equivalents	\$ 541,761					\$ 21,200	\$ 48,015	\$	\$ 188,105	
Investments			\$ 36,721			26,817				
Accounts and other receivable							8,968	\$	1,125	
Due from federal & state governments							4,820			
Prepays							102,333			
Due from other funds				\$ 122,430	\$ 95,000		\$ 164,136	\$ 15,467	\$ 1,534	
TOTAL ASSETS	\$ 541,761	\$ -	\$ 36,721	\$ 122,430	\$ 95,000	\$ 48,017	\$ 164,136	\$ 15,467	\$ 190,764	
LIABILITIES										
Accounts payable	\$ 2,390						\$ 11,422		\$ 1,808	
Retainage payable										
Accrued liabilities							9,514		3,575	
Due to federal & state governments			\$ 1,800					\$	4,000	
Due to other funds			34,921				51,482	15,150	4,067	
Deferred revenue			36,721				72,418	15,467	13,450	
TOTAL LIABILITIES	2,390	\$ -	\$ 36,721	\$ -	\$ -	\$ -	\$ 72,418	\$ 15,467	\$ 13,450	
FUND BALANCES										
Reserved for prepaids							4,820			
Reserved for encumbrances			24,600							
Reserved for endowments									5,000	
Designated for fiscal 2009 operations										
Unreserved, undesignated	539,371		(24,600)	122,430	95,000	48,017	66,898		172,314	
TOTAL FUND BALANCES	539,371			122,430	95,000	48,017	91,718		177,314	
TOTAL LIABILITIES AND FUND BALANCES	\$ 541,761	\$ -	\$ 36,721	\$ 122,430	\$ 95,000	\$ 48,017	\$ 164,136	\$ 15,467	\$ 190,764	

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008**

	SPECIAL REVENUE FUNDS									
	Property Revaluation Reserve Fund	RI Emergency Management Grant	RIPTIDE	Seat Belt Enforcement Grants	SIGS	South Road School Reserve Fund	State Homeland Security Grant	Stormwater Management Plan	Substance Abuse	
ASSETS										
Cash and cash equivalents										
Investments										
Accounts and other receivable				\$ 14,898						
Due from federal & state governments	\$ 74,975									
Prepays										
Due from other funds	\$ 187,682					\$ 361,782				\$ 7,566
TOTAL ASSETS	\$ 187,682	\$ 74,975	\$ -	\$ 14,898	\$ -	\$ 361,782	\$ -	\$ -	\$ -	\$ 7,566
LIABILITIES										
Accounts payable		\$ 4,771								\$ 1,547
Retainage payable										
Accrued liabilities				\$ 642						
Due to federal & state governments										
Due to other funds				5,595						6,019
Deferred revenue		18,324		8,661						
TOTAL LIABILITIES	\$ -	\$ 18,324	\$ -	\$ 14,898	\$ -	\$ 62,184	\$ -	\$ -	\$ -	\$ 7,566
FUND BALANCES										
Reserved for prepaids										
Reserved for encumbrances										
Reserved for endowments		44,304				6,909				
Designated for fiscal 2009 operations										
Unreserved, undesignated	187,682	(44,304)				292,689				
TOTAL FUND BALANCES	187,682	(44,304)				299,598				
TOTAL LIABILITIES AND FUND BALANCES	\$ 187,682	\$ 74,975	\$ -	\$ 14,898	\$ -	\$ 361,782	\$ -	\$ -	\$ -	\$ 7,566

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008

	SPECIAL REVENUE FUNDS					CAPITAL PROJECT FUNDS				
	Tobacco Compliance Investigation Project	Nancy Brown Memorial Fund	School Restricted Fund	Total Special Revenue Funds	Animal Shelter Addition Fund	Bike Path Maintenance Fund	Bridge Improvement Fund	Equipment Replacement Fund	Capital & Processing Improvement Fund	Data
ASSETS										
Cash and cash equivalents		\$ 3,114		\$ 1,553,039			\$ 208,738			
Investments				26,817						
Accounts and other receivable				33,253						
Due from federal & state governments	\$ 1,973		\$ 147,349	630,058			56,706			
Prepays				4,820						
Due from other funds			34,934	1,891,190	\$ 80,000	\$ 5,162	85,840	\$ 143,909	\$ 81,813	
TOTAL ASSETS	\$ 1,973	\$ 3,114	\$ 182,283	\$ 4,139,177	\$ 80,000	\$ 5,162	\$ 351,284	\$ 143,909	\$ 81,813	
LIABILITIES										
Accounts payable				\$ 108,904	\$ 7,500		\$ 870	\$ 428		
Retainage payable				-			18,540			
Accrued liabilities			\$ 46,565	85,661						
Due to federal & state governments				-						
Due to other funds	\$ 1,973		115,267	280,033						
Deferred revenue			20,451	436,339			48,593			
TOTAL LIABILITIES	\$ 1,973	\$ -	\$ 182,283	\$ 910,937	\$ 7,500	\$ -	\$ 68,003	\$ 428	\$ -	
FUND BALANCES										
Reserved for prepaids				4,820						
Reserved for encumbrances				112,765	67,500	3,450	89,655			
Reserved for endowments				-						
Designated for fiscal 2009 operations				45,000						
Unreserved, undesignated		3,114		3,065,655	5,000	1,712	193,626	143,481	81,813	
TOTAL FUND BALANCES		\$ 3,114		\$ 3,228,240	\$ 72,500	\$ 5,162	\$ 283,281	\$ 143,481	\$ 81,813	
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,973	\$ 3,114	\$ 182,283	\$ 4,139,177	\$ 80,000	\$ 5,162	\$ 351,284	\$ 143,909	\$ 81,813	

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008

	CAPITAL PROJECT FUNDS									
	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 Service Office Building Improvement	Public Works Improvement Fund	Recreation Development & Restoration Fund	
ASSETS										
Cash and cash equivalents		\$ 171,083	\$ 100,711	\$ 782,957					\$ 32	
Investments										
Accounts and other receivable										\$ 13,391
Due from federal & state governments										
Prepays										
Due from other funds		\$ 1,262,076	135,476	28,817	521,364	\$ 204,380	\$ 8,082	1,326,000		220,154
		\$ 1,262,076	\$ 306,559	\$ 129,528	\$ 1,304,321	\$ 204,380	\$ 8,082	\$ 1,326,032		\$ 233,545
TOTAL ASSETS										
LIABILITIES										
Accounts payable					\$ 600			\$ 115,948		\$ 11,900
Retainage payable										
Accrued liabilities										
Due to federal & state governments										
Due to other funds	\$ 13,300									
Deferred revenue										13,391
TOTAL LIABILITIES										
	13,300	\$ -	\$ -	\$ -	600	\$ -	-	127,245		25,291
FUND BALANCES										
Reserved for prepaids										
Reserved for encumbrances	5,700			495				107,283		38,700
Reserved for endowments										
Designated for fiscal 2009 operations	(19,000)	\$ 1,262,076	306,559	129,033	1,303,721	204,380	8,082	1,091,504		169,554
Unreserved, undesignated	(13,300)	1,262,076	306,559	129,528	1,303,721	204,380	8,082	1,198,787		208,254
TOTAL FUND BALANCES										
	-	\$ 1,262,076	\$ 306,559	\$ 129,528	\$ 1,304,321	\$ 204,380	\$ 8,082	\$ 1,326,032		\$ 233,545
TOTAL LIABILITIES AND FUND BALANCES										

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008

	CAPITAL PROJECT FUNDS							Total Capital Project Funds
	Saugatucket River Walkway Construction Fund	School Improvement Fund	Senior Services Center Construction Fund	Town Hall Improvement Fund	Wastewater Construction Fund	West Kingston Landfill Fund		
ASSETS								
Cash and cash equivalents	\$ 25,872	\$ 8,652	\$ 91,207		\$ 4,442,709		\$ 5,831,961	
Investments							-	
Accounts and other receivable	47,672						117,769	
Due from federal & state governments							-	
Prepays							-	
Due from other funds	\$ 37,335		73,200	104,259	\$ 100,000	\$ 100,000	4,447,467	
TOTAL ASSETS	\$ 37,335	\$ 103,144	\$ 164,407	\$ 104,259	\$ 4,442,709	\$ 100,000	\$ 10,397,197	
LIABILITIES								
Accounts payable		\$ 148,122					285,368	
Retainage payable		13,577					43,414	
Accrued liabilities							-	
Due to federal & state governments					\$ 100,000		100,000	
Due to other funds		180,681					193,981	
Deferred revenue	\$ 46,452						108,436	
TOTAL LIABILITIES	\$ 46,452	\$ 342,380	\$ -	\$ -	\$ -	\$ 100,000	\$ 731,199	
FUND BALANCES								
Reserved for prepaids							-	
Reserved for encumbrances	41,000	289,760					643,543	
Reserved for endowments							-	
Designated for fiscal 2009 operations	37,335	15,692	164,407	104,259	4,442,709		9,022,455	
Unreserved, undesignated	37,335	56,692	164,407	104,259	4,442,709		9,665,998	
TOTAL FUND BALANCES	\$ 37,335	\$ 103,144	\$ 164,407	\$ 104,259	\$ 4,442,709	\$ 100,000	\$ 10,397,197	

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008

	PERMANENT FUNDS						Total Nonmajor Governmental Funds
	Hazard Memorial Trust	Gertrude S. Parker Trust	Oliver Watson Home Fund	Walter W. Watson Trust	Kingsion Free Library Trust Fund	Total Permanent Funds	
ASSETS							
Cash and cash equivalents	\$ 163,903	\$ 10,733	\$ 254,904	\$ 192,823	\$ 17,986	\$ 640,349	\$ 8,025,349
Investments	247,213				713,317	960,530	987,347
Accounts and other receivable	2					2	33,255
Due from federal & state governments							747,827
Prepays							4,820
Due from other funds			200			200	6,338,857
TOTAL ASSETS	\$ 411,118	\$ 10,733	\$ 254,904	\$ 193,023	\$ 731,303	\$ 1,601,081	\$ 16,137,455
LIABILITIES							
Accounts payable			\$ 49			\$ 49	\$ 394,321
Retainage payable							43,414
Accrued liabilities							85,661
Due to federal & state governments							100,000
Due to other funds							474,014
Deferred revenue							544,775
TOTAL LIABILITIES	\$ -	\$ -	\$ 49	\$ -	\$ -	\$ 49	\$ 1,642,185
FUND BALANCES							
Reserved for prepaids							4,820
Reserved for encumbrances							756,308
Reserved for endowments	3,915		166,771	40,339	731,303	942,328	942,328
Designated for fiscal 2009 operations							45,000
Unreserved, undesignated	407,203	10,733	88,084	152,684	658,704	12,746,814	12,746,814
TOTAL FUND BALANCES	411,118	10,733	254,855	193,023	731,303	1,601,032	14,495,270
TOTAL LIABILITIES AND FUND BALANCES	\$ 411,118	\$ 10,733	\$ 254,904	\$ 193,023	\$ 731,303	\$ 1,601,081	\$ 16,137,455

(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, 2008

	EMS Billing Services Fund	Federal Forfeiture Fund	Governor Justice Commission Grants	Historical & Vital Recording Fees	Municipal Planning Services Reserve	Narragansett Library Association	Neighborhood Guild	Onsite Wastewater Plan Implementation	Peacedale Office Building
REVENUES:									
Interest and investment income	\$ 15,521					\$ (17,702)	\$ 3,202	\$	\$ 8,152
Fines and charges	585,014			\$ 38,855			379,883		64,788
Fees and assessments		\$ 1,596	\$ 9,375					\$ 317	
Intergovernmental Contributions						77,407	18,830		8,058
Other									
Total revenues	600,535	1,596	9,375	38,855	-	59,705	401,915	317	80,998
EXPENDITURES:									
Current:									
Recreation							729,922		
Education									
Other expenses	128,488	1,596	9,375	28,559		20		317	85,914
Debt Service:									
Debt service principal									
Interest expense									
Capital improvements									
Total expenditures	128,488	1,596	9,375	28,559	-	20	802,847	317	92,325
Excess (deficiency) of revenues over (under) expenditures	472,047	-	-	10,296	-	59,685	(400,932)	-	(11,327)
OTHER FINANCING SOURCES (USES)									
Transfers in					58,000				
Transfers out	(300,000)				(10,000)	(78,423)			(4,000)
Total other financing sources (uses)	(300,000)	-	-	-	48,000	(78,423)	414,720	-	(4,000)
Net change in fund balances	172,047	-	-	10,296	48,000	(18,738)	13,788	-	(15,327)
Fund balances - beginning of year	367,324	-	-	112,134	47,000	66,755	77,930	-	192,641
Fund balances - end of year	\$ 539,371	\$ -	\$ -	\$ 122,430	\$ 95,000	\$ 48,017	\$ 91,718	\$ -	\$ 177,314

(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, 2008

	SPECIAL REVENUE FUNDS									
	Property Revaluation Reserve Fund	RI Emergency Management Grant	RIPTIDE	Seat Belt Enforcement Grants	SIGS	South Road School Reserve Fund	State Homeland Security Grant	Stormwater Management Plan	Substance Abuse	
REVENUES:										
Interest and investment income						\$ 133,332				
Fines and charges										
Fees and assessments										
Intergovernmental Contributions	\$ 24,152	\$ 8,851	\$ 12,686				\$ 1,395		\$ 46,892	
Other										
Total revenues	\$ -	\$ 24,152	\$ 8,851	\$ 12,686	\$ -	\$ 133,332	\$ 1,395	\$ -	\$ 46,892	\$ -
EXPENDITURES:										
Current:										
Recreation										
Education										
Other expenses		24,152	8,851	12,686						46,892
Debt Service:										
Debt service principal										
Interest expense										
Capital improvements										
Total expenditures	-	24,152	8,851	12,686	-	62,184	1,395	-	-	46,892
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-	-	71,148	-	-	-	-
OTHER FINANCING SOURCES (USES)										
Transfers in	90,000									
Transfers out	-									
Total other financing sources (uses)	90,000									
Net change in fund balances	90,000					71,148				
Fund balances - beginning of year	97,682					228,450				
Fund balances - end of year	\$ 187,682	\$ -	\$ -	\$ -	\$ -	\$ 299,598	\$ -	\$ -	\$ -	\$ -

(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, 2008**

	SPECIAL REVENUE FUND				CAPITAL PROJECT FUNDS					
	Tobacco Compliance Investigation Project	Nancy Brown Memorial Fund	School Restricted Fund	Total Special Revenue Funds	Animal Shelter Addition Fund	Bike Path Maintenance Fund	Bridge Improvement Fund	Capital Equipment Replacement Fund	Data Processing Improvement Fund	
REVENUES:										
Interest and investment income	\$	10		\$ 44,671			\$ 8,738			
Fines and charges				1,163,017						
Fees and assessments				121,529						
Intergovernmental	\$ 2,268		\$ 1,580,242	2,224,247			176,135			
Contributions				104,295						
Other				24,095						
Total revenues	2,268	10	1,580,242	3,681,854	-	-	184,873	-	-	-
EXPENDITURES:										
Current:										
Recreation				729,922						
Education			1,823,538	1,823,538						
Other expenses	2,268			1,404,278						
Debt Service:										
Debt service principal				55,000						
Interest expense				17,925						
Capital Improvements				69,990						
Total expenditures	2,268	-	1,823,538	4,100,653	7,500	943	313,147	259,519	-	-
Excess (deficiency) of revenues over (under) expenditures	-	10	(243,296)	(418,799)	(7,500)	(943)	(128,274)	(259,519)	-	-
OTHER FINANCING SOURCES (USES)										
Transfers in			243,296	1,659,450			100,000	223,000		
Transfers out				(412,423)						
Total other financing sources (uses)	-	-	243,296	1,247,027	-	-	100,000	223,000	-	-
Net change in fund balances	-	10	-	828,228	(7,500)	(943)	(28,274)	(36,519)	-	-
Fund balances - beginning of year	-	3,104	-	2,400,012	80,000	6,105	311,555	180,000	81,813	
Fund balances - end of year	\$ -	\$ 3,114	\$ -	\$ 3,228,240	\$ 72,500	\$ 5,162	\$ 283,281	\$ 143,481	\$ 81,813	

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, 2008

	CAPITAL PROJECT FUNDS									
	Downtown Intermodal Enhancement Project Fund	Impact Fee Reserve Fund	Land Use Reserve Fund	Library Building Construction Fund	Open Space Reserve Fund	Police Building Construction Fund	Public Service Office Building Improvement Fund	Public Works Improvement Fund	Recreation Development & Restoration Fund	
REVENUES:										
Interest and investment income		\$ 8,212	\$ 4,929	\$ 34,241				\$ 7,920		
Fines and charges										
Fees and assessments	\$ 335,214			366,831				325		\$ 11,610
Intergovernmental										
Contributions			26,720							
Other										
Total revenues	\$ -	\$ 335,214	\$ 8,212	\$ 31,649	\$ 401,072	\$ -	\$ -	\$ 8,245		\$ 11,610
EXPENDITURES:										
Current:										
Recreation										
Education										
Other expenses										
Debt Service:										
Debt service principal										
Interest expense										
Capital improvements										
Total expenditures	\$ -	\$ -	\$ -	\$ 26,430	\$ 600	\$ 42,476	\$ 1,918	\$ 332,441	\$ 59,860	\$ 59,860
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ 335,214	\$ 8,212	\$ 5,219	\$ 400,472	\$ (42,476)	\$ (1,918)	\$ (324,196)	\$ (48,250)	\$ (48,250)
OTHER FINANCING SOURCES (USES)										
Transfers in										
Transfers out		(302,579)		(350,000)						
Total other financing sources (uses)	\$ -	\$ (302,579)	\$ -	\$ (350,000)	\$ -	\$ 95,000	\$ 10,000	\$ 690,000	\$ 123,000	\$ 123,000
Net change in fund balances	\$ -	\$ 32,635	\$ 8,212	\$ 5,219	\$ 50,472	\$ 52,524	\$ 8,082	\$ 365,804	\$ 74,750	\$ 74,750
Fund balances - beginning of year	(13,300)	1,229,441	298,347	124,309	1,253,249	151,856	832,983	133,504	133,504	133,504
Fund balances - end of year	\$ (13,300)	\$ 1,262,076	\$ 306,559	\$ 129,528	\$ 1,303,721	\$ 204,380	\$ 8,082	\$ 1,198,787	\$ 208,254	\$ 208,254

(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, 2008

	CAPITAL PROJECT FUNDS							
	Saugatucket River Walkway Construction Fund	School Improvement Fund	Senior Services Center Construction Fund	Town Hall Improvement Fund	Wastewater Construction Fund	West Kingston Landfill Fund	Total Capital Project Funds	
REVENUES:								
Interest and investment income	\$ 1,429	\$ 3,305	\$ 4,864		\$ 189,467		\$ 263,105	
Fines and charges		750					750	
Fees and assessments					204,925	\$ 51,460	907,295	
Intergovernmental	1,220						240,425	
Contributions	5,000						31,720	
Other								
Total revenues	7,649	4,055	4,864	-	394,392	51,460	1,443,295	
EXPENDITURES:								
Current:								
Recreation								
Education								
Other expenses						100,000	100,000	
Debt Service:								
Debt service principal								
Interest expense								
Capital improvements	6,256	7,700	31,250			95,739	1,666,038	
Total expenditures	6,256	7,700	31,250	-	-	195,739	1,766,638	
Excess (deficiency) of revenues over (under) expenditures	(6,256)	(476,804)	(26,386)	-	394,392	(144,279)	(323,343)	
OTHER FINANCING SOURCES (USES)								
Transfers in	20,000	26,400		49,000		143,678	1,480,078	
Transfers out							(652,579)	
Total other financing sources (uses)	20,000	26,400	-	49,000	-	143,678	827,499	
Net change in fund balances	13,744	(51)	(26,386)	49,000	394,392	(601)	504,156	
Fund balances - beginning of year	23,591	56,743	190,793	55,259	4,048,317	601	9,161,842	
Fund balances - end of year	\$ 37,335	\$ 56,692	\$ (333,728)	\$ 104,259	\$ 4,442,709	\$ -	\$ 9,665,998	

(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, 2008

	PERMANENT FUNDS							Total Nonmajor Governmental Funds
	Hazard Memorial Trust	Gertrude S. Parker Trust	Oliver Watson Home Fund	Walter W. Watson Trust	Kingston Free Library Trust Fund	Total Permanent Funds	Total Nonmajor Governmental Funds	
REVENUES:								
Interest and investment income	\$ 11,050	\$ 390	\$ 10,677	\$ 8,033	\$ 1,243	\$ 31,393	\$ 339,169	1,163,767
Fines and charges	-	-	-	-	-	-	-	1,028,824
Fees and assessments	-	-	-	-	-	-	-	2,464,672
Intergovernmental	-	-	-	-	-	-	-	136,015
Contributions	-	-	-	-	-	-	-	24,095
Other	-	-	-	-	-	-	-	-
Total revenues	11,050	390	10,677	8,033	1,243	31,393	339,169	5,156,542
EXPENDITURES:								
Current:								
Recreation	-	-	-	-	-	-	-	729,922
Education	-	-	-	-	-	-	-	1,823,538
Other expenses	14,309	-	4,606	1,000	7,815	27,730	-	1,532,608
Debt Service:								
Debt service principal	-	-	-	-	-	-	-	55,000
Interest expense	-	-	-	-	-	-	-	17,925
Capital improvements								
Total expenditures	14,309	-	4,606	1,000	7,815	27,730	-	1,736,028
Excess (deficiency) of revenues over (under) expenditures	(3,259)	390	6,071	7,033	(6,572)	3,663	(738,479)	(738,479)
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	-	-	-	-	-	3,139,528
Transfers out	-	-	-	-	(28,926)	(28,926)	-	(1,093,928)
Total other financing sources (uses)	-	-	-	-	(28,926)	(28,926)	-	2,045,600
Net change in fund balances	(3,259)	390	6,071	7,033	(35,498)	(25,263)	1,307,121	1,307,121
Fund balances - beginning of year	414,377	10,343	248,784	185,990	766,801	1,626,295	13,188,149	13,188,149
Fund balances - end of year	\$ 411,118	\$ 10,733	\$ 254,855	\$ 193,023	\$ 731,303	\$ 1,601,032	\$ 14,495,270	\$ 14,495,270

(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 ISLANDStatement of Changes in Assets and Liabilities
Agency Funds
Year ended June 30, 2008

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<u>Unclaimed Estates</u>				
ASSETS:				
Cash	\$ 24,333	\$ 100,272	\$ 6,034	\$ 118,571
TOTAL ASSETS	<u>\$ 24,333</u>	<u>\$ 100,272</u>	<u>\$ 6,034</u>	<u>\$ 118,571</u>
LIABILITIES:				
Deposits held in custody for others	\$ 24,333	\$ 100,272	\$ 6,034	\$ 118,571
TOTAL LIABILITIES	<u>\$ 24,333</u>	<u>\$ 100,272</u>	<u>\$ 6,034</u>	<u>\$ 118,571</u>
<u>Student Activities Fund</u>				
ASSETS:				
Cash	\$ 233,156	\$ 573,704	\$ 582,531	\$ 224,329
Investments	10,287	273		10,560
TOTAL ASSETS	<u>\$ 243,443</u>	<u>\$ 573,977</u>	<u>\$ 582,531</u>	<u>\$ 234,889</u>
LIABILITIES:				
Deposits held in custody for others	\$ 243,443	\$ 573,977	\$ 582,531	\$ 234,889
TOTAL LIABILITIES	<u>\$ 243,443</u>	<u>\$ 573,977</u>	<u>\$ 582,531</u>	<u>\$ 234,889</u>
<u>Total - All Agency Funds</u>				
ASSETS:				
Cash	\$ 257,489	\$ 673,976	\$ 588,565	\$ 342,900
Investments	10,287	273	-	10,560
TOTAL ASSETS	<u>\$ 267,776</u>	<u>\$ 674,249</u>	<u>\$ 588,565</u>	<u>\$ 353,460</u>
LIABILITIES:				
Deposits held in custody for others	267,776	674,249	588,565	353,460
TOTAL LIABILITIES	<u>\$ 267,776</u>	<u>\$ 674,249</u>	<u>\$ 588,565</u>	<u>\$ 353,460</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, 2008
(WITH COMPARATIVE TOTALS FOR 2007)**

	<u>2008</u>	(as restated) <u>2007</u>
Governmental funds capital assets:		
Land	\$ 12,339,801	\$ 12,339,801
Buildings	30,284,552	30,112,487
Improvements	46,893,622	46,591,510
Machinery and equipment	15,888,465	15,358,865
Infrastructure	31,445,381	30,471,173
Construction in progress	<u>1,303,935</u>	<u>1,630,248</u>
Total governmental funds capital assets	<u>\$ 138,155,756</u>	<u>\$ 136,504,084</u>
 Investments in governmental funds capital assets by source:		
General fund	\$ 9,664,330	\$ 9,050,905
Special revenue funds	6,808,549	6,465,074
Capital project funds	<u>121,682,877</u>	<u>120,988,105</u>
Total governmental funds capital assets	<u>\$ 138,155,756</u>	<u>\$ 136,504,084</u>

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY**

JUNE 30, 2008

<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	\$ 52,050			\$ 52,050
Clerk				117,826			217,803
Manager				72,610			72,610
Building and grounds	\$ 54,298	\$ 200,361	1,658,867	60,773			1,974,299
Finance and administration				224,778			224,778
Planning				130,804			130,804
Inspector	46,500	22,049		64,517			64,517
Other - unclassified	100,798	222,410	1,758,844	778,732	-		2,860,784
Total general government							
	337,705	20,334,627	36,390,694	6,364,447			63,427,473
Schools							
	542,982	5,096,175		1,832,011			7,471,168
Police	48,000	105,677	6,646	621,460	387,260		1,169,043
Fire and alarms				671,209			671,209
Emergency management	590,982	5,201,852	6,646	3,124,680	387,260		9,311,420
Total public safety							
	10,250	777,822	487,641	3,035,654	31,021,536		35,332,903
Streets and highways							
	11,170,066	1,914,108	5,098,436	1,716,599	36,585		19,935,794
Recreation and parks							
	75,000	129,000	2,837,097	560,713			3,601,810
Public libraries							
	55,000	1,704,733	314,264	307,640			2,381,637
Elderly services							
						\$ 1,303,935	1,303,935
Construction in progress							
	\$ 12,339,801	\$ 30,284,552	\$ 46,893,622	\$ 15,888,465	\$ 31,445,381	\$ 1,303,935	\$ 138,155,756
Total general capital assets							

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, 2008**

<i>Function and Activity</i>	(as restated)			Balance June 30, 2008
	Balance July 1, 2007	Additions & Transfers In	Deductions & Transfers Out	
<i>General government:</i>				
Council	\$ 52,050			\$ 52,050
Clerk	221,034	\$ 10,683	\$ 13,914	217,803
Manager	79,565	1,357	8,312	72,610
Buildings and grounds	1,973,443	1,537	681	1,974,299
Finance and administration	221,089	10,296	6,607	224,778
Planning	133,513	4,720	7,429	130,804
Inspector	57,097	21,756	14,336	64,517
Other - unclassified	105,232	46,943	28,252	123,923
<i>Total general government</i>	2,843,023	97,292	79,531	2,860,784
<i>Schools</i>	62,809,995	642,744	25,266	63,427,473
<i>Public safety:</i>				
Police	7,475,575	172,776	177,183	7,471,168
Fire and alarms	1,044,173	124,870		1,169,043
Emergency management	701,547	177,317	207,655	671,209
<i>Total public safety</i>	9,221,295	474,963	384,838	9,311,420
<i>Streets and highways</i>	34,330,923	1,110,223	108,243	35,332,903
<i>Recreation and parks</i>	19,777,603	230,237	72,046	19,935,794
<i>Public libraries</i>	3,542,790	59,020		3,601,810
<i>Elderly services</i>	2,348,207	35,740	2,310	2,381,637
<i>Construction in progress</i>	1,630,248	1,882,379	2,208,692	1,303,935
<i>Total general capital assets</i>	\$ 136,504,084	\$ 4,532,598	\$ 2,880,926	\$ 138,155,756

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TOWN OF SOUTH KINGSTOWN

OTHER EXHIBITS

EXHIBIT 7

**TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
 SCHEDULE OF PROPERTY TAXES RECEIVABLE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Year	Mill Rate	Property Taxes Receivable July 1, 2007	Current Year Assessment	Transfers Addendums (Net)	Abatements and Adjustments	Amount to be Collected	Collections Net of Refunds	Property Taxes Receivable June 30, 2008
2007	\$11.51	\$	\$ 60,692,561	\$ 110,159	\$ 498,968	\$ 60,303,752	\$ 59,389,062	\$ 914,690
2006	13.65	689,964		618		689,346	619,552	69,794
2005	13.13	110,107		322		109,785	66,696	43,089
2004	12.58	59,408		1,725		57,683	25,125	32,558
2003	19.91	39,780		97		39,683	7,575	32,108
2002	19.02	35,595		810		34,785	5,281	29,504
2001	17.90	36,236		793		35,443	3,552	31,891
2000	20.75	48,066		23,820		24,246	3,691	20,555
1999	20.75	43,621		7,770		35,851	4,794	31,057
1998	19.38	53,281		1,863		51,418	3,752	47,666
1997	18.71	41,631		1,757		39,874	659	39,215
1996	17.79	49,322		12,919		36,403	547	35,856
1995	16.84	47,122		10,597		36,525	506	36,019
1994	15.92	36,724		1,297		35,427	209	35,218
1993	27.31	82,436		22,354		60,082	11	60,071
1992	26.92	73,868		6,965		66,903	43	66,860
1991	26.92	76,598		8,721		67,877	207	67,670
1990	24.54	82,398		10,908		71,490	-	71,490
1989	22.92	55,597		4,251		51,346	-	51,346
1988	21.96	43,682		1,024		42,658	-	42,658
Subtotal		1,705,436	\$ 60,692,561	\$ 110,159	\$ 617,579	\$ 61,890,577	\$ 60,131,262	1,759,315
Less: estimated allowance for uncollectible accounts		957,021						821,656
Net property taxes receivable		\$ 748,415						\$ 937,659

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
SCHEDULE OF PROPERTY TAXES RECEIVABLE
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Schedule of Net Assessed Property Value by Category		Reconciliation of Current Year Property Tax Revenue	
Description of Property	Assessed December 31, 2006	Valuations	Levy
Real property	\$ 4,869,542,901	\$ 56,058,665	
Motor vehicles	113,969,417	2,132,368	
Tangible property	228,956,798	2,635,774	
Wholesale and retail inventory	17,486,558	33,924	
Total	5,229,955,674	60,860,731	
Exemptions and adjustments	14,256,954	168,170	
Net assessed value	\$ 5,215,698,720	\$ 60,692,561	
		Current year collections	\$ 60,131,262
		Revenue received 60 days subsequent to fiscal year ending June 30, 2008	412,558
		Subtotal	<u>60,543,820</u>
		Prior year revenue received in current year (2007 60 day rule)	(301,060)
		Current year property tax revenue	<u><u>\$ 60,242,760</u></u>

TOWN OF SOUTH KINGSTOWN

STATISTICAL SECTION

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

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

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

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

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

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

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

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

	Fiscal Year ended June 30			
	<u>2005</u>	<u>2006</u>	<u>Restated 2007</u>	<u>2008</u>
Governmental activities				
Invested in capital assets, net of related debt	\$ 37,770,093	\$ 57,027,194	\$ 53,793,454	\$ 55,954,948
Restricted	15,107,822	15,430,240	17,131,006	15,981,878
Unrestricted	14,219,435	19,337,021	22,077,926	23,644,356
Total governmental activities net assets	<u>67,097,350</u>	<u>91,794,455</u>	<u>93,002,386</u>	<u>95,581,182</u>
Business-type activities				
Invested in capital assets, net of related debt	20,470,817	21,673,567	21,425,967	22,481,289
Restricted	-	-	-	-
Unrestricted	3,754,258	3,630,933	3,732,628	4,065,992
Total business-type activities net assets	<u>24,225,075</u>	<u>25,304,500</u>	<u>25,158,595</u>	<u>26,547,281</u>
Primary government				
Invested in capital assets, net of related debt	58,240,910	78,700,761	75,219,421	78,436,237
Restricted	15,107,822	15,430,240	17,131,006	15,981,878
Unrestricted	17,973,693	22,967,954	25,810,554	27,710,348
Total primary government net assets	<u>\$ 91,322,425</u>	<u>\$ 117,098,955</u>	<u>\$ 118,160,981</u>	<u>\$ 122,128,463</u>

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Expenses				
Governmental activities:				
General government	7,164,843	7,794,143	8,559,664	8,806,804
Public safety	5,975,342	6,163,017	6,701,924	6,784,029
Public works	2,437,890	2,726,315	3,221,185	2,905,202
Human service agency contributions	197,073	183,015	178,356	183,987
Public libraries	916,825	953,482	988,273	1,039,669
Education	52,654,614	55,630,802	60,131,860	62,853,934
Recreation	2,138,627	2,281,584	2,319,532	2,322,764
Interest on long-term debt	1,658,708	1,499,745	1,560,963	1,520,722
Total governmental activities	<u>73,143,922</u>	<u>77,232,103</u>	<u>83,661,757</u>	<u>86,417,111</u>
Business-type activities:				
Wastewater	2,747,416	2,792,376	2,972,625	3,144,544
Solid Waste	891,292	893,562	948,464	945,596
Water	658,923	679,376	713,784	835,913
School Cafeteria	970,996	1,056,629	1,095,906	1,041,418
Total business-type activities	<u>5,268,627</u>	<u>5,421,943</u>	<u>5,730,779</u>	<u>5,967,471</u>
Total primary government expense	<u>78,412,549</u>	<u>82,654,046</u>	<u>89,392,536</u>	<u>92,384,582</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General government	3,734,779	4,534,120	3,794,768	3,617,841
Public safety	784,245	806,200	1,001,582	989,173
Public works	58,050	59,500	61,100	62,935
Public libraries	29,117	28,106	28,478	28,348
Education	1,010,984	1,203,376	1,141,449	1,003,973
Recreation	847,241	885,410	820,278	800,684
Operating grants and contributions	14,490,072	15,030,606	16,188,793	16,321,642
Capital grants and contributions	729,799	4,186,452	292,834	272,145
Total governmental activities program revenues	<u>21,684,287</u>	<u>26,733,770</u>	<u>23,329,282</u>	<u>23,096,741</u>
Business-type activities:				
Charges for services:				
Wastewater	2,354,188	2,474,993	2,660,233	3,065,229
Solid Waste	928,736	956,613	950,248	789,355
Water	765,853	814,374	749,067	866,797
School Cafeteria	747,852	795,794	787,352	760,830
Operating grants and contributions	210,425	202,997	234,927	504,696
Capital grants and contributions		404,100	-	307,075
Total business-type activities	<u>5,007,054</u>	<u>5,648,871</u>	<u>5,381,827</u>	<u>6,293,982</u>
Total primary government program revenues	<u>26,691,341</u>	<u>32,382,641</u>	<u>28,711,109</u>	<u>29,390,723</u>

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Net (Expense)/Revenue				
Governmental activities	(51,459,635)	(50,498,333)	(60,332,475)	(63,320,370)
Business-type activities	(261,573)	226,928	(348,952)	326,511
Total primary government net expense	<u>(51,721,208)</u>	<u>(50,271,405)</u>	<u>(60,681,427)</u>	<u>(62,993,859)</u>
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Property taxes	51,441,569	\$ 54,828,438	\$ 58,032,552	\$ 60,903,094
Motor vehicle phase-out taxes	1,578,608	\$ 1,828,726	\$ 2,165,338	\$ 2,167,848
Telephone and hotel taxes	425,192	\$ 389,466	\$ 337,594	\$ 339,967
Grants and aid not restricted for a specific program	2,131,825	2,400,435	2,396,341	2,295,069
Unrestricted investment earnings	1,373,108	2,084,407	4,000,792	1,073,334
Miscellaneous	-	7,385	-	-
Transfers	32,607	1,087,993	25,197	(880,146)
Total governmental activities	<u>56,982,909</u>	<u>62,626,850</u>	<u>66,957,814</u>	<u>65,899,166</u>
Business-type activities:				
Unrestricted investment earnings	98,366	155,843	228,244	182,029
Capital contributions	-	-	-	-
Transfers	(32,607)	(1,087,993)	(25,197)	880,146
Total business type activities	<u>65,759</u>	<u>(932,150)</u>	<u>203,047</u>	<u>1,062,175</u>
Total primary government	<u>57,048,668</u>	<u>61,694,700</u>	<u>67,160,861</u>	<u>66,961,341</u>
Change in Net Assets				
Governmental activities	5,523,274	12,128,517	6,625,339	2,578,796
Business-type activities	(195,814)	(705,222)	(145,905)	1,388,686
Total primary government	<u>\$ 5,327,460</u>	<u>\$ 11,423,295</u>	<u>\$ 6,479,434</u>	<u>\$ 3,967,482</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									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Fund										
Reserved	\$ 115,285	\$ 24,680	\$ 271,551	\$ 162,147	\$ 88,958	\$ 258,879	\$ 366,988	\$ 286,935	\$ 55,127	\$ 211,673
Unreserved	5,837,542	6,130,639	7,045,572	7,360,947	7,795,115	8,641,616	9,587,047	10,875,912	12,145,834	12,151,623
Total general fund	<u>\$ 5,952,827</u>	<u>\$ 6,155,319</u>	<u>\$ 7,317,123</u>	<u>\$ 7,523,094</u>	<u>\$ 7,884,073</u>	<u>\$ 8,900,495</u>	<u>\$ 9,954,035</u>	<u>\$ 11,162,847</u>	<u>\$ 12,200,961</u>	<u>\$ 12,363,296</u>
All Other Governmental Funds										
Reserved	\$ 10,128,929	\$ 18,115,874	15,891,233	16,168,151	\$ 15,149,953	\$ 15,536,672	\$ 15,131,361	\$ 16,183,103	\$ 16,419,082	\$ 15,431,321
Unreserved, reported in:										
Special revenue funds	1,257,006	854,751	\$ 577,866	\$ 1,465,978	1,880,251	2,106,195	2,257,829	2,974,177	3,957,611	5,025,971
Capital project funds	5,920,301	6,059,052	5,529,961	3,281,197	3,640,449	4,238,921	5,207,698	6,481,448	8,629,412	9,022,455
Permanent funds	7,659,373	9,208,375	1,692,663	1,618,618	1,427,198	1,377,532	1,341,590	1,363,510	1,390,975	1,390,717
Total all other governmental funds	<u>\$ 24,965,609</u>	<u>\$ 34,238,052</u>	<u>\$ 23,691,723</u>	<u>\$ 22,533,944</u>	<u>\$ 22,097,851</u>	<u>\$ 23,259,320</u>	<u>\$ 23,938,478</u>	<u>\$ 27,002,238</u>	<u>\$ 30,397,080</u>	<u>\$ 30,870,464</u>

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									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Revenues:										
Property Taxes and Interest	\$ 35,947,388	\$ 37,557,960	\$ 39,247,159	\$ 43,288,150	\$ 46,800,191	\$ 50,233,102	\$ 51,575,179	\$ 54,798,227	\$ 57,995,337	\$ 60,825,348
Intergovernmental revenues	12,104,178	12,834,987	14,361,314	16,056,626	16,541,331	17,862,153	17,736,296	22,294,882	19,128,068	18,833,974
Licenses, Fees and Rents	708,262	761,209	790,718	968,096	2,880,916	2,783,009	2,783,009	3,171,720	2,350,971	2,235,837
Interest on Investments	799,963	925,366	1,095,358	533,019	949,062	1,425,040	1,359,435	2,076,026	3,978,764	1,059,327
Fines and Charges	-	-	-	-	909,323	877,648	930,264	1,135,148	1,229,691	1,163,767
Department Revenue	791,060	828,854	1,023,493	1,063,885	1,068,252	1,066,283	1,084,946	1,047,988	1,115,818	1,146,290
Other Revenue	1,120,994	1,580,235	2,163,352	2,401,353	2,984,787	1,808,323	1,594,264	1,712,282	1,679,028	1,450,458
State On-behalf Pension	1,031,988	1,140,593	963,493	880,401	1,101,980	1,273,501	1,420,597	1,393,981	2,091,234	2,406,682
Total revenues	52,503,833	55,629,204	59,644,887	65,191,330	72,824,681	77,426,966	78,483,990	87,630,254	89,568,911	89,141,683
Expenditures:										
Current:										
General Government	\$ 1,905,740	\$ 2,079,172	\$ 2,082,797	\$ 2,156,132	\$ 2,276,905	\$ 2,334,443	\$ 2,402,451	\$ 2,392,210	\$ 2,562,378	\$ 2,643,256
Public Safety	3,706,514	4,082,622	4,502,947	5,001,159	5,099,458	5,562,051	5,562,270	5,894,514	6,105,953	6,343,310
Public Services	1,582,308	1,637,910	1,490,040	1,739,524	1,969,076	1,707,808	2,110,290	1,789,493	2,140,379	1,794,767
Public Health Contributions	157,986	174,189	186,255	178,375	189,848	193,082	197,073	183,015	178,356	183,987
Recreation	1,373,466	1,507,849	1,534,520	1,638,812	1,741,754	1,878,405	1,900,685	2,023,334	2,056,094	2,044,667
Public Libraries	572,823	612,545	669,061	698,361	740,319	771,119	835,864	840,886	873,701	909,506
Educational	32,451,503	35,841,036	38,305,841	42,978,657	46,184,080	49,194,399	49,817,652	53,788,014	58,544,022	60,874,616
Capital Improvements	234,557	378,645	349,325	349,840	7,320,140	5,254,478	3,322,808	11,582,846	3,418,724	1,833,299
Miscellaneous	2,885,603	2,980,503	3,413,333	3,875,439	4,619,348	4,820,342	5,107,218	4,444,692	4,178,706	4,333,270
Debt Service: (3)	4,489,883	4,545,380	5,292,943	5,101,165	3,290,000	3,430,000	3,485,000	3,690,000	3,705,000	3,715,000
Principal					1,922,446	1,730,728	1,813,748	1,422,690	1,506,605	1,443,667
Interest					1,101,980	1,273,501	1,420,597	1,393,981	2,091,234	2,406,682
State On-behalf Pension	1,031,988	1,140,593	963,493	880,401	1,101,980	1,273,501	1,420,597	1,393,981	2,091,234	2,406,682
Total expenditures	50,392,371	54,980,444	58,790,555	64,597,865	76,455,354	78,150,356	77,975,656	89,445,675	87,361,152	88,526,027
Excess of revenues over (under) expenditures	2,111,462	648,760	854,332	593,665	(3,630,673)	(723,390)	508,334	(1,815,421)	2,207,759	615,656
Other Financing Sources (Uses):										
Proceeds from borrowing	2,060,000	10,000,000	-	3,925,000	3,400,000	2,875,000	1,191,757	5,000,000	2,200,000	-
Sale of property	-	-	-	-	-	-	-	-	-	-
Operating transfers in	305,829	386,848	1,036,993	1,144,990	37,164,994	39,548,069	40,612,725	44,856,027	47,029,050	49,870,629
Operating transfers out	(1,042,206)	(1,352,416)	(1,395,136)	(1,293,406)	(36,819,578)	(39,539,029)	(40,580,118)	(43,708,034)	(47,003,853)	(49,850,566)
Total other financing sources (uses)	1,323,623	9,034,432	2,432,129	6,363,396	3,745,416	2,884,040	1,224,364	6,087,993	2,225,197	20,063
Net change in fund balances	\$ 3,435,085	\$ 9,683,192	\$ 3,286,461	\$ 6,957,061	\$ 114,743	\$ 2,160,650	\$ 1,732,698	\$ 4,272,572	\$ 4,432,956	\$ 635,719
Debt service as a percentage of non-capital expenditures (2)	8.95%	8.32%	9.06%	7.94%	7.54%	7.08%	7.10%	6.57%	6.29%	6.05%

Notes:
(1) Includes General Fund and Special Revenue Funds only for the fiscal years 1997 to 2002. Includes all governmental funds from the 2003 fiscal year forward
(2) The percentage calculation uses the capital outlay figure from Note 1. This differs from the Capital Improvements figure due to capitalizable items included within other functional categories of current expenditures
(3) Debt Service is broken out into the separate components beginning with fiscal year 2003.

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

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

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	Total Taxable Assessed Value		
1999	2,043,546,427			116,758,355		119,022,183	447,745,425	1,831,581,540	19.38	
2000	2,076,477,542			105,938,527	13,768,068	114,751,744	455,353,032	1,855,582,849	20.01	
2001	1,657,555,684			109,895,821	13,641,517	111,244,812	5,498,809	1,886,839,025	20.28	
2002	2,159,199,575			127,992,436	13,909,628	106,082,003	6,206,558	2,400,977,084	17.91	
2003	2,193,240,385			143,671,593	13,945,979	96,355,727	5,737,017	2,441,476,667	18.97	
2004	2,239,411,642			148,938,058	13,543,983	106,447,929	5,350,774	2,502,990,838	19.80	
2005	3,745,585,540			168,745,467	13,501,930	105,413,915	13,297,618	4,019,949,234	12.72	
2006	3,424,405,234	357,510,070	35,424,900	181,242,171	13,543,398	123,721,946	12,799,139	4,123,048,580	13.27	
2007	3,476,869,197	365,358,470	36,285,300	196,074,415	15,560,824	115,287,225	12,247,140	4,193,188,291	13.75	
2008	4,331,646,296	490,690,205	47,206,400	228,956,798	17,486,558	113,969,417	14,256,954	5,215,698,720	11.64	

Source: Town of South Kingstown, Rhode Island Assessor

Notes:

Prior to the adoption of Senate Bill - 3050 Sub A at the close of the 2006 legislative session, Rhode Island had a 5.5% cap on property tax growth in all cities and towns. The State's enactment of the 2006 amendments to the local property tax cap provisions revised the tax cap to apply only to the prior year levy beginning in FY 2007-2008 and to further reduce the cap to 4% by FY 2012-2013 in 0.25% increments. The tax cap was 5.25% for fiscal year 2008.

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.

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.

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

SCHEDULE 6

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

	2008			1999		
	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	\$ 59,605,292	1	1.14%	\$ 25,600,469	1	1.40%
Grandville At The Commons LP	44,057,300	2	0.84%			
Brightview South Kingstown LLC	21,931,700	3	0.42%	10,345,170	2	0.56%
APC America Inc	20,425,100	4	0.39%			
Narragansett Electric	20,347,418	5	0.39%			
Jerry Brown Farm Assn Inc	18,893,100	6	0.36%			
CNL Retirement HB2 South	16,487,752	7	0.32%	9,022,900	3	0.49%
Green Tree Realty LLC	14,658,700	8	0.28%			
Wakefield Mall Associates	13,504,900	9	0.26%			
Hallkeen CDT Kingston LTD Part	10,806,900	10	0.21%			
United Water Company				5,769,020	4	0.31%
Belmar Housing Associates LP				5,001,800	5	0.27%
South Farm Limited Partnership				4,646,400	6	0.25%
AKG Inc				4,577,300	7	0.25%
Peace Dale United Housing				4,171,900	8	0.23%
Horizon of South Kingstown				3,728,100	9	0.20%
Belmont Shoppers Park Inc				3,414,800	10	0.19%
Total	\$ 240,718,162		4.62%	\$ 76,277,859		4.16%

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 LEVY (1)		UNCOLLECTED	
			ADJUSTMENTS	ADJUSTMENTS	ADJUSTMENTS	ADJUSTMENTS		LEVY (1)	% OF NET LEVY	AS OF 8/31/08	% OF NET LEVY
2007-08	\$11.51	\$60,692,561	\$112,835	\$499,003	\$60,306,393	\$529,770	0.88%	\$529,770	0.88%		
2006-07	13.65	57,665,644	254,096	392,143	57,527,597	400,959	0.70%	400,959	0.70%	50,305	0.09%
2005-06	13.13	54,722,908	138,292	485,545	54,375,655	358,734	0.66%	358,734	0.66%	41,307	0.08%
2004-05	12.58	51,148,277	225,887	398,797	50,975,367	318,634	0.63%	318,634	0.63%	31,819	0.06%
2003-04	19.91	49,568,970	236,967	252,693	49,553,244	412,527	0.83%	412,527	0.83%	31,096	0.06%
2002-03	19.02	46,304,107	274,347	216,205	46,362,249	507,464	1.09%	507,464	1.09%	27,785	0.06%
2001-02	17.90	43,002,755	188,010	356,879	42,833,886	545,782	1.27%	545,782	1.27%	30,671	0.07%
2000-01	20.75	38,854,143	177,991	217,115	38,815,019	547,386	1.41%	547,386	1.41%	20,328	0.05%
1999-00	20.12	37,136,424	151,323	142,368	37,145,379	545,324	1.47%	545,324	1.47%	30,551	0.08%
1998-99	19.38	35,496,057	170,674	146,431	35,520,300	615,143	1.73%	615,143	1.73%	46,758	0.13%

Source: Town of South Kingstown Tax Collector

Notes:

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

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

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

General Bonded Debt

Fiscal Year June 30,	General Obligation Bonds	Taxable Assessed Value	Percent of Taxable Assessed Value	U.S. Census Estimated Population	Per Capita
1999	35,765,000	1,831,581,540	1.95%	27,550	1,298
2000	42,950,000	1,855,582,849	2.31%	27,921	1,538
2001	39,810,000	1,886,839,025	2.11%	27,921	1,426
2002	40,620,000	2,400,977,084	1.69%	29,177	1,392
2003	41,230,000	2,441,476,667	1.69%	29,634	1,391
2004	40,599,011	2,502,990,838	1.62%	29,637	1,370
2005	36,905,000	4,019,949,234	0.92%	30,629	1,205
2006	38,215,000	4,123,048,580	0.93%	30,708	1,244
2007	36,710,000	4,193,188,291	0.88%	30,863	1,189
2008	32,995,000	5,215,698,720	0.63%	31,023	1,064

Business-Type Activities

Fiscal Year June 30,	Wastewater Bonds	Solid Waste Bonds	Water Bonds	Total Primary Government	Personal Income	Percent of Personal Income *	Per Capita
1999	700,580			36,465,580	27,965	0.0767%	1,324
2000	660,351			43,610,351	29,538	0.0677%	1,562
2001	618,803			40,428,803	30,851	0.0763%	1,448
2002	575,892			41,195,892	32,767	0.0795%	1,412
2003	531,573			41,761,573	34,002	0.0814%	1,409
2004	985,800			41,584,811	34,932	0.0840%	1,403
2005	916,525	1,845,898		39,667,423	36,149	0.0911%	1,295
2006	845,699	2,715,600		41,776,299	38,161	0.0913%	1,360
2007	773,271	2,593,058		40,076,329	40,291	0.1005%	1,299
2008	699,189	2,467,208	400,000	36,561,397	43,124	0.1179%	1,179

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	<u>Overlapping Rates</u>				
	Total Direct Tax Rate	Union Fire District	Indian Lake Fire District	Kingston Fire District	Total
1999	19.38	0.58	1.11	1.00	22.07
2000	20.01	0.55	1.11	1.00	22.67
2001	20.28	0.60	1.11	1.00	22.99
2002	17.91	0.82	1.11	0.83	20.67
2003	18.97	0.54	1.49	0.95	21.95
2004	19.80	0.61	1.35	1.00	22.76
2005	12.72	0.41	1.35	0.62	15.10
2006	13.27	0.45	1.05	0.62	15.39
2007	13.75	0.54	1.13	0.67	16.09
2008	11.64	0.40	0.73	0.58	13.35

Notes:

The Town's basic tax rate increase cannot exceed 5.5% 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

	Fiscal Year ended June 30									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Total assessed value	\$ 1,831,581,540	\$ 1,855,582,849	\$ 1,866,839,025	\$ 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
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	\$ 54,947,446	\$ 55,667,485	\$ 56,605,171	\$ 72,029,313	\$ 73,244,300	\$ 75,089,725	\$ 120,598,477	\$ 123,691,457	\$ 125,795,649	\$ 156,470,962
Total net debt applicable to the limit	4,993,750	4,573,214	4,167,678	4,922,142	6,269,607	7,319,813	6,686,300	7,755,901	8,013,858	7,240,508
Legal debt margin	\$ 49,953,696	\$ 51,094,271	\$ 52,437,493	\$ 67,107,171	\$ 66,974,693	\$ 67,769,912	\$ 113,912,177	\$ 115,935,556	\$ 117,781,791	\$ 149,230,454
Total net debt applicable to the limit as a percentage of debt limit	9.09%	8.22%	7.36%	6.83%	8.56%	9.75%	5.54%	6.27%	6.37%	4.63%

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

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

SCHEDULE 11

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

Fiscal Year June 30,	(3) Population	Per Capita		School Enrollment	Unemployment Rate (2)
		Personal Income (1)	School Enrollment		
1999	27,550	27,965	4,349	3.4%	
2000	27,921	29,538	4,350	3.4%	
2001	27,921	30,851	4,358	3.5%	
2002	29,177	32,767	4,321	3.6%	
2003	29,634	34,002	4,214	4.1%	
2004	29,637	34,932	4,190	4.5%	
2005	30,629	36,149	4,056	4.3%	
2006	30,708	38,161	3,875	4.3%	
2007	30,863	40,291	3,803	4.4%	
2008	31,023	43,124	3,658	4.3%	

(1) Per Bureau of Economic Analysis - Washington County. This statistic is presented based on release date, e.g., the \$43,124 pci released April 2008 represents 2006 data.

(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 Town Manager's Office.

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

SCHEDULE 12

PRINCIPAL EMPLOYERS

CURRENT YEAR AND NINE YEARS AGO

Employer	2008				1999				
	Employees	Rank	Percentage of Total Town Employment	Employees	Rank	Percentage of Total Town Employment	Employees	Rank	Percentage of Total Town Employment
University of Rhode Island	2,486	1	16.1%	University of Rhode Island	2,700	1	19.6%		
American Power Conversion	1,144	2	7.4%	American Power Conversion	1,500	2	10.9%		
South County Hospital	970	3	6.3%	South County Hospital	600	3	4.3%		
Town of South Kingstown (1)	800	4	5.2%	Town of South Kingstown (1)	584	4	4.2%		
Shaw's Supermarket	160	5	1.0%	TRT Heating Products	100	5	0.7%		
Arnold Lumber Co., Inc.	140	6	0.9%	Ro-Jack Food Stores Inc	100	6	0.7%		
HealthTouch	110	7	0.7%						
South Kingstown Nursing & Rehab Center	110	8	0.7%						
Modine Manufacturing	100	9	0.6%						
Scallop Shell Nursing & Rehab Center	90	10	0.6%						
Total	6,110		39.5%	Total	5,584		40.5%		

NOTES

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

Source: Rhode Island Economic Development Corporation

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

SCHEDULE 13

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

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

Source: Town Budgets and School Department Budgets

* First year this information is available

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

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

Function/Program	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Police:										
Physical arrests	839	601	520	1,048	1,178	1,258	1,179	856	738	667
Traffic violations	3,382	4,684	9,655	9,257	9,020	9,739	6,814	6,755	7,621	8,197
Parking violations	896	760	698	585	845	1,140	1,263	716	715	1,046
Emergency Medical Services:										
Number of calls answered	1,781	1,809	1,949	1,943 (2)	2,075	2,221	2,191	2,531	2,487	2,584
Animal Control:										
Number of complaints	986	1,149	1,590	1,537	1,303	1,403	1,386	1,288	1,447	1,408
Number of impoundments	825	1,015	828	695	738	755	673	614	588	601
Communications:										
Fire alarm activations						204 *	193	186	261	240
Streets & Highways:										
Street Sweeping (miles)	145	145	149	149	149	150	150	150	150	150
Road regrading (miles)	45	45	45	45	45	45	45	45	45	45
Street plowing/deicing (OT hours)	1,240	949	2,043	598	2,147	2,657	4,574	2,314	931	1,836
Culture & Recreation:										
Programs/Classes (enroll/attend)	44,737	47,192	57,925	58,664	54,924	64,222	61,584	66,846	60,707	46,528 (3)
Grounds maintained (acres)	399	399	379	379	401	451	451	451	451	451
Libraries:										
Volumes in Collection	66,426	67,103	66,416	68,873	68,673	68,550	65,542	66,469	66,865	67,700
Volumes borrowed	250,526	255,640	272,064	296,165	318,959	316,232	306,506	295,807	306,722	302,654
Reference requests filled	17,058	23,432	27,616	29,072	30,168	30,502	28,840	29,139	28,052	290,898
Water:										
New connections (net)	40	29	0	76	30	15	11	15	0	60
Average daily consumption (1) (thousands of gallons)	350	397	358	376	380	340	400	340	313	376
Wastewater:										
Average daily sewage treatment (thousands of gallons)	2,585	2,765	2,901	2,446	2,819	2,715	2,992	2,985	2,967	2,473
Senior Services:										
Adult Day Care services (client days)	4,219	4,043	3,829	3,667	3,956	4,125	3,573	4,017	3,834	3,210
Senior transportation (trips)	9,448	8,887	9,117	7,940	8,897	8,953	8,935	9,124	8,293	6,706
Congregate meals served	10,533	11,083	12,897	17,161	15,840	15,011	14,645	15,136	15,379	13,587

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.

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

SCHEDULE 15
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

Function/Program	Fiscal Year 1999	Fiscal Year 2000	Fiscal Year 2001	Fiscal Year 2002	Fiscal Year 2003	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2008
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	12	12	13	14	15	15	16	16	16	16
Public works:										
Streets (miles)					145 *	145	145	147	147	148
Culture and recreation:										
Park acreage	320	320	320	320	410	440	440	440	440	440
Tennis courts	12	12	12	12	19	25	25	25	25	25
Community centers	1	1	1	1	1	1	1	1	1	1
Libraries	3	3	3	3	3	3	3	3	3	3
Water:										
Water mains (miles)	44	44	45	45	45	45	48	48	48	49
Fire hydrants	253	253	253	253	253	253	253	253	253	253
Storage capacity (thousands of gallons-treated)	800	800	800	800	800	800	800	800	800	800
Wastewater:										
Sanitary sewers (miles)	45	45	45	50	52	53	54	54	54	55
Storm drains (miles)							46 *	46	47	47
WWTF avg. daily design flow (thous. of gallons)	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000

Sources: Various town departments

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

* first year this information was available

TOWN OF SOUTH KINGSTOWN

SINGLE AUDIT SECTION

This section contains information regarding federal grant activity for the year ended June 30, 2008, 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, 2008**

Federal Grantor	Federal	
Pass-Through Grantor	CFDA	
<u>Program title</u>	<u>Number</u>	<u>Expenditures</u>
U.S. Department of Housing and Urban Development		
Governor's Office of Housing & Energy & Intergovernmental Relations		
Community Development Block Grants - Small Cities Program	14.219	\$ 207,499
U.S. Department of Transportation		
Seat-Belt Enforcement	20.604	12,686
U.S. Department of Health		
Rhode Island Department of Health		
Underage Drinking and Alcohol Grant	93.XXX	5,494
Block Grants for Community Mental Health	93.958	92,984
Tobacco Compliance Investigation Grant	93.XXX	2,268
Total U.S. Department of Health		<u>100,746</u>
U.S. Environmental Protection Agency		
Onsite Wastewater Plan Implementation	66.XXX	317
EPA Wastewater Management Project	66.606	465,550
Total U.S. Department of Environmental Protection Agency		<u>465,867</u>
U.S. Department of Justice		
State of Rhode Island Governors Justice Commission		
Governor Justice Commission Grant	16.XXX	9,375
U.S. Department of Homeland Security		
Rhode Island Emergency Management Agency		
Homeland Security Grant Program	97.067	25,547
Total U.S. Department of Homeland Security		<u>25,547</u>
U.S. Department of Education		
RI Department of Education		
Title I	84.010	294,164
Title II	84.367	170,068
Title III	84.365A	3,981
Title IV	84.186	25,518
Title V	84.298	7,896
Project IDEA - Part B	84.027A	764,789
Perkins	84.048	28,518
Early learning (89-313) - preschool	84.173	21,888
Total U.S. Department Education		<u>1,316,822</u>
U.S. Department of Agriculture		
State of RI Department of Education		
Food Commodities	10.555	44,905
National Lunch Program	10.555	253,696
Total U.S. Department of Agriculture		<u>298,601</u>
Total Federal Expenditures		<u>\$ 2,437,143</u>

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

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2008**

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.

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, 2008, the following programs were considered major programs:

Surveys, Studies, Investigations and Special Purpose
Grants (EPA Wastewater Management Project) CFDA #66.606
National School Lunch Program.....CFDA #10.555

***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, 2008, which collectively comprise the Town of South Kingstown, Rhode Island's basic financial statements and have issued our report thereon dated November 26, 2008. 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town of South Kingstown, Rhode Island's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town of South Kingstown, Rhode Island's financial statements that is more than inconsequential will not be prevented or detected by the Town of South Kingstown, Rhode Island's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town of South Kingstown, Rhode Island's internal control.

Our consideration of internal control over financial reporting 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 financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of the Town Council, management, 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 26, 2008

**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, 2008. 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, 2008.

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 the Town Council, management, 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 26, 2008

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008**

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:
 - Surveys, Studies, Investigations and Special Purpose
 - Grants (EPA Wastewater Management Project) CFDA #66.606
 - National School Lunch Program CFDA #10.555
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, 2008

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