

**TOWN OF SOUTH KINGSTOWN,
RHODE ISLAND**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2016**



PREPARED BY: FINANCE DEPARTMENT

**TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
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Introductory Section



Town of South Kingstown, Rhode Island

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

FINANCE DEPARTMENT

December 23, 2016

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, 2016, is hereby submitted as mandated by both state statutes and the Town charter. State laws require that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants licensed to practice in the State of Rhode Island.

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

The Town of South Kingstown's financial statements have been audited by BlumShapiro, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town of South Kingstown for the fiscal year ended June 30, 2016, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the Town of South Kingstown's financial statements for the fiscal year ended June 30, 2016, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section on page 1 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 beginning on page 4

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 2015-2016 fiscal year budget was the ninth year that the budget was approved under the new procedures. It is the responsibility of the Town Manager to submit a proposed budget for the following fiscal year to the Town Council on or before March 1st of each year. The Town Council holds several budget work sessions in March to discuss the details of his proposed budget document. The Town Council may revise and adopt a preliminary budget not later than March 22nd of each year. Two public hearings are required to be conducted on the preliminary budget prior to April 18th.

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

The Council shall, on or before May 1st of each year, complete its consideration of any petitions and make any final changes in the preliminary budget it may deem advisable, and give final approval to the budget by a vote of a majority of all the members of the Council. Following final approval of the budget by the Town Council, any qualified elector of the Town may circulate a petition requesting that a referendum be held on the appropriation for the general fund or the school fund in the budget as approved. Such petition may propose a reduction or increase in the total appropriation for said funds.

PROFILE OF THE GOVERNMENT (Continued)

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

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

Budget-to-actual comparisons are provided in this report for the general fund and the school unrestricted fund on pages 71 as part of the basic financial statements.

FACTORS AFFECTING FINANCIAL CONDITION

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

Local economy: The economy is centered on the University of Rhode Island, which had an enrollment of 16,783 for the 15/16 academic year; this represents an increase of 565 students or 3.5% over the 14/15 academic year. The University staff consists of 2,448 in full-time positions and 1,308 part-time jobs, (URI is the sixth largest employer in the State of RI employing more than 3,756 persons at its four campuses). URI directly or indirectly generated an estimated \$726 million dollars in statewide economic activity and student and visitor spending accounts for more than \$82 million dollars annually (Source: URI at a Glance, Official University Publication 2016).

At the University, capital project development has continued over the past year. Major projects that are complete, under construction or in the planning process include:

- New “Chemistry and Forensic Science Building” a \$68,000,000, 133,000 square foot facility completed and open in the spring of 2016.
- New “Engineering Building” construction is underway for a 150 million dollar “state of the art” 195,000 square foot engineering facility at the east end of the campus. The facility is expected to open in 2018.
- Planning and design are underway for a new six-story, 500-bed dormitory the “White Horn Brook Apartments” near the University Athletic Complex, This 200,000 square foot, \$80 million dollar residential hall will require approximately 24 months to complete with construction anticipated to ensue in calendar 2017.

Other major components of the local economy include: Schneider Electric, South County Hospital and the tourism trade.

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

- East Matunuck Farms, 40 lot/unit residential subdivision located off Gooseberry Road in the Snug Harbor section of Town. Phase 3 of development expected to be recorded in the fall of 2016.

FACTORS AFFECTING FINANCIAL CONDITION (Continued)

- Woods at Lauren Lane, 13 lot/unit residential subdivision on the east side of Laurel Lane in West Kingston (all units either constructed or construction underway).
- Stone Soup Farm, 17 lot/unit residential development situated off of South Road in Wakefield, (construction underway).
- Sheldon Hill, 10 lots (11 units) residential development located off Winter Street in Wakefield (road and infrastructure complete, 1 permit issued for new home construction).
- Construction of the South Shore Country Club; planned 303 unit senior residential community (age 55+) with a clubhouse facility and nine hole golf course situated on 279 acres of land in the Perryville section of South Kingstown. Ten building permits have been issued to date; infrastructure and support facility construction is ongoing.
- Under the Town's Capital Improvement Program construction of the new South Kingstown Community Recreation Center began in March of 2016. This 6.6 million dollar facility comprised of approximately 29,000 square feet of multi-use recreational space(s) is slated to be complete and open for use in early 2017.

Demographic Information:

- South Kingstown's population for 2014 is 30,546 according to the US Bureau of the Census, American Community Survey, (ACS) 5-year Estimates, 2010-2014.
- The median sale price of a single-family homes and condominiums in South Kingstown increased to \$321,900 for calendar 2016 (January – August) compared to calendar 2014 where such median value was \$314,750. (Source: The Warren Group).
- The American Community Survey (ACS) estimates the total number of housing units in South Kingstown to be 13,134, of which 10,489 were occupied, some 2,645 or 20.1 were seasonal, recreational, for occasional use, or vacant. The average household size of an owner occupied unit was 2.54 persons, while the average household size of a rented unit was 2.03 persons.
- For 2014 the estimated median income of South Kingstown's households is \$72,021 (Source: American Community Survey 5-year estimates, 2010-2014).
- Major job categories for employed South Kingstown residents include: Retail trade, 1,943, Educational services and health care and social assistance, 4,651, Arts, entertainment and recreation, and accommodation and food services, 2,274 and Manufacturing, 905. (Source: ACS 2010-2014 5-year estimates).
- The 2016 size of the resident workforce is 16,564. The number of employed residents totals 15,335. For the first half of 2016 the unemployment rate for South Kingstown was reported at 5.5 percent, a reduction of 3.2 percent when compared to the calendar 2013 local unemployment rate (8.7 percent), (Source: RI Department of Labor and Training).

Long-term capital financial planning. As a part of the annual budget process, the Town Manager prepares and presents a six-year capital improvement plan. This plan identifies costs and financing methods for those capital projects that the Town anticipates funding over the next six years. The 2016-2017 fiscal year capital improvement plan projects needs through fiscal year 2022. The plan provides for the needs of the general government and addresses such issues as infrastructure, major equipment replacement, school facilities, public safety, recreation and open space purchases.

This plan estimates total project cost over the six-year period of approximately \$24,049,890. Financing, net of third party funding sources for these projects by debt issuance, approximates \$9,550,000. In addition, \$16,012,900 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 \$40,062,790.

Major projects to be bonded in the plan include: Recreation and open space programs for \$7,050,000; general municipal improvements for \$7,832,690; and school improvements for \$5,235,200.

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

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. 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 (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment to GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment to GASB Statement No. 68*.

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 98 retired School Department and Town employees receiving these benefits. The Town has completed their required update of the OPEB obligations with a valuation date of June 30, 2016. The Town has established an irrevocable trust fund for the funding of Other Post Employment Benefits and as such the financial statements include an OPEB Trust Fund and the related disclosure requirements and required supplementary information in accordance with GASB Statement No.74 and No. 75.

Additional information on the Town of South Kingstown's pension arrangements and post-employment benefits can be found in Note 11 on pages 49-63 and Note 12 on pages 63-69, respectively, in the notes to the financial statements.

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, 2016. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

A Certificate of Achievement is valid for a period of one year only. The Town of South Kingstown has received a Certificate of Achievement for the last twenty-six consecutive fiscal years (fiscal years ended June 30, 1990-2015). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

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

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

Respectfully submitted,

A handwritten signature in black ink, reading "Patricia A. Sunderland". The signature is written in a cursive style with a long, sweeping tail that extends to the right.

Patricia A Sunderland,
Finance Director

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

TOWN OFFICIALS

JUNE 30, 2016

TOWN COUNCIL

Abel G. Collins, President

Margaret M. Healy, Vice President
Rachel Clough

Joe Viele
Liz Gledhill

TOWN MANAGER

Stephen A. Alfred

TOWN ATTORNEYS

Michel Ursillo
Andrew Teitz
Amy Goins
Terrence G. Simpson

PROBATE JUDGE

James P. Howe

DEPARTMENT HEADS

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

Jean-Paul Bouchard
Dale S. Holberton
Laurel Clark
Patricia A. Sunderland
Theresa L. Murphy
L. Vincent Murray
Aimee Y. Reiner
Jeffrey T. O'Hara
Jon R. Schock
Vincent Vespia, Jr.



Government Finance Officers Association

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for Excellence
in Financial
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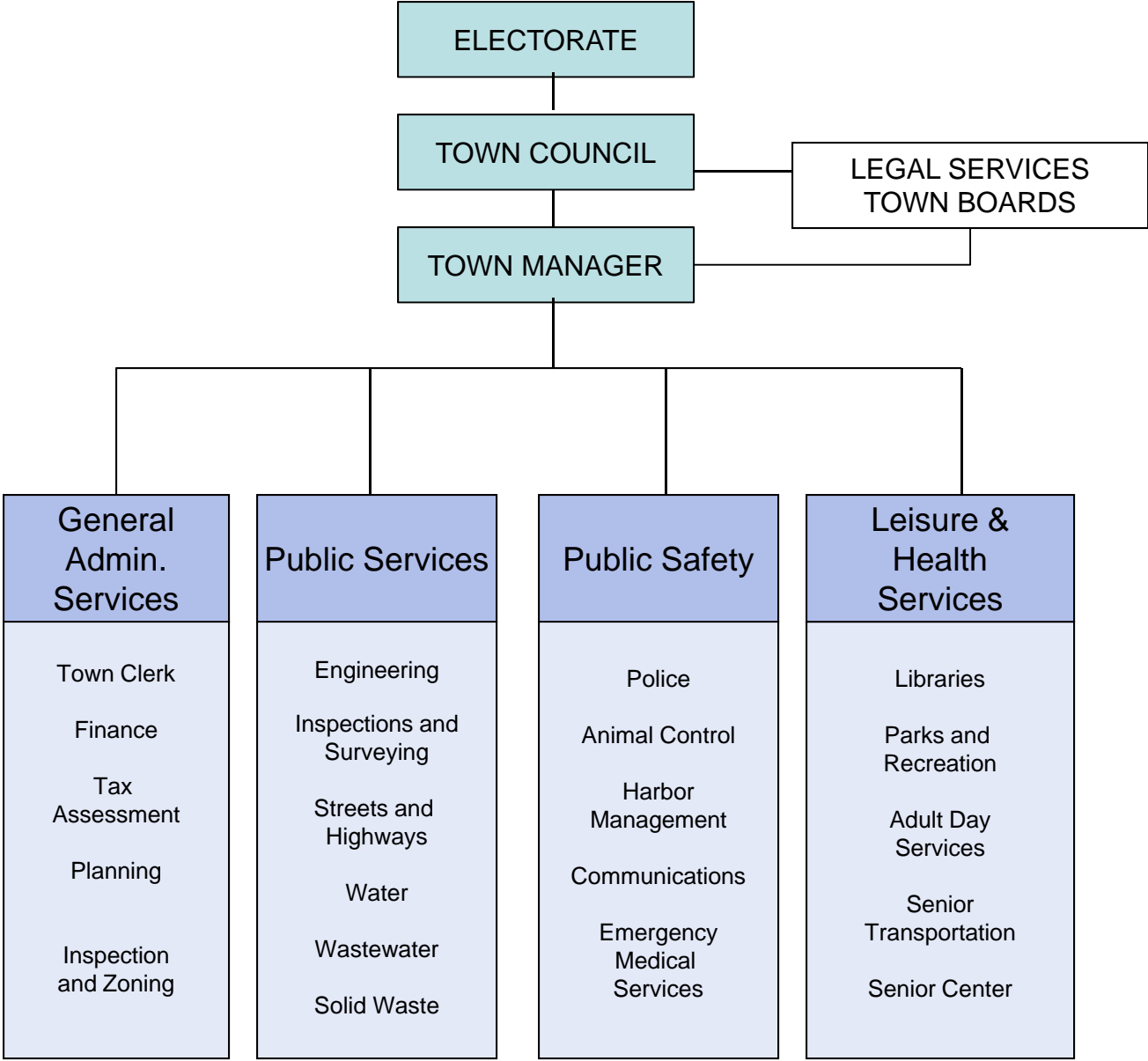
**Town of South Kingstown
Rhode Island**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

Town of South Kingstown



Financial Section

BlumShapiro

Accounting | Tax | Business Consulting

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of South Kingstown, Rhode Island, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of South Kingstown, Rhode Island's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of South Kingstown, Rhode Island, as of June 30, 2016 and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Changes in Accounting Principles

As discussed in Note 4 to the financial statements, during the fiscal year ended June 30, 2016, the Town adopted new accounting guidance, GASB Statement No. 72, *Fair Value Measurement and Application*. Our opinion is not modified with respect to this matter.

As discussed in Note 16 for the financial statements, during the fiscal year ended June 30, 2016, the Town adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*. The net position of the Town has been restated to recognize the net OPEB liability required in implementing GASB No. 75. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 16, the budgetary comparison information on page 72, and the pension and other post-employment benefits schedules on pages 73 through 83 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of South Kingstown, Rhode Island's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, Annual Supplemental Transparency Report 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 Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is also not a required part of the financial statements of the Town of South Kingstown, Rhode Island.

The combining and individual nonmajor fund financial statements and schedules, Annual Supplemental Transparency Report and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules, and schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2016 on our consideration of the Town of South Kingstown, Rhode Island's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of South Kingstown, Rhode Island's internal control over financial reporting and compliance.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
December 23, 2016

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, 2016. 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-vi 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 \$85,264,908 (net position). During the fiscal year ended June 30, 2016, the Town adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pension*. Therefore, the beginning net position of the Town has been restated to recognize the net OPEB liability required in implementing GASB No. 75. The effect of the implementation caused the unrestricted net position to decrease by (\$15,584,771).
- The government's total net position increased by \$1,619,129. The major factors in this increase were the positive operating results within the business-type activity funds and a slight increase in governmental funds as well as an increase in capital assets, specifically, the newly constructed Comfort Station located on High Street which was a State project donated to the Town.
- As of the close of the current fiscal year, the Town of South Kingstown's governmental funds reported combined ending fund balances of \$49,692,073. Approximately 20.64% of this total amount, \$10,171,662 is available for use at the government's discretion (unassigned fund balance).
- The remaining fund balance of \$39,520,411 includes \$434,540 in non-spendable funds, \$21,671,300 in restricted funds and \$17,414,571 in committed funds.
- The Town's total bonded debt declined by \$2,221,794 (15.6%) during the current fiscal year. The key factor in this decline was the retirement of \$2,221,794 in bonds. The Town did not issue any new debt during the fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of South Kingstown's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information and a statistical section. The statistical section provides comparisons of selected information beginning with FYE 2007 through the current audited fiscal year.

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. All of the resources the Town has at its disposal are shown, including major assets such as buildings and infrastructure. The statement of net position includes all of the government's assets, deferred outflows of resources, liabilities and deferred inflow of resources. A thorough accounting of the cost of government is rendered because the statements present all costs, regardless of when cash is received or paid. They provide both long-term and short-term information about the Town's overall financial status.

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

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

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 Exhibits I and II 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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The fund financial statements focus on individual parts of the Town government, reporting the Town's operations in more detail than the government-wide statements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Most of the basic services provided by the Town are financed through 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, the government fund statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The Town maintains fifty-three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, School Trust Funds and Debt Service Fund, all of which are considered to be major funds. The School Unrestricted Fund has been included in the General Fund, in the basic governmental financial statements, which can be found on Exhibits III and IV. Data from the other forty-seven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements included in other supplementary information.

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

The basic governmental fund financial statements can be found on Exhibits III through IX of this report.

Proprietary funds. The Town 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 uses enterprise funds to account for its water fund, wastewater operations fund, solid waste fund and school cafeteria fund. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the Town's various functions. The Town uses internal service funds to account for the health care management fund and the compensated absences fund. The health care management fund is used for medical costs incurred by persons covered by the health insurance plans of the Town, and to pay expenses incurred in connection with administering the plan. The compensated absences fund accounts for accrued sick and vacation time for the various governmental funds. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water fund, wastewater operations fund, solid waste fund and school cafeteria fund, all of which are considered to be major funds of the Town of South Kingstown. The basic proprietary fund financial statements can be found on pages Exhibit V through VII 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'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 Exhibits VIII and IX 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. Included in the notes is the information pertaining to the Town's funding obligation to provide pension and OPEB benefits to its employees. The notes to the financial statements can be found on pages 28-71 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This section includes budgetary comparison schedules, which includes reconciliation between the statutory fund balance for budgetary purposes and the fund balances for the General Fund and School Fund as presented in the governmental fund financial statements. Required supplementary information can be found on pages 72-83 of this report following the notes to the financial statements.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 84-109.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town of South Kingstown's combined net position, assets and deferred outflow of resources exceeded liabilities by \$85,264,908 (government and business-type activities), at the close of the most recent fiscal year.

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
NET POSITION
For the Fiscal Years Ended June 30, 2016 and 2015 (in 000s)

	Governmental Activities		Business-Type Activities		Total	
	2016	2015 Restated	2016	2015	2016	2015
Current and other assets	\$ 61,414	\$ 65,430	\$ 10,695	\$ 10,113	\$ 72,109	\$ 75,543
Capital assets, net of accumulated depreciation	81,051	80,395	22,332	22,125	103,383	102,520
Total assets	<u>142,465</u>	<u>145,825</u>	<u>33,027</u>	<u>32,238</u>	<u>175,492</u>	<u>178,063</u>
Deferred outflows of resources	7,166	5,857			7,166	5,857
Current liabilities	8,198	12,541	1,063	1,406	9,261	13,947
Long-term liabilities outstanding	80,892	75,311	1,608	1,849	82,500	77,160
Total liabilities	<u>89,090</u>	<u>87,852</u>	<u>2,671</u>	<u>3,255</u>	<u>91,761</u>	<u>91,107</u>
Deferred inflows of resources	5,632	9,167			5,632	9,167
Net Position:						
Net investment in capital assets	70,479	67,773	20,765	20,380	91,244	88,153
Restricted	2,296	2,382			2,296	2,382
Unrestricted	<u>(17,866)</u>	<u>(15,492)</u>	9,591	8,603	<u>(8,275)</u>	<u>(6,889)</u>
Total Net Position	<u>\$ 54,909</u>	<u>\$ 54,663</u>	<u>\$ 30,356</u>	<u>\$ 28,983</u>	<u>\$ 85,265</u>	<u>\$ 83,646</u>

The largest portion of the Town's net position 107% reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

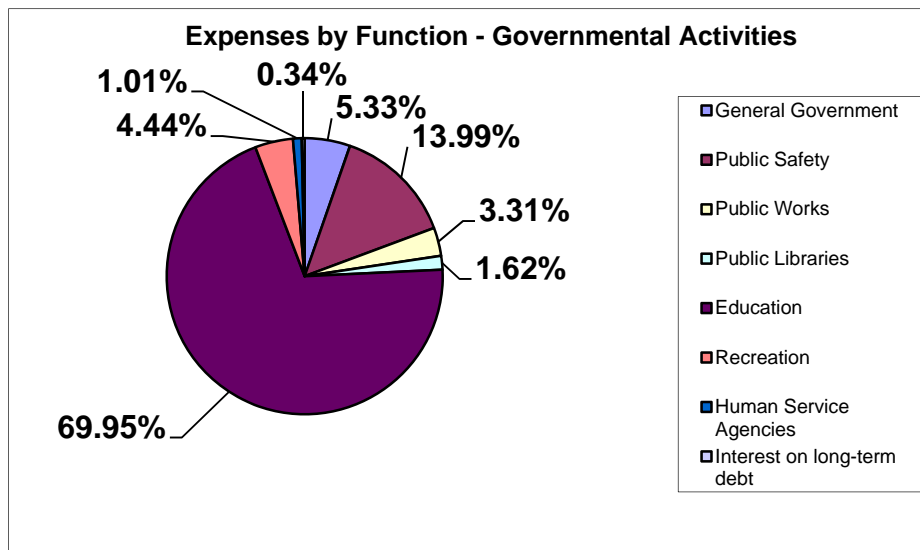
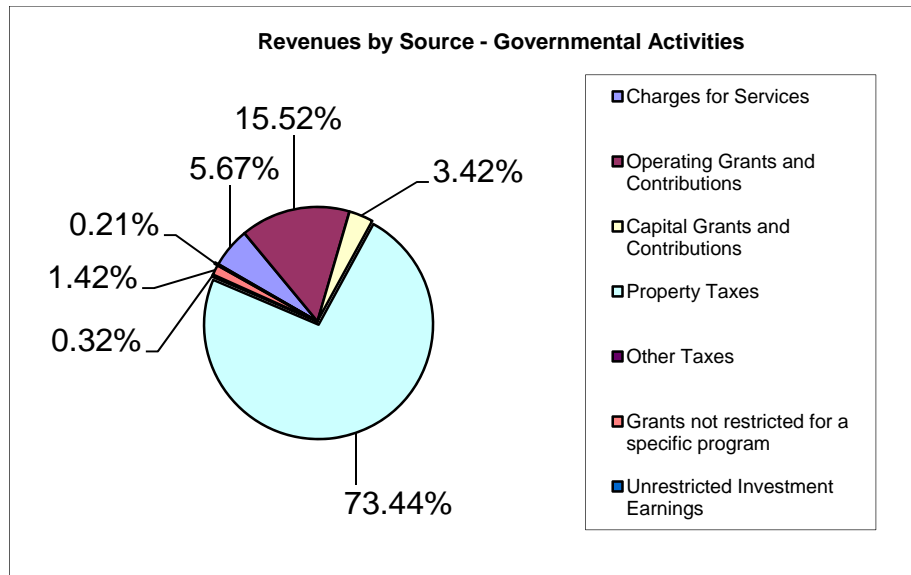
An additional portion of the Town's net position (4.2% or \$2,295,984) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the Town's ongoing obligations to citizens and creditors. Internally imposed designations of resources are not presented as restrict net position.

At the end of the current fiscal year, the Town of South Kingstown, with one exception, is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. Due to the implementation of GASB 75 and a restatement of prior year, the unrestricted net position deficit decreased by approximately \$2,374,000.

Governmental Activities. The Town's restated net position increased by \$1,619,129 during the current fiscal year.

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
CHANGES IN NET POSITION
For the Fiscal Years Ended June 30, 2016 and 2015 (in 000s)

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 5,334	\$ 5,419	\$ 5,512	\$ 5,744	\$ 10,846	\$ 11,163
Operating grants and contributions	14,611	12,941	428	432	15,039	13,373
Capital grants and contributions	3,218	524			3,218	524
General revenues:						
Property taxes	69,127	68,534			69,127	68,534
Motor vehicle phase-out taxes	140	139			140	139
Telephone and hotel taxes	159	141			159	141
Grants not restricted to specific programs	1,341	1,960			1,341	1,960
Unrestricted investment earnings	193	661	35	19	228	680
Total revenues	<u>94,123</u>	<u>90,319</u>	<u>5,975</u>	<u>6,195</u>	<u>100,098</u>	<u>96,514</u>
Expenses:						
General government	4,960	4,132			4,960	4,132
Public safety	13,021	10,224			13,021	10,224
Public works	3,084	4,621			3,084	4,621
Human service agencies	944	929			944	929
Public libraries	1,507	1,283			1,507	1,283
Education	65,101	61,776			65,101	61,776
Recreation	4,135	2,648			4,135	2,648
Interest on long-term debt	321	820			321	820
Wastewater			3,106	3,224	3,106	3,224
Solid waste			499	477	499	477
Water			818	927	818	927
School Cafeteria			983	940	983	940
Total expenses	<u>93,073</u>	<u>86,433</u>	<u>5,406</u>	<u>5,568</u>	<u>98,479</u>	<u>92,001</u>
Change in net position before transfers	1,050	3,886	569	627	1,619	4,513
Transfers	(804)	104	804	(104)	-	-
Change in net position	<u>246</u>	<u>3,990</u>	<u>1,373</u>	<u>523</u>	<u>1,619</u>	<u>4,513</u>
Net Position at Beginning of Year, as Restated	<u>54,663</u>	66,258	<u>28,983</u>	<u>28,460</u>	<u>83,646</u>	94,718
Restatement for GASB No. 75 Implementation		<u>(15,585)</u>				<u>(15,585)</u>
Net Position at End of Year	<u>\$ 54,909</u>	<u>\$ 54,663</u>	<u>\$ 30,356</u>	<u>\$ 28,983</u>	<u>\$ 85,265</u>	<u>\$ 83,646</u>



Governmental activities increased the Town's net position by \$246,231 thereby accounting for 15.2% of the total growth in the net position of the Town.

Major revenue factors included:

- Property taxes are the largest revenue source for governmental activities accounting for approximately 73.44% of total revenues. Operating grants and contributions and charges for services, fees, and licenses provide approximately 15.52% and 5.67% of total revenues respectively.
- Property tax revenues recorded for the 2016 fiscal year increased by \$592,824 or .87% over prior year. This increase is mainly due to an increase in the amount of current and prior year taxes received. The Town's tax rate increased from \$15.48 to \$15.52 per thousand dollars of assessed valuation. The growth in the total assessed value of taxable property, excluding motor vehicles, was 0.97%. Motor vehicle values increased by \$6,438,472 over the prior year, from \$187,325,550 to \$193,764,022 and assumed utilizing an exemption value of \$3,000 per vehicle. Motor vehicle values are assessed at a rate of \$18.71 per thousand dollars of assessed value. This rate has been frozen by the State since FY1998. Total assessed value of all taxable property increased by \$30,509,440 from \$4,327,531,033 to \$4,374,248,716.

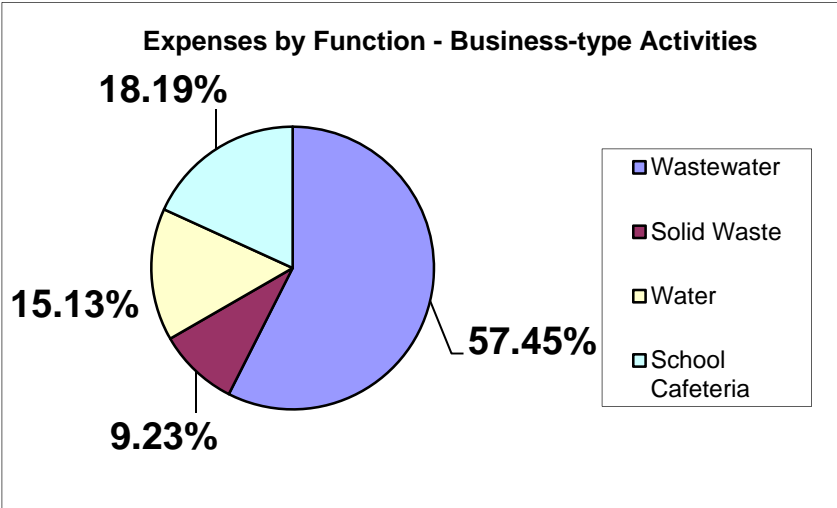
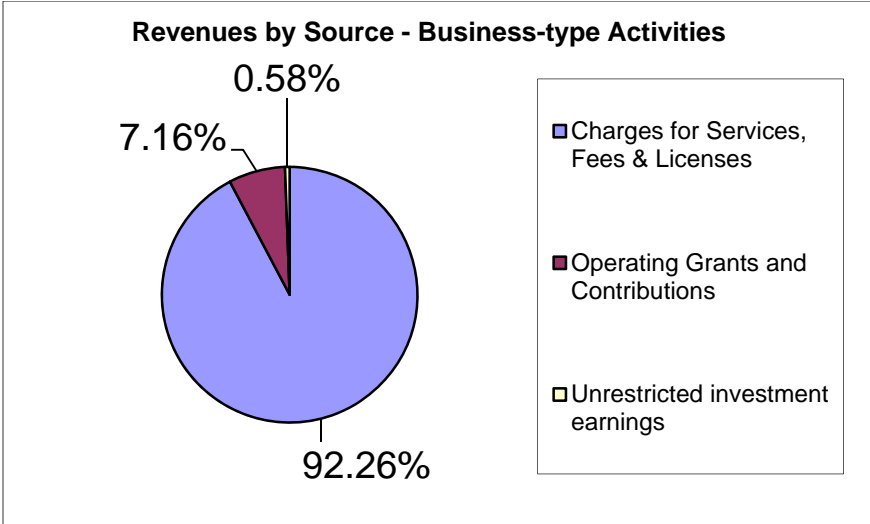
- Charges for services decreased by \$85,621. Although the overall decrease was minor there were several cell antenna tenants renting on town property that had terminated their contracts within the fiscal year which accounted for \$56,187 of this decrease. While a significant shortfall is reported in public works of \$154,354 it was mainly attributed to a decrease in real estate conveyance tax and inspection fees of since there were no new developments in town during FY2016. The Town sought an increase of \$33,055 in public safety which was mainly attributed to police cruiser fees for detail. Adding to the increase were client payments for the Adult Day services of \$36,365 and an increase of \$24,274 in recreation program fees. However, offsetting these increases was a shortfall in education services fees of approximately \$50,000 specifically from fair share development fees. Annual variances in several other functions attributed to the decrease for program revenues.
- Operating grants and contributions increased by \$1,670,655 from the previous fiscal year. The school department recognized several increases in their operating grants from IDEA, State Housing Aid reimbursement for bonded and capital projects as well as private donations from the RI Foundation and the Education Development Center. The overall increase in these programs was offset by a reduction in funding of unrestricted state aid of \$243,261 for the School Department, based on the revised State funding formula for education aid. Other state and federal grant programs accounted for the majority of the increase in this category such as the Community Development Block Grant, Drug Free Grant and Property Revaluation Reimbursement from the state grant program; \$61,622, \$55,451 and \$109,800 respectively.
- Capital Grants and Contributions increased significantly by \$2,693,137 from the previous fiscal year. The Town accepted the transfer of ownership and responsibility for the Intermodel Comfort Station from the RI Department of Transportation which was valued at \$1,234,319. The Comfort Station will serve as a public meeting facility and resource center. The Recreation Department will be overseeing the day to day use and maintenance of the facility. Additionally, the Town received approximately \$400,000 in funding from the State of RI Emergency Management Agency for the East Matunuck Water Main project as well as CDBG Disaster Recovery grants.
- Investment earnings decline from a gain of \$661,351 in the prior fiscal year to gain of \$193,395 for the fiscal year ended June 30, 2016, a decrease of \$467,956. The reduction was the result of slight portfolio gains and income in the School Trust Funds. While the 2015 fiscal year had positive results, the return on investment was not as great as the prior period fiscal year. School Trust Funds generated \$50,931 in investment income as compared to \$420,370 in the prior fiscal year. Offsetting the decrease in equity gains was an increase in General Fund investment earnings of \$51,742, as compared to the previous year, a result of favorable equity market conditions and diversity in asset vehicles.

Education expenses account for approximately 70% of the total expenses within the governmental funds of the Town. Public safety and recreation expenses account for approximately 14% and 4.4% respectively of the total expenses for the 2016 fiscal year. Major expense factors included:

- Governmental activities expenses increased by \$6,639,251 from \$86,432,827 to \$93,072,078. The increase is reflective of the recognition of depreciation expense in the governmental activities programs of \$3,933,144 as well as the recognition of capital assets and accounting for increases in compensated absence liabilities for all employees who accrued sick and vacation accruals at year end. All labor contracts for the town employees had a 2.25% cost of living increase. The recognition of Municipal Employees Retirement System is also recorded within each function of the governmental activities.
- Although for FY2016 the public works expenditures have general government expenditures appears to have decreased by approximately \$1,537,171 generated mainly through attrition and a mild winter thus significant decrease in overtime and other storm related operating costs. The Town reports increases is all other functions of the government as follows. A significant increase is reported in education of \$3,324,064 related to a GAAP expenditure recognized for teacher's pension liability from the federal government.

- Interest on long term debt declined by \$498,636 based on a declining debt schedule.
- Overall expenses related to public libraries increased by \$224,256 and was attributed to an increase the recognition of depreciation.
- The vast majority of the changes from the prior year which netted an increase of \$1,486,926 in recreation program activities were due to an increase in additional capital assets offset by a decrease of depreciation expense of \$1,477,181.

Business-type activities. Net position in business-type activities increased slightly by \$1,372,898 resulting in a 4.7% increase in business-type net position.



Charges for services for business-type activities accounted for 92.26% of the total revenue sources. The balance of revenues for business-type activities was from operating grants and contributions 7.16%, and investment earnings 0.58%.

Wastewater treatment expenses account for approximately 57.45% of the total expenditures within the business-type activities of the Town. The school cafeteria fund, water fund and solid waste fund expenses account for approximately 18.19%, 15.13% and 9.23% respectively of the total business-type activities expenditures for the 2016 fiscal year.

Charges for services for business-type activities decreased slightly from \$5,743,569 to \$5,512,368, an increase of \$231,201. The wastewater fund accounted for \$208,597, or 90%, of the overall decrease in this category. This decrease is attributable to the Town's new memorandum of understanding with our regional partners, University of Rhode Island and the Town of Narragansett, whereby a new billing methodology was agreed upon to separate the operations and maintenance costs from the capital improvement projects. Therefore, the decrease is reflective of an accounting method and not necessarily related to a reduction in user fees.

Several other minor variances contributed to the remaining decrease. Charges for services for the cafeteria fund declined by \$18,654, however, operating grants and contributions remained the same in this fund. A close review of the cafeteria fund reports a positive net position for the fiscal year of \$5,389. This fund had reported deficits in prior years. Unrestricted investment earnings increased slightly from \$19,052 to \$34,819 for all business-type activities.

Expenses in the wastewater fund decreased by \$117,676 due to the new billing methodology among our regional partners. The \$109,425 decrease in water fund expenses was related to savings in vehicle maintenance, employee attrition, and tank maintenance

The \$21,863 increase in expenses for the solid waste fund was directly attributable to an transportation and disposal costs of approximately \$16,083 and several other minor variances. Costs to operate the cafeteria fund increased by \$43,409 or 4.6%, based on the food service contract entered in to by the school department.

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

Financial Analysis of the Government's Funds

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

As of the end of the current fiscal year, the Town of South Kingstown's governmental funds reported combined ending fund balances of \$49,692,073. Of this amount, \$10,258,105 is available for spending at the government's discretion (unassigned) within the Town. The remaining fund balance of \$39,433,968 includes \$1,000,000 committed to help finance the 2016-2017 fiscal year budgets and \$1,000,000 committed to help pay for Superfund remediation costs. The remaining amount of \$37,433,968 consists of non-spendable fund balance of \$15,739,239, restricted fund balance of \$6,280,158 and committed fund balance of \$17,414,571.

The General Fund is the chief operating fund of the Town and reflects the Unrestricted School Fund included within it. At the end of the current fiscal year, excluding the School Fund amount, the total General Fund balance was \$12,081,521 which represents a slight increase of \$204,013. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total General Fund budgeted expenditures. Unassigned fund balance represents 13.18% of the 2017 FY Adopted General Fund Expenditure Budget, while total fund balance represents 20.2% of that same amount.

The fund balance of the Town of South Kingstown's General Fund, excluding the School Fund, increased by \$204,013 as compared to the June 30, 2015 fund balance. This increase is the result positive operating results in the General Fund. Key factors in this increase are as follows:

- The Town committed \$675,000 of fund balance to help finance the 2015-2016 General Fund budget. The planned drawdown of fund balance was \$150,000 less than the prior year commitment of fund balance.

- The difference between the GAAP basis of accounting and the budgetary basis of accounting is the result of recognizing the fund balance commitment of \$675,000, as a revenue source under the budgetary basis but not the GAAP basis. In addition, accounting for encumbrances resulted in an increase of \$98,166 on a budgetary basis expenditures being more than the GAAP basis.
- The Town also committed \$200,000 of fund balance to help finance the construction of the South Kingstown Community Recreation Center. The commitment is not part of the expenditures on a budgetary basis but is a GAAP net change in fund balance reconciling item.
- On a budgetary basis, the operating surplus in the General Fund was \$1,006,452 for 2015-2016. Expenditures under budget contributed \$359,332 to the surplus, while revenues finished the fiscal year with a \$637,853 surplus. Other financing sources (uses) over budget increased the surplus by \$9,267.
- Conservative spending patterns and the deferral of filling vacant positions allowed the Town to achieve savings of \$462,814 on the expenditure side. Favorable expenditure variances of significance included savings in general government accounts \$84,109, public safety \$163,205, public works \$122,701, and other minor savings.
- Better than anticipated tax collections resulted in positive budget surplus variance in property taxes of \$209,148. Additionally, state aid revenues were higher than anticipated by \$96,474 specifically attributed to general state aid, hotel taxes, and meals and beverage taxes offset slightly by shortfalls in telephone tax and motor vehicle phase-out taxes. Departmental revenues of \$256,485 and investment income of \$83,954 contributed to the budgetary surplus as well. All five revenue categories recognized positive variances. A minor shortfall in licenses, fees and rents of \$37,419 related to building licenses was reported.

The fund balance of the School Fund increased by \$359,241 as compared to the June 30, 2015 fund balance. Key factors in this decrease are as follows:

- The School committed \$400,000 of fund balance to help finance the 2015-2016 school's operating budget. The planned drawdown of fund balance was consistent with the prior year commitment of fund balance.
- The School also committed \$250,000 to help finance some capital projects as outlined in the 2015-2016 capital improvement program.

The school fund has a total fund balance of \$3,504,232 of which \$16,615 is committed to liquidate contracts and purchase orders of the prior period, \$6,000 is committed to the computer system, \$12,402 is recognized as non-spendable for prepaid expenditures and \$400,000 is committed to help finance the 2016-2017 fiscal year budget. The remaining balance of \$3,069,215 is available to help finance future years' school budgets.

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

Unrestricted net position in the wastewater fund at the end of the fiscal year totaled \$6,101,497 an increase of \$699,016. Unrestricted net position in the water fund increased by \$384,497 to a total of \$2,549,390. The school cafeteria operation maintains a surplus position of \$72,993 of which \$49,494 is unrestricted while the solid waste fund finished the year with unrestricted net position of \$822,011 which was a slight decrease in value of \$80,504 mainly attributed to depreciation expense of capital assets. The restricted fund balance of \$68,571 is related to grant revenues received by Rhode Island Resource Recovery for the purpose of training and educating the residence on the importance of recycling in our community, a slight decrease of \$15,888 from the prior year. The Town has been actively educating the importance of the recycling program.

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 2015-2016 fiscal year with a \$1,006,452 budgetary surplus. Differences between the original budget and the final amended budget involved transferring funds from departments with expenditure surpluses to departments with expenditure deficits and transferring various department surpluses to different reserve funds to ensure adequate funds for future anticipated capital expenditures.

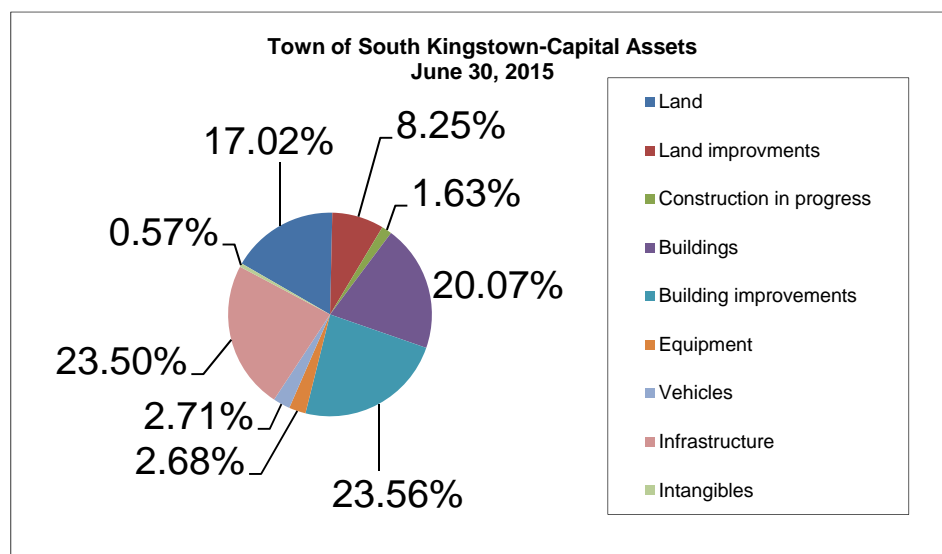
Capital Asset and Debt Administration

Capital assets. The Town of South Kingstown's investment in capital assets for its governmental and business type activities as of June 30, 2016 amounts to \$103,382,882 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, infrastructure, and construction in progress. The 2016 fiscal year resulted in an increase in value of investment in capital assets. The total increase in the Town of South Kingstown's investment in capital assets for the current fiscal year was .84 percent (a .81 percent increase for governmental activities and a .94 percent increase for business-type activities)The increase was due to the increase in assets capitalized as compared to the amount of depreciation expense recognized in the 2016 fiscal year, specifically, the amount of new capital assets was \$6,248,646 for the governmental activities, however, the amount of accumulated depreciation was \$3,933,144.

Town of South Kingstown's Capital Assets

(Net of accumulated depreciation) in 000s

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 13,798	\$ 13,798	\$ 1,587	\$ 1,587	\$ 15,385	\$ 15,385
Construction in progress	1,322	2,083	790	362	2,112	2,445
Land improvements	6,689	6,710	1,922	1,972	8,611	8,682
Buildings	16,268	15,665	3,120	3,256	19,388	18,921
Building improvements	19,092	19,743	1,711	1,520	20,803	21,263
Equipment	2,175	2,108	2,050	2,222	4,225	4,330
Vehicles	2,195	2,132	140	138	2,335	2,270
Infrastructure	19,049	18,150	10,855	11,068	29,904	29,218
Intangibles	463	6	157		620	6
Total	\$ 81,051	\$ 80,395	\$ 22,332	\$ 22,125	\$ 103,383	\$ 102,520



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

- The purchase of a street sweeper, a medium dump truck and the upgrade of our fuel management system software for Public works which accounted for \$443,447 of the Town's investment in capital assets.
- A new vehicle was purchased for the animal control division as well as an administrative sedan for the recreation department.
- A variety of road construction projects were completed and capitalized. Projects capitalized as infrastructure totaled \$874,206, which included work completed on Saugatuck Road and Waites Corner Road.
- Various capital projects to the public safety facility accounted for \$125,703 in improvements specifically related to the chiller. Improvements were also completed to the chimney at the library accounting for \$19,420 and recreational playground facilities for \$122,856.
- Upgrades to the Town's IT network totaled \$325,272. A majority of these upgrades were attributed to the Town's Fiber Installation project. Additionally, the cost for the Police Station network upgrades were \$125,253.
- Construction in progress of the Governmental Funds increased by \$889,192 mainly attributed to the construction of the Community Recreation Center.

Additional information on the Town of South Kingstown's capital assets can be found in Note 7 on pages 40-41 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 \$12,034,183, entirely backed by the full faith and credit of the Town. Bonds authorized but unissued totaled an additional \$17,715,000.

State statutes limit the amount of general obligation bonded debt a town can issue to 3% of net assessed property values. However, all bonds approved through State enabling legislation and voter referendums are exempt from the limit. At June 30, 2016, the Town had a debt limit of \$131,227,462. Of the Town's \$12,034,183 in debt outstanding, \$4,362,605 is subject to the Town's legal debt limit. A balance of \$126,864,857 exists within the legal limit for additional bonds to be issued.

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
General Obligation Bonds	\$ 10,467	\$ 12,511	\$ 1,567	\$ 1,745	\$ 12,034	\$ 14,256

The Town's total bonded debt declined by the amount of principal payments made of \$2,221,795, 15.59% during the 2016 fiscal year. The Town did not issue any new debt during the fiscal year.

On March 25, 2015, the Town Manager, Finance Director and Planning Director met with the Town's bond rating agency, Moody's Investors Services, to affirm the Town's Aa1 rating which is the highest local municipal rating in the State. In their report, Moody's noted the Town's "stable financial position with healthy reserves, and low debt burden" as a basis for their review and consideration. South Kingstown is one of only four Rhode Island communities that have a bond rating of Aa1. The Town had previously received upgrades from A to A-1 in 1991, from A-1 to Aa3 in 2002 and from Aa3 to Aa2 in 2006. The Moody's credit report cited the following factors for the affirmation:

- The Aa1 rating reflects the town's moderately-sized tax base with favorable wealth levels and institutional presence, stable financial position with healthy reserves, and low debt burden
- Experienced management team who employ conservative budgeting and financial management as evidenced in stable reserve levels, formal fiscal policies, and long-term planning for capital expenditures
- University of Rhode Island provides economic stability
- Low debt burden and sound funding of OPEB liability, OPEB funded ratio is strong at 20.6%
- Locally administered pension plans have strong funded ratios
- Collections remain very strong at above 98%

Additional information on the Town of South Kingstown's long-term debt can be found in note 10 on pages 45-48 of this report.

Economic Factors and Next Year's Budgets and Rates

- As of June 2016, the town had an unemployment rate of 5.2%. The labor force in South Kingstown was 16,760 with employment at 15,890 yielding an unemployment rate of 5.5%, a drop of 0.10% from prior year.
- The final budget for 2017 was adopted in the amount of \$77,357,955 which represents an increase of \$1,654,949, or 2.2%, from the prior fiscal year. This is considered a modest increase based on the difficult economic environment in which the Town and the State of Rhode Island have been operating.
- Property tax revenues for the fiscal year 2017 reflect an increase in the Town's tax levy of 5.7% or \$1,893,317 greater than the previous fiscal year. The property tax rate decreased from \$15.52 to \$15.09 per thousand dollars of assessed value due to the third year requirement for a statistical update as of December 31, 2015 which was used in calculated the FY 2016-2017 Taxable Property Roll. Total taxable property increased slightly by \$243,343,988 from \$4,374,248,719 to \$4,617,592,707.
- Based on a declining debt service schedule debt service costs were reduced by \$359,348. The pay-as-you-go portion of the 2016-17 FY Capital Budget increased slightly by \$147,850 mainly attributable to investment in capital equipment.

During the current fiscal year, the fund balance in the General Fund increased to \$12,081,521. The Town of South Kingstown has committed \$600,000 of this amount for spending in the 2017 fiscal year budget and \$1,000,000 to pay for future Superfund debt service costs, \$80,435 is committed for future municipal planning projects and \$226,100 is committed for outstanding purchase orders at June 30, 2016. The Town also has an unassigned fund balance of \$10,171,662 to use at its discretion.

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

Basic Financial Statements

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 32,109,814	\$ 9,697,266	\$ 41,807,080
Investments	21,740,651		21,740,651
Receivables, net of allowance for uncollectibles	5,460,398	883,834	6,344,232
Due from federal and state governments	1,376,764	27,073	1,403,837
Internal balances	(87,068)	87,068	-
Prepaid items	21,307		21,307
Total current assets	<u>60,621,866</u>	<u>10,695,241</u>	<u>71,317,107</u>
Noncurrent Assets:			
Deposits	388,600		388,600
Net pension asset	403,110		403,110
Capital assets not being depreciated	15,119,658	2,376,091	17,495,749
Capital assets, net of accumulated depreciation	65,931,395	19,955,738	85,887,133
Total noncurrent assets	<u>81,842,763</u>	<u>22,331,829</u>	<u>104,174,592</u>
Total assets	<u>142,464,629</u>	<u>33,027,070</u>	<u>175,491,699</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	295,926		295,926
Difference between expected and actual experience	138,133		138,133
Changes in assumptions	985,456		985,456
Contributions after the measurement date	5,088,524		5,088,524
Changes in projected investments earnings	658,345		658,345
Total deferred outflows of resources	<u>7,166,384</u>	<u>-</u>	<u>7,166,384</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	967,604	307,773	1,275,377
Accrued liabilities	3,137,890	237,540	3,375,430
Due to federal and state governments	76,851		76,851
Due to fiduciary trust funds	88		88
Unearned revenue	291,343	251,095	542,438
Deposits held in custody of others	158,662		158,662
Current maturities of long-term obligations	3,565,361	266,491	3,831,852
Total current liabilities	<u>8,197,799</u>	<u>1,062,899</u>	<u>9,260,698</u>
Noncurrent liabilities:			
Due in more than one year	80,891,941	1,608,562	82,500,503
Total liabilities	<u>89,089,740</u>	<u>2,671,461</u>	<u>91,761,201</u>
Deferred Inflows of Resources:			
Difference between expected and actual experience	3,839,215		3,839,215
Changes in assumptions	1,350,425		1,350,425
Changes in projected investments earnings	34,829		34,829
Changes in proportionate share	407,505		407,505
Total deferred inflows of resources	<u>5,631,974</u>	<u>-</u>	<u>5,631,974</u>
NET POSITION			
Net investment in capital assets	70,479,567	20,764,646	91,244,213
Restricted for:			
Endowments:			
Expendable	1,882,751		1,882,751
Nonexpendable	413,233		413,233
Unrestricted	(17,866,252)	9,590,963	(8,275,289)
Total Net Position	<u>\$ 54,909,299</u>	<u>\$ 30,355,609</u>	<u>\$ 85,264,908</u>

The accompanying notes are an integral part of the financial statements

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Function/Program Activities	Program Revenues				Net Revenue (Expense) and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 4,959,774	\$ 561,391	\$ 446,135	\$	\$ (3,952,248)	\$	\$ (3,952,248)
Public safety	13,020,538	1,391,139	243,823		(11,385,576)		(11,385,576)
Public works	3,084,179	754,636		1,983,199	(346,344)		(346,344)
Human service	943,812	162,652	324,671		(456,489)		(456,489)
Public libraries	1,506,903	20,855	247,664		(1,238,384)		(1,238,384)
Education	65,100,240	833,574	13,331,515		(50,935,151)		(50,935,151)
Recreation	4,135,318	1,609,412	17,619	1,234,319	(1,273,968)		(1,273,968)
Interest and fiscal charges	321,314				(321,314)		(321,314)
Total governmental activities	<u>93,072,078</u>	<u>5,333,659</u>	<u>14,611,427</u>	<u>3,217,518</u>	<u>(69,909,474)</u>	<u>-</u>	<u>(69,909,474)</u>
Business-type activities:							
Wastewater	3,105,813	3,285,671				179,858	179,858
Solid waste	498,920	506,858				7,938	7,938
Water	818,052	1,158,964				340,912	340,912
School cafeteria	983,204	560,875	427,718			5,389	5,389
Total business-type activities	<u>5,405,989</u>	<u>5,512,368</u>	<u>427,718</u>	<u>-</u>	<u>-</u>	<u>534,097</u>	<u>534,097</u>
Total	<u>\$ 98,478,067</u>	<u>\$ 10,846,027</u>	<u>\$ 15,039,145</u>	<u>\$ 3,217,518</u>	<u>(69,909,474)</u>	<u>534,097</u>	<u>(69,375,377)</u>
General revenues:							
Property taxes					69,126,888		69,126,888
Motor vehicle phase-out taxes					139,730		139,730
Telephone and hotel taxes					159,174		159,174
Grants and contributions not restricted to specific programs					1,340,500		1,340,500
Unrestricted investment earnings					193,395	34,819	228,214
Transfers:					(803,982)	803,982	-
Total general revenues and transfers					<u>70,155,705</u>	<u>838,801</u>	<u>70,994,506</u>
Change in net position					246,231	1,372,898	1,619,129
Net Position at Beginning of Year, as Restated					<u>54,663,068</u>	<u>28,982,711</u>	<u>83,645,779</u>
Net Position at End of Year					<u>\$ 54,909,299</u>	<u>\$ 30,355,609</u>	<u>\$ 85,264,908</u>

The accompanying notes are an integral part of the financial statements

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016

	<u>General</u>	<u>School Trust Fund</u>	<u>Debt Service Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 23,351,144	\$ 887,839		\$ 7,583,989	\$ 31,822,972
Investments	4,508,850	15,923,495		1,308,306	21,740,651
Accounts and other receivable	1,224,550			137,384	1,361,934
Due from federal and state governments	63,012			1,313,752	1,376,764
Due from other funds	911,082		288,071	8,055,530	9,254,683
Prepaid items	15,726			5,581	21,307
Total Assets	<u>\$ 30,074,364</u>	<u>\$ 16,811,334</u>	<u>\$ 288,071</u>	<u>\$ 18,404,542</u>	<u>\$ 65,578,311</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 698,198			\$ 269,406	\$ 967,604
Accrued liabilities	2,765,565			89,453	2,855,018
Due to state and federal governments	57,633			19,218	76,851
Due to other funds	9,996,742			910,153	10,906,895
Unearned revenue	181,946			109,397	291,343
Deposits held in custody of others	158,662				158,662
Total liabilities	<u>13,858,746</u>	<u>-</u>	<u>-</u>	<u>1,397,627</u>	<u>15,256,373</u>
Deferred inflows of resources:					
Unavailable revenue - property taxes	629,865				629,865
Total deferred inflows of resources	<u>629,865</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>629,865</u>
Fund balances:					
Nonspendable	15,726	413,233		5,581	434,540
Restricted		16,398,101	288,071	4,985,128	21,671,300
Committed	5,398,365			12,016,206	17,414,571
Unassigned	10,171,662				10,171,662
Total fund balances	<u>15,585,753</u>	<u>16,811,334</u>	<u>288,071</u>	<u>17,006,915</u>	<u>49,692,073</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 30,074,364</u>	<u>\$ 16,811,334</u>	<u>\$ 288,071</u>	<u>\$ 18,404,542</u>	<u>\$ 65,578,311</u>

(Continued on next page)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2016

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

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

Fund balances - total governmental funds (Exhibit III)	\$ 49,692,073
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Governmental capital assets	\$ 152,351,924	
Less accumulated depreciation	<u>(71,300,871)</u>	
Net capital assets		81,051,053

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

Property tax receivables greater than 60 days	629,865
Net pension asset	403,110
Deferred outflows related to changes in assumptions	985,456
Deferred outflows related to contributions after the measurement date	5,088,524
Deferred outflows related to changes in projected investments earnings	658,345
Deferred outflows related to differences between expected and actual experience	138,133

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

6,091,079

Long-term liabilities and deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds:

Bonds payable	(10,467,000)
Deferred charges on refunding	295,926
Deferred inflows related to changes in assumptions	(1,350,425)
Deferred inflows related to changes in projected investments earnings	(34,829)
Deferred inflows related to differences between expected and actual experience	(3,839,215)
Deferred inflows related to changes in proportionate share of pension liabilities	(407,505)
Unamortized bond issue premium	(400,412)
Interest payable on bonds	(34,989)
Compensated absences	(4,954,177)
Net pension liability	(59,039,892)
Net OPEB liability	(8,130,516)
Claims and judgments	<u>(1,465,305)</u>

Net Position of Governmental Activities (Exhibit I)	\$ <u>54,909,299</u>
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The accompanying notes are an integral part of the financial statements

**TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	General	School Trust Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes, interest and lien fees	\$ 69,170,273	\$	\$	\$	\$ 69,170,273
Intergovernmental revenues	9,712,408		688,624	3,823,233	14,224,265
Licenses and fees	1,327,687			472,966	1,800,653
Investment income	175,312	50,831		(33,476)	192,667
Fines and charges	205,925			1,462,082	1,668,007
Departmental	1,319,990				1,319,990
Contributions				61,623	61,623
State on-behalf pension contribution	2,449,310				2,449,310
Other revenues	509,145		51,944	230,716	791,805
Total revenues	<u>84,870,050</u>	<u>50,831</u>	<u>740,568</u>	<u>6,017,144</u>	<u>91,678,593</u>
Expenditures:					
Current:					
General government	3,598,573			178,121	3,776,694
Public safety	10,115,844			443,357	10,559,201
Public works	2,674,674			310,173	2,984,847
Human service agency contribution	161,800			778,261	940,061
Public libraries	1,180,756			40	1,180,796
Education	60,336,464			1,860,355	62,196,819
Recreation	1,787,933			870,859	2,658,792
Other	896,311	70,944			967,255
Debt service:					
Principal retirement			1,994,000	50,000	2,044,000
Interest and other charges			333,783	1,150	334,933
Capital outlay				3,508,744	3,508,744
Total expenditures	<u>80,752,355</u>	<u>70,944</u>	<u>2,327,783</u>	<u>8,001,060</u>	<u>91,152,142</u>
Excess (Deficiency) of Revenues over Expenditures	<u>4,117,695</u>	<u>(20,113)</u>	<u>(1,587,215)</u>	<u>(1,983,916)</u>	<u>526,451</u>
Other Financing Sources (Uses):					
Transfers in from other funds	699,078		1,875,286	3,285,710	5,860,074
Transfers out to other funds	(4,253,519)	(506,945)		(1,728,750)	(6,489,214)
Total other financing sources (uses)	<u>(3,554,441)</u>	<u>(506,945)</u>	<u>1,875,286</u>	<u>1,556,960</u>	<u>(629,140)</u>
Net Change in Fund Balances	563,254	(527,058)	288,071	(426,956)	(102,689)
Fund Balances at Beginning of Year	<u>15,022,499</u>	<u>17,338,392</u>	<u>-</u>	<u>17,433,871</u>	<u>49,794,762</u>
Fund Balances at End of Year	<u>\$ 15,585,753</u>	<u>\$ 16,811,334</u>	<u>\$ 288,071</u>	<u>\$ 17,006,915</u>	<u>\$ 49,692,073</u>

(Continued on next page)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2016

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

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

Net change in fund balances - total governmental funds (Exhibit IV) \$ (102,689)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	4,597,963
Depreciation expense	(3,933,144)
Loss on disposition of capital assets	(8,747)

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

Property taxes collected after 60 days	(48,047)
Change in Net pension asset	(262,048)
Change in deferred outflows related to differences between expected and actual experience	138,133
Change in deferred outflows related to changes in assumptions	640,736
Change in deferred inflows related to changes in projected investments earnings	635,108
Change in deferred outflows related to contributions after the measurement date	(95,083)

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

Principal payments	2,044,000
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Amortization of deferred charges in refunding	(33,198)
Change in deferred inflows related to differences between expected and actual experience	(3,839,215)
Change in deferred inflows related to changes in assumptions	241,219
Change in deferred inflows related to changes in projected investments earnings	7,564,190
Change in deferred inflows related to changes in proportionate share of net pension liability	(407,505)
Amortization of bond premiums	39,737
Accrued interest	6,080
Change in long-term compensated absences	238,218
Change in net pension liability	(9,290,818)
Change in net OPEB liability	1,590,257
Change in claims and judgments	78,348

The net expense of the internal service funds is reported with governmental activities.	452,736
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Change in Net Position of Governmental Activities (Exhibit II)	\$ <u>246,231</u>
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The accompanying notes are an integral part of the financial statements

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2016

	Business-Type Activities - Enterprise Funds					Governmental
	Major Funds					Activities
	Wastewater	Solid Waste	Water	School Cafeteria	Total	Internal Service Fund
Assets:						
Current assets:						
Cash and cash equivalents	\$ 6,456,528	\$ 859,336	\$ 2,379,735	\$ 1,667	\$ 9,697,266	\$ 286,842
Accounts and other receivables, net	473,452	81,071	319,859	9,452	883,834	4,098,464
Due from federal and state governments				27,073	27,073	
Due from other funds	3,615			84,382	87,997	1,565,056
Total current assets	<u>6,933,595</u>	<u>940,407</u>	<u>2,699,594</u>	<u>122,574</u>	<u>10,696,170</u>	<u>5,950,362</u>
Noncurrent assets:						
Deposits					-	388,600
Capital assets not being depreciated	250,497	1,005,003	1,120,591		2,376,091	
Capital assets, net of accumulated depreciation	14,652,516	1,892,288	3,387,435	23,499	19,955,738	
Total noncurrent assets	<u>14,903,013</u>	<u>2,897,291</u>	<u>4,508,026</u>	<u>23,499</u>	<u>22,331,829</u>	<u>388,600</u>
Total assets	<u>21,836,608</u>	<u>3,837,698</u>	<u>7,207,620</u>	<u>146,073</u>	<u>33,027,999</u>	<u>6,338,962</u>
Liabilities:						
Current liabilities:						
Accounts payable	127,248	35,303	72,142	73,080	307,773	
Accrued liabilities	214,826	1,190	21,524		237,540	247,883
Due to other funds		98	831		929	
Unearned revenue	251,095				251,095	
Current portion of compensated absences	59,184	4,639	20,915		84,738	
Current portion of bonds payable	26,000	155,753			181,753	
Total current liabilities	<u>678,353</u>	<u>196,983</u>	<u>115,412</u>	<u>73,080</u>	<u>1,063,828</u>	<u>247,883</u>
Noncurrent liabilities:						
Compensated absences	179,745	8,595	34,792		223,132	
Bonds payable after one year	195,000	1,190,430			1,385,430	
Total noncurrent liabilities	<u>374,745</u>	<u>1,199,025</u>	<u>34,792</u>	<u>-</u>	<u>1,608,562</u>	<u>-</u>
Total liabilities	<u>1,053,098</u>	<u>1,396,008</u>	<u>150,204</u>	<u>73,080</u>	<u>2,672,390</u>	<u>247,883</u>
Net Position:						
Net investment in capital assets	14,682,013	1,551,108	4,508,026	23,499	20,764,646	
Restricted for grants		68,571			68,571	
Unrestricted	<u>6,101,497</u>	<u>822,011</u>	<u>2,549,390</u>	<u>49,494</u>	<u>9,522,392</u>	<u>6,091,079</u>
Total Net Position	<u>\$ 20,783,510</u>	<u>\$ 2,441,690</u>	<u>\$ 7,057,416</u>	<u>\$ 72,993</u>	<u>\$ 30,355,609</u>	<u>\$ 6,091,079</u>

The accompanying notes are an integral part of the financial statements

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Business-Type Activities - Enterprise Funds					Governmental
	Major Funds					Activities
	Wastewater	Solid Waste	Water	School Cafeteria	Total	Internal Service Fund
Operating Revenues:						
Charges for services	\$ 3,268,921	\$ 483,413	\$ 1,147,669	\$ 560,875	\$ 5,460,878	\$ 7,158,195
Other	16,750	23,445	11,295		51,490	
Total operating revenues	<u>3,285,671</u>	<u>506,858</u>	<u>1,158,964</u>	<u>560,875</u>	<u>5,512,368</u>	<u>7,158,195</u>
Operating Expenses:						
Wells			217,102		217,102	
Pumping	469,526		13,650		483,176	
Distribution			23,860		23,860	
Treating and sludge	1,648,718				1,648,718	
Transportation and disposal		271,993			271,993	
Other operating	128,799	68,792			197,591	
Administrative and general	252,528	87,860	370,666		711,054	
Depreciation	596,039	45,297	192,774	3,359	837,469	
Repairs and maintenance	5,535				5,535	
Health care management						6,706,187
School cafeteria operations				979,845	979,845	
Total operating expenses	<u>3,101,145</u>	<u>473,942</u>	<u>818,052</u>	<u>983,204</u>	<u>5,376,343</u>	<u>6,706,187</u>
Operating Income (Loss)	<u>184,526</u>	<u>32,916</u>	<u>340,912</u>	<u>(422,329)</u>	<u>136,025</u>	<u>452,008</u>
Nonoperating Revenues (Expenses):						
Income on investments	23,206	3,168	8,445		34,819	728
State and federal grants				427,718	427,718	
Interest expense	(4,668)	(24,978)			(29,646)	
Total nonoperating revenues (expenses)	<u>18,538</u>	<u>(21,810)</u>	<u>8,445</u>	<u>427,718</u>	<u>432,891</u>	<u>728</u>
Income (Loss) Before Transfers	203,064	11,106	349,357	5,389	568,916	452,736
Transfers In	<u>114,978</u>	<u>12,382</u>	<u>676,622</u>		<u>803,982</u>	
Change in Net Position	318,042	23,488	1,025,979	5,389	1,372,898	452,736
Net Position at Beginning of Year	<u>20,465,468</u>	<u>2,418,202</u>	<u>6,031,437</u>	<u>67,604</u>	<u>28,982,711</u>	<u>5,638,343</u>
Net Position at End of Year	<u>\$ 20,783,510</u>	<u>\$ 2,441,690</u>	<u>\$ 7,057,416</u>	<u>\$ 72,993</u>	<u>\$ 30,355,609</u>	<u>\$ 6,091,079</u>

The accompanying notes are an integral part of the financial statements

**TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	Business-Type Activities - Enterprise Funds					Governmental
	Major Funds					Activities
	Wastewater	Solid Waste	Water	School Cafeteria	Total	Internal Service Fund
Cash Flows from Operating Activities:						
Receipts from customers and users	\$ 3,597,491	\$ 471,434	\$ 1,143,366	\$ 615,831	\$ 5,828,122	\$ -
Receipts from providing services					-	7,295,487
Payment for interfund activity	(109,791)	(17,028)	(53,006)		(179,825)	
Payments to suppliers	(1,607,163)	(388,306)	(388,715)	(1,220,223)	(3,604,407)	
Payments to employees	(1,066,004)	(70,644)	(273,608)		(1,410,256)	
Payments for claims					-	(7,220,365)
Net cash provided by (used in) operating activities	814,533	(4,544)	428,037	(604,392)	633,634	75,122
Cash Flows from Noncapital Financing Activities:						
Transfers in from other funds	35,328	46,499	676,622		758,449	
Nonoperating grants received				500,794	500,794	
Net cash provided (used in) by noncapital financing activities	35,328	46,499	676,622	500,794	1,259,243	-
Cash Flows from Capital and Related Financing Activities:						
Additions to property, plant and equipment	(197,993)	(12,382)	(783,159)	(8,338)	(1,001,872)	
Principal paid on bonds	(25,000)	(152,795)			(177,795)	
Interest paid on bonds	(4,668)	(24,978)			(29,646)	
Net cash provided by (used in) capital and related financing activities	(227,661)	(190,155)	(783,159)	(8,338)	(1,209,313)	-
Cash Flows from Investing Activities:						
Interest on investments	23,206	3,168	8,445		34,819	728
Net Increase (Decrease) in Cash and Cash Equivalents	645,406	(145,032)	329,945	(111,936)	718,383	75,850
Cash and Cash Equivalents at Beginning of Year	5,811,122	1,004,368	2,049,790	113,603	8,978,883	210,992
Cash and Cash Equivalents at End of Year	\$ 6,456,528	\$ 859,336	\$ 2,379,735	\$ 1,667	\$ 9,697,266	\$ 286,842
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:						
Operating income (loss)	\$ 184,526	\$ 32,916	\$ 340,912	\$ (422,329)	\$ 136,025	\$ 452,008
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	596,039	45,297	192,774	3,359	837,469	
Change in assets and liabilities:						
(Increase) decrease in accounts receivable	315,435	(35,424)	(15,598)	(2,743)	261,670	118,005
(Increase) decrease in due from other governments				6,569	6,569	
(Increase) decrease in due from other funds	(3,615)			51,130	47,515	19,287
Increase (decrease) in accounts payable and accrued items	(110,041)	(27,790)	(16,980)	(240,378)	(395,189)	
Increase (decrease) in due to other governments	(13,831)				(13,831)	
Increase (decrease) in due to other funds	(109,791)	(17,028)	(53,006)		(179,825)	
Increase (decrease) in compensated absences	(44,189)	(2,515)	(20,065)		(66,769)	
Increase (decrease) in claims payable					-	(514,178)
Total adjustments	630,007	(37,460)	87,125	(182,063)	497,609	(376,886)
Net Cash Provided by (Used in) Operating Activities	\$ 814,533	\$ (4,544)	\$ 428,037	\$ (604,392)	\$ 633,634	\$ 75,122

The accompanying notes are an integral part of the financial statements

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2016

	Cemetery Care Private - Purpose Trust Funds	OPEB Trust Funds	Agency Funds
Assets:			
Cash and cash equivalents	\$ 149,960	\$ 701,211	\$ 328,965
Investments, at fair value:			
Common stocks		2,913,578	
Corporate bonds		2,596,385	
Mutual funds		3,985,114	
Certificate of deposits			8,016
Due from other funds	<u>88</u>		
Total assets	<u>150,048</u>	<u>10,196,288</u>	<u>\$ 336,981</u>
Liabilities:			
Accounts payable and accrued expenses	200		
Deposits held in custody for others			<u>\$ 336,981</u>
Total liabilities	<u>200</u>	<u>-</u>	<u>\$ 336,981</u>
Net Position:			
Restricted for care and maintenance	149,848		
Restricted for OPEB benefits		<u>10,196,288</u>	
Total Net Position	<u>\$ 149,848</u>	<u>\$ 10,196,288</u>	

The accompanying notes are an integral part of the financial statements

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Cemetery Care Private - Purpose Trust Funds	OPEB Trust Funds
Additions:		
Charges for services	\$ 2,250	\$
Employer contributions		1,727,619
Net change in fair value of investments		(300,240)
Interest and dividends	604	237,508
Total additions	<u>2,854</u>	<u>1,664,887</u>
Deductions:		
Benefit payments		1,127,619
Operating expenses in accordance with agreement	8,745	
Administrative expense		55,503
Total deductions	<u>8,745</u>	<u>1,183,122</u>
Change in Net Position	(5,891)	481,765
Net Position at Beginning of Year	<u>155,739</u>	<u>9,714,523</u>
Net Position at End of Year	<u>\$ 149,848</u>	<u>\$ 10,196,288</u>

The accompanying notes are an integral part of the financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-Wide Financial Statements

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

B. Reporting Entity

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

C. Basis of Presentation - Government-Wide Financial Statements

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

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

D. Basis of Presentation - Fund Financial Statements

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

The Town reports the following major governmental funds:

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

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

The *Debt Service Fund* is used to account for the accumulation of resources and the payment of general long-term debt principal, interest and related costs.

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

The Town reports the following major proprietary funds:

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

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

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

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

Additionally, the Town reports the following fund types:

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

The *Private Purpose Trust Funds* are used to account for resources legally held in trust for use by parties outside of the Town, and cannot be used at the Town's discretion or to support the Town's general operations. The activities of the Town's private purpose trust fund are utilized for the care and maintenance of cemeteries within the Town.

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

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

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

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

E. Measurement Focus and Basis of Accounting

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

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

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

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

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

F. Assets, Liabilities and Equity

Cash and Cash Equivalents

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

Investments

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

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Inventories and Prepaid Items

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

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

Capital Assets

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

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

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period or periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town reports a deferred charge on refunding and deferred outflows related to pension and OPEB in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred outflow of resources related to pension/OPEB results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in pension/OPEB expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees).

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period or periods and so will not be recognized as an inflow of resources (revenue) until that time. The Town reports deferred inflow of resources related to pensions and OPEB in the government-wide financial statements. A deferred inflow of resources related to pension/OPEB results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in pension/OPEB expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees). For governmental funds, the Town reports unavailable revenue, which arises only under the modified accrual basis of accounting. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources (revenue) in the period in which the amounts become available.

Equity

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

Net Investment in Capital Assets

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

Restricted

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

Unrestricted

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

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

Nonspendable Fund Balance

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

Restricted Fund Balance

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

Committed Fund Balance

This represents amounts constrained for a specific purpose imposed by formal action of the government’s highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. The Town Council is the highest level of decision-making authority and utilized Town Ordinances as a formal procedure to commit fund balance.

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Assigned Fund Balance

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

Unassigned Fund Balance

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

Fund Balance Policies

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

G. Revenues and Expenditures/Expenses

Program Revenues

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

Property Taxes

Property taxes attach as an enforceable lien on real property. Current tax collections for the Town, including the 60-day collections, were approximately 99.14% of the total 2015 levy. The Town's fiscal 2015-2016 property taxes were levied on July 1, 2015 on assessed valuation as of December 31, 2015. Upon levy, taxes are due and payable on August 1 or may be paid in equal quarterly installments on August 1, November 1, February 1 and May 1 following the levy date. The taxpayer may elect to pay the taxes in full by September 1, annually. Taxes due and unpaid after the respective due dates are subject to interest at a rate of 12% per annum calculated on the unpaid portion of the total tax. Property taxes levied are recorded as receivables in the fiscal year of the levy.

The Town completed a full revaluation of real and tangible personal property on December 31, 2012. The latest assessed values were effective for the property tax levy beginning with fiscal year 2013-2014. The Town is required to perform two statistical updates every three years within the nine year timeframe requirement of a full valuation.

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

During the year ended June 30, 2016, the Town received \$139,730 from the State of Rhode Island as payment in accordance with legislation regarding the phase-out of motor vehicle tax. Motor vehicle values are assessed at a rate of \$18.71 per thousand dollars of assessed value. This rate has been frozen by the State since fiscal year 1998. In addition to freezing the tax rate, the State instituted a program to phase-out the taxation of motor vehicles over a ten-year period, by replacing the loss of motor vehicle tax income with State revenue. This program was restructured in fiscal year 2010-2011 whereby State reimbursement was limited to a maximum of \$500 per vehicle. As a result of this action, State reimbursement under this program was reduced from \$1.87 million in fiscal year 2009-2010 to \$168,739 in fiscal year 2010-2011. In fiscal year 2015-2016, the Town used a \$2,500 per vehicle value in determining the Motor Vehicle Tax Levy.

Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees' Retirement System (MERS) and Employees' Retirement System plan (ERS) of Rhode Island and additions to/deductions from MERS' and ERS' fiduciary net position have been determined on the same basis as they are reported by MERS and ERS, respectively. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Postemployment Benefits Other than Pension (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Town of South Kingstown, Rhode Island, OPEB Trust Fund and additions to/deductions from OPEB Trust Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Trust Fund. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Compensated Absences

Vacation and Sick Leave

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

Proprietary Funds Operating and Nonoperating Revenues and Expenses

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

H. Accounting Estimates

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

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

It is the responsibility of the Town Manager to submit a proposed budget for the following fiscal year to the Town Council on or before March 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) that were submitted on or before April 21st containing no less than 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 Council, any qualified elector of the Town may circulate a petition requesting that a referendum be held on the appropriation for the General Fund or the School Unrestricted Fund in the budget as approved. Such petition may propose a reduction or increase in the total appropriation for said funds.

The Town Clerk shall cause a referendum by ballot to be held on all budget changes requested on petitions, provided that each such petition shall contain signatures of no less than 200 of the qualified electors of the Town and shall request an increase or decrease of a sum of at least \$250,000. The qualified electors shall be instructed to vote either for the original total of for one of the proposed increases or reductions thereof. The appropriation receiving the most votes shall be declared to have been adopted.

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

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

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

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

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

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

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

B. Excess of Expenditures over Appropriations

For the year ended June 30, 2016, expenditures exceeded appropriations for the public libraries by \$1,717 and for the pension and other employee benefits category by \$27,836.

3. CASH DEPOSITS WITH FINANCIAL INSTITUTIONS

A. Deposits

Substantially all of the Town's cash and cash equivalents are held in public deposit institutions. Pursuant to Section 35-10-1 of the Rhode Island General Laws, as of October 1, 1991, public deposit institutions are required to insure accounts that hold public funds in excess of the \$250,000 which is guaranteed by FDIC. At times, the Town pools cash resources of its various funds to facilitate the management of cash and maximize investment returns.

Deposit Custodial Credit Risk

Custodial credit risk in the case of deposits is the risk that in the event of a bank failure, the government's deposits may not be returned. Rhode Island public law requires 100% of public deposits in a qualified public depository with maturities greater than sixty (60) days are collateralized with either bank segregated assets, in a trust department or in custodial accounts at a Federal Reserve Bank or federal home loan bank. The Town has adopted a "statement of investment objectives, goals and policy guidelines" for investments held in the School Trust Fund. In addition, the Town has guidelines for deposits authorized by Town Code Sec. 4233.H. As such, the entire bank balance of the Town of \$49,505,366 was insured or collateralized.

B. Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are both readily convertible to known amounts of cash and purchased within 90 days of maturity. As of June 30, 2016, the cash equivalent amounted to \$1,599,509. The cash equivalents consisted of certificate of deposits, subject to coverage by federal depository insurance and collateralization and money market mutual funds held at banking institution and were not rated.

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

4. INVESTMENTS

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

Investment Type	Credit Rating	Fair Value	Investment Maturities (Years)		
			Less Than 1	1 - 10	More Than 10
Interest-bearing investments:					
U.S. Government Securities	Aa3-Aaa	\$ 582,317	\$ 25,752	\$ 469,199	\$ 87,366
Corporate bonds	Aaa	128,831		128,831	
Corporate bonds	Aa1	50,884		50,884	
Corporate bonds	Aa2	78,149		78,149	
Corporate bonds	Aa3	320,573		320,573	
Corporate bonds	A1	366,869		366,869	
Corporate bonds	A2	512,808		512,808	
Corporate bonds	A3	263,593		263,593	
Corporate bonds	Baa1	61,529		27,190	34,339
Corporate bonds	Baa2	128,985	25,551	103,434	
Corporate bonds	N/A	381,599		381,599	
Certificates of deposit	*	4,516,866	1,760,990	2,755,876	
Total		7,393,003	\$ 1,812,293	\$ 5,459,005	\$ 121,705
Other investments:					
Common stock		3,606,977			
Mutual Funds		20,243,764			
Total Investments		\$ 31,243,744			

* Subject to coverage by federal depository insurance and collateralization.

Interest Rate Risk

Approximately 24% of the Town's investments are in long-term corporate bonds, government bonds, asset-backed securities and certificate of deposits that have interest rates that are fixed for long periods and are subject to more variability in their fair value as a result of future changes in interest rates. The remaining approximately 76% of the investments are held in common stock and mutual funds. These investments do not specify year an interest rate; rather, the rate of return is dependent on operating results and economic conditions.

Credit Risk

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

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Concentration of Credit Risk

At June 30, 2016, the Town had a diversified portfolio and was not deemed to be concentrated in any one investment category. Although approximately 76% of the investments were held in common stock, mutual funds, these investments were in a wide range of companies and various industries enabling the Town to minimize its risk.

The Town has adopted a “statement of investment objectives, goals and policy guidelines” for investments held in the School Trust Fund, which is where approximately 51% of the Town’s investments are maintained. The remaining investments of the Town are not covered by a specific investment policy but follow the same principles of the policy adopted for the School Trust Fund.

Custodial Credit Risk

For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not believe that it has a significant custodial credit risk as substantially all investment securities are registered and held in the name of the Town.

The Town adopted new accounting guidance, GASB Statement No. 72, *Fair Value Measurement and Application*. The new disclosure is presented below:

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements); followed by quoted prices in inactive markets or for similar assets or with observable inputs (Level 2 measurements); and the lowest priority to unobservable inputs (Level 3 measurements). The Town has the following recurring fair value measurements as of June 30, 2016:

	June 30, 2016	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments by fair value level:				
U.S. Government securities	\$ 582,317	\$ 582,317	\$	\$
Corporate bonds	2,293,820	2,293,820		
Common stock	3,606,977	3,606,977		
Mutual funds	20,243,764	20,243,764		
Total investments by fair value level	26,726,878	\$ 26,726,878	\$ -	\$ -
Investment not included above:				
Certificate of deposits	4,516,866			
Total Investments	\$ 31,243,744			

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

5. RECEIVABLES

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

	<u>General</u>	<u>Wastewater</u>	<u>Solid Waste</u>	<u>Water</u>	<u>School Cafeteria</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:							
Accounts	\$ 242,328	\$ 462,598	\$ 81,071	\$ 320,859	\$ 9,452	\$ 4,235,848	\$ 5,352,156
Property taxes	1,332,325						1,332,325
Tax liens	314,270						314,270
Other governments	63,012					1,340,825	1,403,837
Special assessments		28,354					28,354
Gross receivables	<u>1,951,935</u>	<u>490,952</u>	<u>81,071</u>	<u>320,859</u>	<u>9,452</u>	<u>5,576,673</u>	<u>8,430,942</u>
Less allowance for uncollectibles	<u>(664,373)</u>	<u>(17,500)</u>		<u>(1,000)</u>			<u>(682,873)</u>
Net Total Receivables	<u>\$ 1,287,562</u>	<u>\$ 473,452</u>	<u>\$ 81,071</u>	<u>\$ 319,859</u>	<u>\$ 9,452</u>	<u>\$ 5,576,673</u>	<u>\$ 7,748,069</u>

6. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

A. Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2016 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Debt Service Fund	General Fund	\$ 288,071
Wastewater Fund	General Fund	3,615
School Cafeteria	General Fund	84,382
Internal Service Fund	General Fund	1,565,056
Fiduciary Funds	General Fund	88
Nonmajor governmental funds	General Fund	8,055,530
General Fund	Solid Waste Fund	98
General Fund	Water Fund	831
General Fund	Nonmajor governmental funds	<u>910,153</u>
Total		<u>\$ 10,907,824</u>

The outstanding balances between funds result mainly from advances from one fund (primarily the General Fund) to another fund. The advances may represent balances resulting from operating advances or reimbursement for expenditures paid by one fund on behalf of another fund.

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
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B. Interfund Transfers

The composition of interfund transfers for the year ended June 30, 2016 is as follows:

	<u>Transfers In</u>					<u>Nonmajor Governmental and Other Funds</u>	<u>Total Transfers Out</u>
	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Wastewater Fund</u>	<u>Solid Waste Fund</u>	<u>Water Fund</u>		
Transfers out:							
General Fund	\$	\$ 1,434,572	\$ 4,300	\$	\$	\$ 2,814,647	\$ 4,253,519
School Trust Fund	35,882					471,063	506,945
Nonmajor Governmental Funds	<u>663,196</u>	<u>440,714</u>			<u>624,840</u>		<u>1,728,750</u>
Transfers In	<u>\$ 699,078</u>	<u>\$ 1,875,286</u>	4,300	-	624,840	<u>\$ 3,285,710</u>	6,489,214
Capital assets transfer out			<u>110,678</u>	<u>12,382</u>	<u>51,782</u>		<u>174,842</u>
Total Transfers In			<u>\$ 114,978</u>	<u>\$ 12,382</u>	<u>\$ 676,622</u>		<u>\$ 6,664,056</u>

During the year, transfers are used to provide a financing source to various funds that may not have the ability to cover all operating costs with revenue generated by the fund.

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

7. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Adjustments/ Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 13,797,859	\$	\$	\$ 13,797,859
Construction in progress	2,083,320	889,192	1,650,713	1,321,799
Total capital assets not being depreciated	<u>15,881,179</u>	<u>889,192</u>	<u>1,650,713</u>	<u>15,119,658</u>
Capital assets being depreciated:				
Land improvements	9,658,505	38,174		9,696,679
Buildings	31,602,937	1,248,059		32,850,996
Building improvements	40,310,011	533,891		40,843,902
Equipment	5,012,171	411,683	9,180	5,414,674
Vehicles	5,634,228	569,777	137,621	6,066,384
Infrastructure	39,794,691	2,048,192		41,842,883
Intangibles	7,040	509,708		516,748
Total capital assets being depreciated	<u>132,019,583</u>	<u>5,359,484</u>	<u>146,801</u>	<u>137,232,266</u>
Less accumulated depreciation for:				
Land improvements	2,948,788	59,321		3,008,109
Buildings	15,938,179	643,644		16,581,823
Building improvements	20,567,311	1,184,306		21,751,617
Equipment	2,903,785	342,690	6,579	3,239,896
Vehicles	3,501,963	500,898	131,475	3,871,386
Infrastructure	21,644,347	1,149,906		22,794,253
Intangibles	1,408	52,379		53,787
Total accumulated depreciation	<u>67,505,781</u>	<u>3,933,144</u>	<u>138,054</u>	<u>71,300,871</u>
Total capital assets being depreciated, net	<u>64,513,802</u>	<u>1,426,340</u>	<u>8,747</u>	<u>65,931,395</u>
Governmental Activities Capital Assets, Net	<u>\$ 80,394,981</u>	<u>\$ 2,315,532</u>	<u>\$ 1,659,460</u>	<u>\$ 81,051,053</u>

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

Governmental activities:	
General government	\$ 221,311
Public safety	441,962
Public works	1,357,947
Public libraries	100,301
Education	1,477,181
Recreation	334,442
Total	<u>\$ 3,933,144</u>

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

	<u>Beginning Balance</u>	<u>Adjustments/ Increases</u>	<u>Adjustments/ Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 1,586,530	\$	\$	\$ 1,586,530
Construction in progress	362,335	693,756	266,530	789,561
Total capital assets not being depreciated	<u>1,948,865</u>	<u>693,756</u>	<u>266,530</u>	<u>2,376,091</u>
Capital assets being depreciated:				
Land improvements	2,682,148			2,682,148
Buildings	10,507,763	55,524		10,563,287
Building improvements	2,698,981	292,859		2,991,840
Equipment	6,079,967	41,230		6,121,197
Vehicles	565,013	21,189		586,202
Infrastructure	19,692,171	31,692		19,723,863
Intangibles		174,842		174,842
Total capital assets being depreciated	<u>42,226,043</u>	<u>617,336</u>	<u>-</u>	<u>42,668,537</u>
Less accumulated depreciation for:				
Land improvements	710,383	49,661		760,044
Buildings	7,251,773	191,267		7,443,040
Building improvements	1,178,839	101,984		1,280,823
Equipment	3,858,326	212,386		4,070,712
Vehicles	426,566	20,077		446,643
Infrastructure	8,624,285	244,610		8,868,895
Intangibles		17,484		17,484
Total accumulated depreciation	<u>22,050,172</u>	<u>837,469</u>	<u>-</u>	<u>22,870,157</u>
Total capital assets being depreciated, net	<u>20,175,871</u>	<u>(220,133)</u>	<u>-</u>	<u>19,955,738</u>
Business-Type Activities Capital Assets, Net	<u>\$ 22,124,736</u>	<u>\$ 473,623</u>	<u>\$ 266,530</u>	<u>\$ 22,331,829</u>

Depreciation was charged to the following business-type activities:

Business-type activities:	
Wastewater	\$ 596,039
Solid Waste	45,297
Water	192,774
Cafeteria	<u>3,359</u>
Total	<u>\$ 837,469</u>

**TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

8. FUND BALANCE

The components of fund balance for the governmental funds at June 30, 2016 are as follows:

	<u>General Fund</u>	<u>School Trust Fund</u>	<u>Debt Service Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Fund balances:					
Nonspendable for:					
Prepays	\$ 15,726			\$ 5,581	\$ 21,307
Endowment for recreation and education purposes		413,233			413,233
Restricted for:					
Recreational and educational		16,398,101		1,985,101	18,383,202
Asset forfeiture				86,348	86,348
Maintenance of historical records				146,815	146,815
Libraries operations				1,551,505	1,551,505
Recycling program				55,896	55,896
Miscellaneous donations fund				13,950	13,950
Open space acquisition				731,223	731,223
Wastewater facility improvements					-
Human services			288,071	414,290	702,361
Committed to:					
General government - encumbrances	64,342				64,342
Police department- encumbrances	139,380				139,380
Public works - encumbrances	20,973				20,973
Libraries - encumbrances	1,405				1,405
Municipal planning	80,435				80,435
To balance future budgets - Town	600,000				600,000
Superfund site cleanup	1,000,000				1,000,000
To balance future budgets - schools	400,000				400,000
Education encumbrances	16,615				16,615
Education computer system encumbrance	6,000				6,000
Education capital	429,300				429,300
Education	2,639,915				2,639,915
Affordable housing				10,000	10,000
Animal shelter renovations				214,982	214,982
Elderly services				242,784	242,784
Public safety support				1,084,121	1,084,121
Operation of Peacedale Office Building				273,830	273,830
Property revaluation				240,713	240,713
Maintenance of South Road School				424,335	424,335
Municipal planning services grant				2,219	2,219
Capital equipment acquisitions				943,762	943,762
Data processing improvements				179,319	179,319
Library improvements				221,864	221,864
Public safety building improvement				302,157	302,157
Public service office building improvements				486,741	486,741
Infrastructure improvements				1,333,814	1,333,814
Recreation facility improvement				162,347	162,347
School improvement				160,149	160,149
Senior Services Center Construction				33,401	33,401
Wastewater Construction				5,264,881	5,264,881
Town hall improvements				434,787	434,787
Unassigned	10,171,662				10,171,662
Total Fund Balances	<u>\$ 15,585,753</u>	<u>\$ 16,811,334</u>	<u>\$ 288,071</u>	<u>\$ 17,006,915</u>	<u>\$ 49,692,073</u>

Major encumbrances are reported in the committed fund balance of the General Fund of \$206,100, restricted fund balance for School Fund of \$16,615, and committed and restricted fund balance fund balance of Nonmajor Governmental Funds of \$12,016,206 and \$4,898,685, respectively.

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Endowments Received

	School Trust Fund
	<u> </u>
Original Principal Received	\$ 413,233
Net appreciation on investments	<u>16,398,101</u>
 Total Value	 <u>\$ 16,811,334</u>

The original principal remains in the net position on the Statement of Activities and is restricted for the trust principal on the balance sheet - governmental funds. The net appreciation of \$16,398,101 can be authorized for expenditure by the Trustees of South Kingstown School Funds. Income is distributed in keeping with the provisions of the appropriate deed of gift.

The Trustees of the South Kingstown School Funds is a corporation which was created by an Act of the General Assembly at its January Session in 1911. Section 2 of the Act established that the Corporation is authorized to receive and manage all school and educational funds which are placed in its care.

The policy for authorizing and spending investment income is outlined in section III of the Statement of Investment Objectives, Goals and Policy Guidelines for The Trustees. A target spend rate of up to 5% of the portfolio using a trailing twenty (20) quarter average of the market value and to preserve and enhance the future purchasing power of the assets after considering the spending policy.

9. LEASE OBLIGATIONS

Operating Lease

The South Kingstown School Department leases a building to provide a facility for the Transition Academy. The annual lease amount is \$46,605 plus a proportionate share of operating costs and property taxes. Total costs for the leases were \$46,605 for the year ended June 30, 2016. The lease has an option for an additional five-year term at the expiration of the initial term, which ends in fiscal year 2016. Future minimum lease payments for these lease for fiscal year 2016 totals \$7,800.

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

10. LONG-TERM LIABILITIES

A. General Obligation Bonds

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as serial bonds with equal amounts of principal maturing each year with maturities that range from 15 to 20 years. General obligation bonds outstanding at June 30, 2016 are as follows:

<u>Description</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate (%)</u>	<u>Amount of Original Issue</u>	<u>Balance Outstanding June 30, 2016</u>
Governmental activities:					
General obligation bonds:					
School/Open Space/Public Improvement	06/15/07	06/15/27	4.0% - 5.5%	\$ 2,200,000	\$ 110,000
School Improvement Series 2009 A	11/12/09	11/01/29	2.55% - 5.00%	1,200,000	840,000
School Improvement Refunding Series 2009 B	11/12/09	06/15/19	2.25% - 4.5%	2,010,000	505,000
Advance refunding	11/13/12	06/15/24	1.90%	4,263,000	3,032,000
Advance refunding	04/08/15	06/15/27	2.0% - 4.0%	<u>6,935,000</u>	<u>5,980,000</u>
Total governmental activities				<u>16,608,000</u>	<u>10,467,000</u>
Business Type Activities:					
General obligation and revenue bonds:					
Wastewater fund - GO bond	11/13/02	09/01/23	1.38%	500,000	221,000
Solid waste fund - GO bond	09/03/02	09/01/22	1.14%	2,000,000	828,183
Solid waste fund - GO bond	11/22/05	09/01/25	1.34%	<u>950,000</u>	<u>518,000</u>
Total business-type activities				<u>3,450,000</u>	<u>1,567,183</u>
Total Outstanding				<u>\$ 20,058,000</u>	<u>\$ 12,034,183</u>

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

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

B. Legal Debt Margin

Of the Town's \$12,034,183 total bonds payable (including bonds payable for the wastewater and solid-waste enterprise funds), approximately \$4,362,605 is subject to its legal debt limits. The \$4,362,605 outstanding does not exceed the Town's legal debt limit of \$131,227,462 which is 3% of the assessed value (\$4,374,248,722) of taxable property of the Town as of December 31, 2014. The total long-term debt bond obligations of the Town (\$12,034,183) represent approximately 0.28% of the assessed value of the taxable property of the Town at June 30, 2016 (assessment date December 31, 2014).

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

C. Authorized But Unissued Bond Authority

The Town has remaining authorized but unissued bond authority totaling \$17,715,000. The unissued bond authority is allocated as follows: \$3,400,000 for land acquisition; \$3,000,000 for wastewater treatment plant improvements; \$340,000 for school fields; \$5,125,000 for school capital improvements; \$300,000 for town hall improvements; \$400,000 for capital transportation improvements; \$1,000,000 for Neighborhood Guild; and \$4,150,000 for community gymnasium. Of the total amount of authorized/unissued bond authority, the Town intends to extinguish \$3,815,000 in FISCAL YEAR 2017 and anticipates issuing \$10,550,000 over the next several years, currently, there is no plan for issuance of the remaining \$3,350,000.

D. Changes in Long-Term Liabilities

Changes in the government's long-term liabilities for the year ended June 30, 2016 are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds payable:					
General obligation bonds	\$ 12,511,000	\$	\$ 2,044,000	\$ 10,467,000	\$ 1,710,000
Issuance premium on bonds	440,149		39,737	400,412	
Total bonds payable	<u>12,951,149</u>	-	<u>2,083,737</u>	<u>10,867,412</u>	<u>1,710,000</u>
Compensated absences	5,192,395	1,311,318	1,549,536	4,954,177	1,777,013
Net pension liability	49,749,074	9,290,818		59,039,892	
Net OPEB liability	9,720,773		1,590,257	8,130,516	
Claims and judgments	<u>1,543,653</u>		<u>78,348</u>	<u>1,465,305</u>	<u>78,348</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 79,157,044</u>	<u>\$ 10,602,136</u>	<u>\$ 5,301,878</u>	<u>\$ 84,457,302</u>	<u>\$ 3,565,361</u>
Business-Type Activities:					
Bonds payable:					
General obligation bonds	\$ 1,744,978	\$	\$ 177,795	\$ 1,567,183	\$ 181,753
Compensated absences	<u>374,639</u>		<u>66,769</u>	<u>307,870</u>	<u>84,738</u>
Total Business-Type Activities Long-Term Liabilities	<u>\$ 2,119,617</u>	<u>\$ -</u>	<u>\$ 244,564</u>	<u>\$ 1,875,053</u>	<u>\$ 266,491</u>

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

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 1,710,000	\$ 257,434	\$ 181,753	\$ 26,525
2018	1,682,000	218,203	185,793	23,320
2019	1,547,000	181,563	190,919	20,018
2020	1,399,000	130,750	195,132	16,621
2021	880,000	138,346	200,435	13,126
2022-2026	2,909,000	303,065	613,151	20,787
2027	<u>340,000</u>	<u>23,850</u>	<u> </u>	<u> </u>
Total	\$ <u>10,467,000</u>	\$ <u>1,253,211</u>	\$ <u>1,567,183</u>	\$ <u>120,397</u>

11. DEFINED BENEFIT PENSION PLANS

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

General Information about the Pension Plan

Plan Description - All full-time town, noncertified school department general employees, police and emergency medical technicians participate in the Municipal Employees' Retirement System (MERS) - an agent multiple-employer defined benefit pension plan - provides certain retirement, disability and death benefits to plan members and beneficiaries. MERS was established under Rhode Island General Law and placed under the management of the Employee's Retirement System of Rhode Island (ERSRI) Board to provide retirement allowances to employees of municipalities, housing authorities, water and sewer districts, and municipal police and fire persons that have elected to participate. Benefit provisions are subject to amendment by the General Assembly.

MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the ERSRI website at www.ersri.org.

Benefits Provided - General employees, police officers and emergency medical technicians employed by electing municipalities participate in MERS. Eligible employees become members at their date of employment. Anyone employed by a municipality at the time the municipality joins MERS may elect not to be covered. Elected officials may opt to be covered by MERS. Employees covered under another plan maintained by the municipality may not become members of MERS. Police officers and/or firefighters may be designated as such by the municipality, in which case the special contribution and benefit provisions described below will apply to them, or they may be designated as general employees with no special benefits. Members designated as police officers and/or emergency medical technicians are treated as belonging to a unit separate from the general employees, with separate contribution rates applicable.

Salary: Salary includes the member's base earnings plus any payments under a regular longevity or incentive plan. Salary excludes overtime, unused sick and vacation leave, severance pay, and other extraordinary compensation. Certain amounts that are excluded from taxable wages, such as amounts sheltered under a Section 125 plan or amounts picked up by the employer under IRC Section 414(h), are not excluded from salary.

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Service: Employees receive credit for service while a member. In addition, a member may purchase credit for certain periods by making an additional contribution to purchase the additional service. Special rules and limits govern the purchase of additional service and the contribution required.

Final Average Compensation (FAC): Prior to July 1, 2012 and for general employee members eligible to retire as of June 30, 2012, the average was based on the member's highest three consecutive annual salaries. Effective July 1, 2012, the average was based on the member's highest five consecutive annual salaries. Once a member retires or is terminated, the applicable FAC will be the greater of the member's highest three year FAC as of July 1, 2012 or the five year FAC as of the retirement/termination date. Monthly benefits are based on one-twelfth of this amount.

Subsequent to June 30, 2015, litigation challenging the various pension reform measures enacted in previous years by the General Assembly (2009, 2010 and 2011) was settled. The final settlement approved by the Court on July 8, 2015 also included enactment of the pension settlement provisions by the General Assembly. These amended benefit provisions, which have been included in the determination of the total pension liability at the June 30, 2015 measurement date and are reflected in the summary of benefit provisions described below.

General Employees

Members with less than five years of contributory service as of June 30, 2012 and members hired on or after that date are eligible for retirement on or after their Social Security normal retirement age (SSNRA).

Members who had at least five years of contributory service as of June 30, 2012 will be eligible for retirement at an individually determined age. This age is the result of interpolating between the member's prior Retirement Date, described below, and the retirement age applicable to members hired after June 30, 2012 in (a) above. The interpolation is based on service as of June 30, 2012 divided by projected service at the member's prior Retirement Date. The minimum retirement age is 59.

Members with 10 or more years of contributory service on June 30, 2012 may choose to retire at their prior Retirement Date if they continue to work and contribute until that date. If this option is elected, the retirement benefit will be calculated using the benefits accrued as of June 30, 2012, i.e., the member will accumulate no additional defined benefits after this date, but the benefit will be paid without any actuarial reduction.

Effective July 1, 2015, members will be eligible to retire with full benefits at the earlier of their current Rhode Island Retirement Security Act (RIRSA) date described above or upon the attainment of age 65 with 30 years of service, age 64 with 31 years of service, age 63 with 32 years of service, or age 62 with 33 years of service.

A member who is within five years of reaching their retirement eligibility date and has 20 or more years of service, may elect to retire at any time with an actuarially reduced benefit.

Prior to July 1, 2012, members were eligible for retirement on or after age 58 if they had credit for 10 or more years of service, or at any age if they had credit for at least 30 years of service. Members eligible to retire before July 1, 2012 were not impacted by the changes to retirement eligibility above.

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The annual benefit is equal to 2.00% of the member's monthly FAC for each year of service prior to July 1, 2012 and 1.00% of the member's monthly FAC for each year of service from July 1, 2012 through June 30, 2015. For all service after June 30, 2015, the annual benefit is equal to 1.0% per year unless the member had 20 or more years of service as of June 30, 2012 in which case the benefit accrual is 2.0% per year for service after June 30, 2015. The benefit cannot exceed 75% of the member's FAC. Benefits are paid monthly.

Police and EMT Employees

Members are eligible to retire when they are at least 50 years old and have a minimum of 25 years of contributing service or if they have 27 years of contributing service at any age. Members with less than 25 years of contributing service are eligible for retirement on or after their Social Security normal retirement age.

Members who, as of June 30, 2012, had at least 10 years of contributing service, had attained age 45, and had a prior Retirement Date before age 52 may retire at age 52.

Active members on June 30, 2012 may choose to retire at their prior Retirement Date if they continue to work and contribute until that date. If option is elected, the retirement benefit will be calculated using the benefits accrued as of June 30, 2012, i.e., the member will accumulate no additional defined benefits after this date, but the benefit will be paid without any actuarial reduction.

A member who is within five years of reaching their retirement eligibility date, as described in this section, and has 20 or more years of service, may elect to retire at any time with an actuarially reduced benefit.

Prior to July 1, 2012, members designated as police officers or firefighters were eligible for retirement at or after age 55 with credit for at least 10 years of service or at any age with credit for 25 or more years of service. Members were also eligible to retire and receive a reduced benefit if they are at least age 50 and have at least 20 years of service. If the municipality elected to adopt the 20-year retirement provisions for police officers and/or firefighters, then such a member was eligible to retire at any age with 20 or more years of service. Members eligible to retire before July 1, 2012 were not impacted by the changes to retirement eligibility above.

A monthly benefit is paid equal to 2.00% of the member's monthly FAC for each year of service, up to 37.5 years (75% of FAC maximum).

If the optional 20-year retirement provisions were adopted by the municipality prior to July 1, 2012: benefits are based on 2.50% of the member's FAC for each year of service prior to July 1, 2012 and 2.00% of the member's FAC for each year of service after July 1, 2012. The benefit cannot exceed 75% of the member's FAC.

Active members (including future hires), members who retire after July 1, 2015 and after attaining age 57 with 30 years of service will have a benefit equal to the greater of their current benefit described in (a) and (b) above and one calculated based on a 2.25% multiplier for all years of service.

Other Benefit Provisions

Death and disability benefits are also provided to members. A member is eligible for a disability retirement provided he/she has credit for at least five years of service or if the disability is work-related. Members are not eligible for an ordinary disability benefit if they are eligible for unreduced retirement.

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Joint and survivor benefit options are available to retirees. For some employees, a Social Security Option is also available where an annuity is paid at one amount prior to age 62, and at a reduced amount after age 62, designed to provide a level total income when combined with the member's age 62 Social Security benefit. Benefits cease upon the member's death.

Post-retirement benefit increases are paid to members who retire after June 30, 2012. Members will be eligible to receive cost of living increases at the later of the member's third anniversary of retirement and the month following their SSNRA (age 55 for members designated as police officers and/or firefighters). When a municipality elects coverage, it may elect either COLA C (covering only current and future active members and excluding members already retired) or COLA B (covering current retired members as well as current and future active members).

- a. The COLA will be suspended for any unit whose funding level is less than 80%; however, an interim COLA may be granted in four-year intervals while the COLA is suspended. The first interim COLA may begin January 1, 2018.
- b. Effective July 1, 2015, the COLA is determined based on 50% of the plan's five-year average investment rate of return less 5.5% limited to a range of 0.0% to 4.0%, plus 50% of the lesser of 3.0% or last year's CPI-U increase for a total maximum increase of 3.50%. Previously, it was the plan's five-year average investment rate of return less 5.5% limited to a range of 0.0% to 4.0%
- c. The COLA will be limited to the first \$25,000 of the member's annual pension benefit. For retirees and beneficiaries who retired on or before July 1, 2015, years in which a COLA is payable based on the every fourth year provision described in (i) above will be limited to the first \$30,000. These limits will be indexed annually to increase in the same manner as COLAs, with the known values of \$25,000 for 2013, \$25,000 for 2014, \$25,168 for 2015, \$25,855 for 2016 and \$26,098 for 2017.

Special Provisions- Rhode Island General Law § 45-21.2-6.1, § 45-21.2-5(5), and § 45-21.2-14(d)
Under these special provisions, the member receives a retirement allowance which is a life annuity terminable at the death of the annuitant, and is an amount equal to the sum of two and one-half percent (2.5%) of final compensation multiplied by the years of service accrued after July 1, 1993 and two percent (2%) of final compensation multiplied by the years of service accrued prior to July 1, 1993. The annual retirement allowance in no event shall exceed seventy-five percent (75%) of final compensation. The member contribution rate between July 1, 1985 and June 30, 2012 was 8.00%, plus 1.00% for the adoption of the optional COLA, for a total of 9.00%. For service after July 1, 2012, the member contribution rate is 9% plus 1.00% for the adoption of the optional COLA, for a total of 10.00%.

Employees Covered by Benefit Terms

At the June 30, 2014 valuation date, the following employees were covered by the benefit terms:

	<u>Municipal</u>	<u>Police</u>	<u>EMT</u>
Retirees and Beneficiaries	165	50	2
Inactive, Nonretired Members	139	6	6
Active Members	<u>306</u>	<u>52</u>	<u>17</u>
Total	<u><u>610</u></u>	<u><u>108</u></u>	<u><u>25</u></u>

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Contributions

The amount of employee and employer contributions have been established under Rhode Island General Law Chapter 45-21. General employees with less than 20 years of service as of June 30, 2012 are required to contribute 2% of their salaries. General employees with more than 20 years of service as of June 30, 2012 are required to contribute 8.25%. Public safety employees are required to contribute 9%. The Town of South Kingstown contributes at a rate of covered employee payroll as determined by an independent actuary on an annual basis. The General Assembly can amend the amount of these contribution requirements. The Town of South Kingstown, Rhode Island contributed \$2,182,073 in the year ended June 30, 2016 which was 13.45% of annual covered payroll.

Net Pension Liability (Asset)

The total pension liability was determined by actuarial valuations performed as of June 30, and rolled forward to June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement.

Summary of Actuarial Assumptions Used in the Valuations to Determine the Net Pension Liability at the June 30, 2015 Measurement Date (June 30, 2014 Valuation Rolled Forward to June 30, 2015)

Actuarial Cost Method	Entry Age Normal - the Individual Entry Age Actuarial Cost methodology is used.
Amortization Method	Level Percent of Payroll – Closed
Actuarial Assumptions:	
Investment Rate of Return	7.50%
Projected Salary Increases	General Employees - 3.50% to 7.50% ; Police & Fire Employees - 4.00% to 14.00%
Inflation	2.75%
Mortality	<ul style="list-style-type: none"> • Male Employees, MERS General and MERS P&F: 115% of RP-2000 Combined Healthy for Males with White Collar adjustments, projected with Scale AA from 2000. • Female Employees, MERS General and MERS P&F: 95% of RP-2000 Combined Healthy for Females with White Collar adjustments, projected with Scale AA from 2000.
Cost of Living Adjustments	A 2% COLA is assumed after January 1, 2014.

The actuarial assumptions used in the June 30, 2014 valuation rolled forward to June 30, 2015 and the calculation of the total pension liability at June 30, 2014 were consistent with the results of an actuarial experience study performed as of June 30, 2013.

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The long-term expected rate of return best-estimate on pension plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of pension plan investment expense and inflation) for each major asset class, based on a collective summary of capital market expectations from 23 sources. The June 30, 2015 expected arithmetic returns over the long-term (20 years) by asset class are summarized in the following table:

<u>Type of Investments</u>	<u>Target Allocation</u>	<u>Long-term expected real rate of return</u>
Global Equity:	38.0%	-
U.S. Equity	-	6.96%
International Developed	-	7.32%
International Emerging Markets	-	9.52%
Equity Hedge Funds	8.0%	3.98%
Private Equity	7.0%	9.99%
Core Fixed Income	15.0%	2.18%
Absolute Return Hedge Funds	7.0%	3.98%
Infrastructure	3.0%	5.70%
Real estate	8.0%	4.85%
Other Real Return Assets	11.0%	-
Master Limited partnerships	-	4.51%
Credit	-	4.51%
Inflation Linked Bonds	-	1.24%
Cash, Overlay, Money Market	<u>3.0%</u>	7.80%
	<u><u>100.0%</u></u>	

These return assumptions are then weighted by the target asset allocation percentage, factoring in correlation effects, to develop the overall long-term expected rate of return best-estimate on an arithmetic basis.

Discount rate - The discount rate used to measure the total pension liability of the plans was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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Changes in Net Pension Liabilities (Asset)

Municipal Employee's Retirement System - General Employees			
	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances as of June 30, 2015	\$ 55,640,422	\$ 51,438,896	\$ 4,201,526
Changes for the Year			
Service cost	1,178,841		1,178,841
Interest on the total pension liability	4,112,669		4,112,669
Changes in benefits	1,025,090		1,025,090
Difference between expected and actual experience	(897,943)		(897,943)
Employer contributions		1,420,102	(1,420,102)
Employee contributions		246,747	(246,747)
Net investment income		1,213,363	(1,213,363)
Benefit payments, including employee refunds	(2,788,503)	(2,788,503)	-
Administrative expense		(48,275)	48,275
Other changes		293,093	(293,093)
Net changes	2,630,154	336,527	2,293,627
Balances as of June 30, 2016	\$ 58,270,576	\$ 51,775,423	\$ 6,495,153

Municipal Employee's Retirement System - Police			
	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances as of June 30, 2015	\$ 27,634,841	\$ 22,004,925	\$ 5,629,916
Changes for the Year			
Service cost	553,069		553,069
Interest on the total pension liability	2,031,908		2,031,908
Changes in benefits	948,578		948,578
Difference between expected and actual experience	163,450		163,450
Employer contributions		712,921	(712,921)
Employee contributions		251,692	(251,692)
Net investment income		511,433	(511,433)
Benefit payments, including employee refunds	(1,638,543)	(1,638,543)	-
Administrative expense		(19,499)	19,499
Other changes		416	(416)
Net changes	2,058,462	(181,580)	2,240,042
Balances as of June 30, 2016	\$ 29,693,303	\$ 21,823,345	\$ 7,869,958

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Municipal Employee's Retirement System - EMT

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances as of June 30, 2015	\$ 2,926,196	\$ 3,591,354	\$ (665,158)
Changes for the Year			
Service cost	144,842		144,842
Interest on the total pension liability	219,726		219,726
Changes in benefits	180,010		180,010
Difference between expected and actual experience	(85,523)		(85,523)
Employer contributions		49,050	(49,050)
Employee contributions		65,837	(65,837)
Net investment income		85,550	(85,550)
Benefit payments, including employee refunds	(137,877)	(137,877)	-
Administrative expense		(3,431)	3,431
Other changes		1	(1)
Net changes	<u>321,178</u>	<u>59,130</u>	<u>262,048</u>
Balances as of June 30, 2016	<u>\$ 3,247,374</u>	<u>\$ 3,650,484</u>	<u>\$ (403,110)</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability (asset) of the employers calculated using the discount rate of 7.5 percent, as well as what the employers' net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
General Employees	\$ 12,611,779	\$ 6,495,153	\$ 1,489,131
Police	11,010,114	7,869,958	5,299,776
EMS	(63,693)	(403,110)	(680,884)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued ERSRI financial report.

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Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2016 the employer recognized pension expense of \$3,511,214. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Municipal	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$	\$ 697,065
Changes of assumptions	257,833	
Net difference between projected and actual earnings on pension plan investments	12,277	
Town contributions subsequent to measurement date	<u>1,310,432</u>	
Total	<u>\$ 1,580,542</u>	<u>\$ 697,065</u>

	Police	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 138,133	\$
Changes of assumptions		122,448
Net difference between projected and actual earnings on pension plan investments	10,960	
Town contributions subsequent to measurement date	<u>794,657</u>	
Total	<u>\$ 943,750</u>	<u>\$ 122,448</u>

	EMT	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$	\$ 76,432
Changes of assumptions		26,967
Net difference between projected and actual earnings on pension plan investments		1,127
Town contributions subsequent to measurement date	<u>41,920</u>	
Total	<u>\$ 41,920</u>	<u>\$ 104,526</u>

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Total of the Town contributions subsequent to measurement date of \$2,147,009 reported as deferred outflows of resources related to pensions above will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30:</u>	<u>Net Deferred Inflows of Resources</u>
2017	\$ 379,160
2018	379,160
2019	381,987
2020	(677,718)
2021	4,625
Thereafter	<u>37,622</u>
Total	<u>\$ 504,836</u>

B. Employees' Retirement System of the State of Rhode Island - Teachers

Plan Description

All full-time teachers, principals, school nurses and certain other school officials (including the superintendent) in the town's school system must participate in a cost-sharing multiple-employer defined benefit pension plan - the Employees' Retirement System plan - administered by the Employees' Retirement System of the State of Rhode Island (System). Under a cost-sharing plan, pension obligations for employees of all employers are pooled and plan assets are available to pay the benefits of the employees of any participating employer providing pension benefits through the plan, regardless of the status of the employers' payment of its pension obligation to the plan. The plan provides retirement and disability benefits and death benefits to plan members and beneficiaries.

The System issues a publicly available financial report that includes financial statements and required supplementary information for the plans. The report may be obtained at <http://www.ersri.org>.

Eligibility and Plan Benefits

The level of benefits provided to participants is established by Chapter 36-10 of the General Laws, which is subject to amendment by the General Assembly. Member benefit provisions vary based on service credits accumulated at dates specified in various amendments to the General Laws outlining minimum retirement age, benefit accrual rates and maximum benefit provisions. In general, members accumulate service credits for each year of service subject to maximum benefit accruals of 80% or 75%. For those hired after June 30, 2012, the benefit accrual rate is 1% per year with a maximum benefit accrual of 40%. Members eligible to retire at September 30, 2009 may retire with 10 years of service at age 60 or after 28 years of service at any age. The retirement eligibility age increases proportionately for other members reflecting years of service and other factors until it aligns with the Social Security Normal Retirement Age, which applies to any member with less than 5 years of service as of July 1, 2012. Members are vested after 5 years of service.

The plan provides for survivor's benefits for service connected death and certain lump sum death benefits. Joint and survivor benefit provision options are available to members.

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Cost of living adjustments are provided but are currently suspended until the collective plans administered by ERSRI reach a funded status of 80%. Until the plans reach an 80% funded status, interim cost of living adjustments are provided at four-year intervals commencing with the plan year ending June 30, 2016.

The plan also provides nonservice-connected disability benefits after five years of service and service-connected disability benefits with no minimum service requirement.

Contributions

The funding policy, as set forth in the General Laws, Section 16-16-22, provides for actuarially determined periodic contributions to the plan. For fiscal 2015, full-time teachers, principals, school nurses and certain other school officials were required to contribute 3.75% of their annual covered salary. The State and the School are required to contribute at an actuarially determined rate, 40% of which is to be paid by the state and the remaining 60% is to be paid by the School; the rates were 9.41 and 13.73 % of annual covered payroll for the fiscal year ended June 30, 2016 for the state and School, respectively. The School contributed \$2,941,515, \$3,584,110, \$3,229,345 and \$3,173,397 for the fiscal years ended June 30, 2016, 2015 and 2014, respectively, equal to 100% of the required contributions for each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2016, the School reported a liability of \$44,674,781 for its proportionate share of the net pension liability that reflected a reduction for contributions made by the state. The amount recognized by the School as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the School were as follows:

School's proportionate share of the net pension liability	\$ 44,674,781
State's proportionate share of the net pension liability associated with the School	<u>30,520,408</u>
Total Net Pension Liability	<u>\$ 75,195,189</u>

The net pension liability was measured as of June 30, 2015, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015. The School's proportion of the net pension liability was based on a projection of the School's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers and the state, actuarially determined. At June 30, 2015 the School's proportion was 1.62276563%.

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For the year ended June 30, 2016 the School recognized gross pension expense of \$9,081,026 and revenue of \$3,706,008 for support provided by the State. At June 30, 2016 the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred outflows of resources:	
Contributions subsequent to the measurement date	\$ <u>2,941,515</u>
Deferred inflows of resources:	
Difference between expected and actual experience	\$ 290,894
Change of assumptions	1,201,010
Net difference between projected and actual earning on pension plan investments	33,702
Changes in proportionate share of employer contributions	<u>407,505</u>
Total	\$ <u>1,933,111</u>

The \$2,941,515 reported as deferred outflows of resources related to pensions resulting from the School contributions in fiscal year 2016 subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30:</u>	<u>Net Deferred Inflows of Resources</u>
2017	\$ 527,044
2018	527,044
2019	527,044
2020	(323,258)
2021	306,043
Thereafter	<u>369,194</u>
Total	\$ <u>1,933,111</u>

Actuarial Assumptions

The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.50% to 6.50%
Investment rate of return	7.50%

Mortality - male and female teachers: 97% and 92%, respectively of rates in a GRS table based on male and female teacher experience, projected with Scale AA from 2000.

The actuarial assumptions used in the June 30, 2014 valuation rolled forward to June 30, 2014 and the calculation of the total pension liability at June 30, 2015 were consistent with the results of an actuarial experience study performed as of June 30, 2013.

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The long-term expected rate of return best-estimate on pension plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of pension plan investment expense and inflation) for each major asset class, based on a collective summary of capital market expectations from 23 sources. The June 30, 2015 expected arithmetic returns over the long-term (20 years) by asset class are summarized in the following table:

<u>Type of Investments</u>	<u>Target Allocation</u>	<u>Long-term expected real rate of return</u>
Global Equity:	38.0%	-
U.S. Equity	-	6.96%
International Developed	-	7.32%
International Emerging Markets	-	9.52%
Equity Hedge Funds	8.0%	3.98%
Private Equity	7.0%	9.99%
Core Fixed Income	15.0%	2.18%
Absolute Return Hedge Funds	7.0%	3.98%
Infrastructure	3.0%	5.70%
Real estate	8.0%	4.85%
Other Real Return Assets	11.0%	-
Master Limited partnerships	-	4.51%
Credit	-	4.51%
Inflation Linked Bonds	-	1.24%
Cash, Overlay, Money Market	<u>3.0%</u>	7.80%
	<u><u>100.0%</u></u>	

These return assumptions are then weighted by the target asset allocation percentage, factoring in correlation effects, to develop the overall long-term expected rate of return best-estimate on an arithmetic basis.

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
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 JUNE 30, 2016**

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

the following presents the net pension liability (asset) calculated using the discount rate of 7.5 percent as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
	6.50%	7.50%	8.50%
Teachers	\$ 56,021,817	\$ 44,674,781	\$ 35,385,627

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued ERSRI financial report.

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

Plan Description

Employees participating in the defined benefit plan with less than 20 years of service as of June 30, 2012, as described above, also participate in a defined contribution plan authorized by General Law Chapter 36-10.3. The defined contribution plan is established under IRS section 401(a) and is administered by TIAA-CREF. Employees may choose among various investment options available to plan participants. Employees contribute 5% of their annual covered salary and employers contribute between 1% and 1.5% of annual covered salary depending on the employee’s total years of service as of June 30, 2012. Employee contributions are immediately vested while employer contributions and any investment earnings thereon are vested after three years of contributory service. Benefit terms and contributions required under the plan by both the employee and employer are established by the General Laws, which are subject to amendment by the General Assembly.

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

Teachers that Contribute to Social Security

Plan Funding Policy

The funding policy is outlined in RIGL chapter 36-10.3 (which can be amended by the Rhode Island General Assembly). Contribution rates are:

	Employee contribution	Employer contribution
ERS - teachers - contribute to Social Security - less than 20 years of service at 7/1/2012	5%	1% to 1.5% depending on years of service
ERS - teachers - more than 20 years of service on July 1, 2012	No DC plan contributions (employee and employer) after July 1, 2015	

**TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
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The plan members and town contributed \$1,247,915 and \$295,780, respectively, during the fiscal year ended June 30, 2016.

General Employees in MERS that Contribute to Social Security

Plan Funding Policy

The funding policy is outlined in RIGL chapter 36-10.3 (which can be amended by the Rhode Island General Assembly). The contribution rates are:

	<u>Employee contribution</u>	<u>Employer contribution</u>
MERS - general employees who contribute to Social Security - and had less than 20 years of service on July 1, 2012	5%	1% to 1.5% depending on years of service
MERS - general employees - more than 20 years of service on July 1, 2012	No DC plan contributions (employee and employer) after July 1, 2015	

The plan members and town contributed \$279,850 and \$65,827, respectively, during the fiscal year ended June 30, 2016.

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

12. OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN

The Town of South Kingstown OPEB Trust (the Trust)

Plan Description

The Trust is a single-employer defined benefit healthcare plan administered by the Town. Most full-time employees of the Town and School Department are eligible to participate in the plan. Benefit provisions are established through negotiations between the Town and the various unions representing the employees. The plan is considered to be part of the Town’s financial reporting entity and is included in the Town’s financial report as the Other Postemployment Benefits Trust Fund. The plan does not issue a stand-alone financial report.

The Trust Fund investments are managed by Vanguard Institutional Advisory Services (VIAS) and services are administered by Public Agency Retirement Services. All costs for management and administration are paid by the assets in the Trust Fund.

Benefits Provided

The Trust provides medical, dental and life insurance benefits to eligible retirees and their spouses.

**TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
 NOTES TO FINANCIAL STATEMENTS
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Eligibility

General Employees

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

Police and EMT

Members who have retired under the Municipal Employees Retirement System for police and emergency management technicians shall be eligible to receive medical benefits for self and spouse. Minimum eligibility for retirement is completion of 20 years of service regardless of age. A member of the police department may retire provided they have earned a retirement allowance of at least 50%.

Teachers and Administrators

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

Employees Covered by Benefit Terms

At June 30, 2016, the following employees were covered by the benefit terms:

	<u>Participants</u>
Active employees	683
Retirees	82
Spouses of retirees	<u>64</u>
Total	<u><u>829</u></u>

Contributions

Town Employees hired before July 1, 2006

30 years of service: For 4 years, the Town shall pay \$5,500 per year toward the annual cost, and the retiree shall pay the difference, payable on a monthly basis, until Medicare eligible;

25 years of service: For 3 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, until Medicare eligible;

20 years of service: For 3 years, the Town shall pay \$2,500 per year toward the annual cost, and the retiree shall pay the difference, payable on a monthly basis, until Medicare eligible.

Town Employees hired after July 1, 2006

30 years of service: For 3 years, the Town shall pay \$4,000 per year toward the annual cost, and the retiree shall pay the difference, payable on a monthly basis, until Medicare eligible;

25 years of service: For 3 years, the Town shall pay \$2,666 per year toward the annual cost, and the retiree shall pay the difference, payable on a monthly basis, until Medicare eligible;

20 years of service: For 3 years, the Town shall pay \$1,333 per year toward the annual cost, and the retiree shall pay the difference, payable on a monthly basis, until Medicare eligible.

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Police Employees

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

EMT Employees

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

Public Works Employees hired before July 1, 2005

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

Public Works Employees hired after July 1, 2005

30 years of service: For 3 years, the Town shall pay \$4,000 per year toward the annual cost, and the retiree shall pay the difference, payable on a monthly basis, until Medicare eligible;

25 years of service: For 3 years, the Town shall pay \$2,666 per year toward the annual cost, and the retiree shall pay the difference, payable on a monthly basis, until Medicare eligible;

20 years of service: For 3 years, the Town shall pay \$1,333 per year toward the annual cost, and the retiree shall pay the difference, payable on a monthly basis, until Medicare eligible.

School Employees

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

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

For the year ended June 30, 2016, plan members contributed \$93,641 of premium payments. The Town is required to contribute the balance of the current premium cost and may contribute an additional amount as determined by the Town in order to prefund benefits.

Investments

Investment Policy

The Trust's policy in regard to the allocation of invested assets is established and may be amended by the VIAS discretionary investment management agreement approved and signed by the Town's plan administrator and any other investment policy established by the Town. It is the policy of the Town to pursue an investment strategy that reduced risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The Town's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short term span.

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Rate of Return

For the year ended June 30, 2016 the annual money-weighted rate of return on investments, net of investment expense, was 6.64%. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability of the Town

The components of the net OPEB liability of the Town at June 30, 2016, were as follows:

Total OPEB liability	\$ 18,326,804
Plan fiduciary net position	<u>10,196,288</u>
Town's Net OPEB Liability	<u><u>\$ 8,130,516</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	125%

The Town of South Kingstown's net OPEB liability was measured as of June 30, 2016, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total OPEB liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75% per year
Projected Salary Increases	3.25%
Investment Rate of Return	6.75%
Healthcare Cost Trend Rate	Initial rate of 9.0% decreasing by 0.5% annually to an ultimate rate of 4.0%

Mortality rates were based on RPH-2015 Total Dataset Mortality Table fully generational using scale MP-2015. RPH-2015 table is created based on RPH-2014 Total Dataset Mortality Table with eight years of MP-2014 mortality improvement backed out, projected to 2015 using MP-2015 improvement.

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
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The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	37.1%	8.2%
International equity	15.9%	8.8%
Fixed income	39.0%	3.1%
Real estate	8.0%	6.5%
Cash	0%	0%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the total OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Town contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in the Net OPEB Liability

	<u>Total Pension Liability</u>	<u>Increase (Decrease) Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balances as of June 30, 2015	\$ 19,435,296	\$ 9,714,523	\$ 9,720,773
Changes for the Year			
Service cost	820,802		820,802
Interest on the total pension liability	1,416,126		1,416,126
Changes in assumptions	788,258		788,258
Difference between expected and actual experience	(3,006,059)		(3,006,059)
Employer contributions		1,727,619	(1,727,619)
Net investment income		(62,732)	62,732
Benefit payments	(1,127,619)	(1,127,619)	-
Administrative expense		(55,503)	55,503
Net changes	<u>(1,108,492)</u>	<u>481,765</u>	<u>(1,590,257)</u>
Balances as of June 30, 2016	<u>\$ 18,326,804</u>	<u>\$ 10,196,288</u>	<u>\$ 8,130,516</u>

**TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Town, as well as what the Town's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	<u>1% Decrease 5.75%</u>	<u>Current Discount 6.75%</u>	<u>1% Increase 7.75%</u>
Net OPEB liability	\$ 9,385,501	\$ 8,130,516	\$ 6,965,622

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the Town, as well as what the Town's net OPEB liability would be if it were calculated using healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	<u>1% Decrease 8.0% decreasing to 4.0%</u>	<u>Healthcare Cost Trend Rates 9.0% decreasing to 5.0%</u>	<u>1% Increase 10.0% decreasing to 6.0%</u>
Net OPEB liability	\$ 6,625,630	\$ 8,130,516	\$ 9,859,237

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2016, the Town recognized OPEB expense of \$1,549,455. At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$	\$ 2,774,824
Changes of assumptions	727,623	
Net difference between projected and actual earnings on OPEB plan investments	635,108	
Total	<u>\$ 1,362,731</u>	<u>\$ 2,774,824</u>

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
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Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in pension expense as follows:

<u>Year Ending June 30:</u>	<u>Net Deferred Outflow (Inflow) of Resources</u>
2017	\$ (11,823)
2018	(11,823)
2019	(11,823)
2020	(11,823)
2021	(170,600)
Thereafter	<u>(1,194,201)</u>
Total	<u>\$ (1,412,093)</u>

13. SIGNIFICANT COMMITMENTS

Community Septic System Loan Program

On August 30, 2002, the Town entered into an agreement with the Rhode Island Clean Water Finance Agency to finance the Town's Community Septic System Loan Program. The loan agreement provides the Town with a \$300,000 nonrestoring line of credit. The proceeds of the loan shall be used by the Town for the establishment of an operation of a Community Septic System Loan Program. The Program provides for the Town to make loans to property owners of the Town for the repair or replacement of failed or failing septic systems. The individual loans to be made to property owners shall be underwritten by the Town with the assistance of the Rhode Island Housing Mortgage Finance Corporation (RIHMFC). 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, 2016, there are \$300,000 in loans issued and an available (nonrestoring) line-of-credit balance of \$-0-.

In June 2005, the Town Council authorized and entered into a second agreement with Rhode Island Clean Water Finance Agency to finance the Town's Community Septic System Loan Program. The loan agreement provides the Town with an additional \$1,000,000 nonrestoring line of credit that will be funded in three increments of \$300,000 and a final increment of \$100,000. Each increment will be funded only upon the complete drawdown of all prior increments. The proceeds of the loan shall be used by the Town towards the operation of the community Septic System Loan Program. The terms of the loan program are consistent with the terms described in the above-noted paragraph except that the new agreement has a 2% (versus 4%) interest rate to property owners. As of June 30, 2016, there are \$1,000,000 in loans issued and an available (non-restoring) line-of-credit balance of \$0.

**TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
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JUNE 30, 2016**

In August 2010, the Board of Directors of the Rhode Island Clean Water Finance Agency, pursuant to policies and procedures adopted in accordance with Title VI of the Federal Clean Water Act and Chapter 12.2 of the Rhode Island General Laws, notified the Town that it has been approved for an additional \$1,000,000 of funding for the Community Septic System Loan Program. The loan total will be funded in three increments of \$300,000 and a final increment of \$100,000. During fiscal year 2016, there were 3 closings totaling \$46,600 in loans issued which leaves an available line-of-credit balance of \$668,120.45.

14. RISK MANAGEMENT

A. Rhode Island Inter-Local Risk Management Trust

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

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

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

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

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

B. Internal Service Fund

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

Over the past 20 years, the Town has used a combination of the following financing plans to pay for its medical and dental programs for all eligible employees of the Town and School Department and their dependents. The plans consist of the following:

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

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
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JUNE 30, 2016

For the 2015-2016 fiscal year, the Town was under a cost plus basis plan. As of July 1, 2008, the Town switched to a Blue Cross cost plus program provided through the West Bay Community Health Collaborative. However, the School and Town had been experiencing significant increases in claims payments over prior fiscal years which initiated the need to research and consider the fully-insured option. In December, 2015, the Town issued a request for proposal from the Trust and West Bay to evaluate which option was in the best interest of the Town and School and determined that at the current time given the escalating claims experience being fully-insured was a less risky option for both entities and, as of July 1, 2016 transferred the relationship to The Trust.

All funds of the Town participate in the program and make payments to the Health Care Management Fund (an internal service fund) based on recommendations made by the Plan Administrator. Billings from the Health Care Management Fund to their Town and School Department Funds for fiscal year 2016 were \$10,418,267. At June 30, 2016, the Town has estimated a liability for claims incurred but not reported (IBNR) based on actual claims paid subsequent to year end but related to claims incurred prior to June 30, 2016. Changes in the balance of claims liabilities during the past two years are as follows:

<u>Fiscal Year</u>	<u>Accrued Liability Beginning of Fiscal Year</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Accrued Liability Claim Payments</u>	<u>Accrued Liability End of Fiscal Year</u>
2015-16	\$ 762,061	\$ 6,706,187	\$ 7,220,365	\$ 247,883
2014-15	604,240	9,485,244	9,327,423	762,061

15. CONTINGENCIES

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

The Town has been notified by the Environmental Protection Agency (EPA) that two former landfills have been placed on the Superfund list. The Rose Hill Regional Landfill was previously operated by the towns of South Kingstown and Narragansett, Rhode Island. A "Record of Decision" (ROD) was issued in December 1999, which delineates EPA's approved remediation strategy for the site. Consent Decree negotiations with EPA began in November 2000 and were completed in January 2003. The towns have paid \$4,125,000 to settle all past and future federal liabilities associated with the Rose Hill site. South Kingstown's \$2,000,000 payment to the Federal Government was funded with a 20-year general obligation bond sold in September 2002 at an interest rate of 1.648%. Repayment of the debt service associated with this bond will be provided from funds held in reserve within the Solid Waste Fund and from property taxes. The Town of South Kingstown also paid \$504,932 for state natural resource damages and \$62,500 for its share of federal natural resource damages. The Consent Decree also requires reimbursement of 30% of the State of Rhode Island costs associated with the remediation of this landfill site and ongoing operation and maintenance costs. This cost of \$3,941,566 will also be shared equally between the two towns. The remaining balance of the Town of South Kingstown's share of the estimated cost of reimbursing the State is \$1,465,305 at June 30, 2016. Accordingly, this amount has been reported as a liability in the government-wide financial statements. This balance will be paid off during fiscal year ending 2037.

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

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

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

16. PRIOR PERIOD ADJUSTMENT AND RESTATEMENT

The following restatements were recorded to the beginning of net position of the governmental activities as a result of implementation of GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*:

Net position at June 30, 2015, as previously reported	\$ 70,247,839
Adjustments	
Eliminate net OPEB assets reported per GASB No. 45	(5,863,998)
Record net OPEB liability per GASB No. 75	<u>(9,720,773)</u>
Net position at July 1, 2015, as Restated	<u>\$ 54,663,068</u>

**Required Supplementary
Information**

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Property tax revenues	\$ 68,711,125	\$ 68,961,125	\$ 69,170,273	\$ 209,148
Intergovernmental revenues	10,066,421	9,548,399	9,712,408	164,009
Licenses, fees, tuition and rent	1,575,378	1,575,378	1,533,612	(41,766)
Other local revenues	1,718,505	1,718,505	2,026,933	308,428
Use of fund balance	1,075,000	1,075,000	1,075,000	-
Total revenues	<u>83,146,429</u>	<u>82,878,407</u>	<u>83,518,226</u>	<u>639,819</u>
Expenditures:				
Current:				
General government	3,744,244	3,689,244	3,605,135	84,109
Public safety	10,516,624	10,341,624	10,178,419	163,205
Public works	2,967,368	2,792,368	2,669,667	122,701
Human service agency contribution	149,800	149,800	137,800	12,000
Recreation	1,804,803	1,794,803	1,787,933	6,870
Public libraries	1,179,156	1,179,156	1,180,873	(1,717)
Education	59,130,028	59,130,028	58,147,979	982,049
Miscellaneous	935,000	922,500	950,336	(27,836)
Debt service	2,393,308			-
Total expenditures	<u>82,820,331</u>	<u>79,999,523</u>	<u>78,658,142</u>	<u>1,341,381</u>
Excess of Revenues over Expenditures	<u>326,098</u>	<u>2,878,884</u>	<u>4,860,084</u>	<u>1,981,200</u>
Other Financing Uses:				
Transfers in	1,372,849	932,135	947,263	15,128
Transfers out	(1,698,947)	(3,811,019)	(3,811,019)	-
Total Other Financing Uses	<u>(326,098)</u>	<u>(2,878,884)</u>	<u>(2,863,756)</u>	<u>15,128</u>
Excess of Revenues and Other Sources	\$ <u>-</u>	\$ <u>-</u>	1,996,328	\$ <u>1,996,328</u>

Budgetary excess of revenues over expenditures is different than GAAP net change in fund balance because of the following reconciling items:

Use of fund balance is not a GAAP revenue	(1,075,000)
Transfers to other funds appropriated from reserves	(450,000)
Cancellation of prior year encumbrances is not a GAAP revenue	(29,211)
Summer school expenditures not budgeted	6,725
Expenditures not budgeted	(3,894)
Reservation of fund balance is not a GAAP expense	7,500
Change in encumbrances	<u>110,806</u>

Total Net Change in Fund Balance - GAAP basis \$ 563,254

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
SCHEDULE OF CHANGES IN THE TOWN'S NET PENSION LIABILITY AND RELATED RATIOS
MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM AGENT PLAN - GENERAL EMPLOYEES
LAST TWO FISCAL YEARS*

	<u>2016</u>	<u>2015</u>
A. Total pension liability		
Service Cost	\$ 1,178,841	\$ 1,187,868
Interest on the Total Pension Liability	4,112,669	3,904,997
Changes of benefit terms	1,025,090	
Difference between expected and actual experience	(897,943)	
Changes of assumptions		431,607
Benefit payments, including refunds of employee contributions	<u>(2,788,503)</u>	<u>(2,713,486)</u>
Net change in total pension liability	2,630,154	2,810,986
Total pension liability - beginning	55,640,422	52,829,436
Total pension liability - ending (a)	<u>\$ 58,270,576</u>	<u>\$ 55,640,422</u>
B. Plan fiduciary net position		
Contributions - employer	\$ 1,420,102	\$ 1,298,368
Contributions - employee	246,747	247,508
Net investment income	1,213,363	6,851,087
Benefit payments, including refunds of employee contributions	(2,788,503)	(2,713,486)
Pension Plan Administrative Expense	(48,275)	(42,901)
Other	<u>293,093</u>	<u>4,317</u>
Net change in plan fiduciary net position	336,527	5,644,893
Plan fiduciary net position - beginning	<u>51,438,896</u>	<u>45,794,003</u>
Plan fiduciary net position - ending (b)	<u>51,775,423</u>	<u>51,438,896</u>
C. Net pension liability - ending (a) - (b)	<u>\$ 6,495,153</u>	<u>\$ 4,201,526</u>
D. Plan fiduciary net position as a percentage of the total pension liability	88.85%	92.45%
E. Covered employee payroll	\$ 12,266,819	\$ 11,878,682
F. Net pension liability as a percentage of covered payroll	52.95%	35.37%

* Schedule is intended to show information for 10 years - additional years will be displayed as they become available.

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
SCHEDULE OF CHANGES IN THE TOWN'S NET PENSION LIABILITY AND RELATED RATIOS
MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM AGENT PLAN - POLICE
LAST TWO FISCAL YEARS*

	<u>2016</u>	<u>2015</u>
A. Total pension liability		
Service Cost	\$ 553,069	\$ 550,738
Interest on the Total Pension Liability	2,031,908	1,977,138
Changes of benefit terms	948,578	
Difference between expected and actual experience of the Total Pension Liability	163,450	
Changes of assumptions		(164,150)
Benefit payments, including refunds of employee contributions	<u>(1,638,543)</u>	<u>(1,630,699)</u>
Net change in total pension liability	2,058,462	733,027
Total pension liability - beginning	<u>27,634,841</u>	<u>26,901,814</u>
Total pension liability - ending (a)	<u>\$ 29,693,303</u>	<u>\$ 27,634,841</u>
B. Plan fiduciary net position		
Contributions - employer	\$ 712,921	\$ 468,675
Contributions - employee	251,692	257,164
Net investment income	511,433	2,930,811
Benefit payments, including refunds of employee contributions	(1,638,543)	(1,630,699)
Pension Plan Administrative Expense	(19,499)	(18,353)
Other	416	801
Net change in plan fiduciary net position	<u>(181,580)</u>	<u>2,008,399</u>
Plan fiduciary net position - beginning	<u>22,004,925</u>	<u>19,996,526</u>
Plan fiduciary net position - ending (b)	<u>21,823,345</u>	<u>22,004,925</u>
C. Net pension liability - ending (a) - (b)	<u>\$ 7,869,958</u>	<u>\$ 5,629,916</u>
D. Plan fiduciary net position as a percentage of the total pension liability	73.50%	79.63%
E. Covered employee payroll	\$ 3,128,217	\$ 3,120,331
F. Net pension liability as a percentage of covered payroll	251.58%	180.43%

* Schedule is intended to show information for 10 years - additional years will be displayed as they become available.

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
SCHEDULE OF CHANGES IN THE TOWN'S NET PENSION LIABILITY AND RELATED RATIOS
MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM AGENT PLAN - EMT
LAST TWO FISCAL YEARS*.

	<u>2016</u>	<u>2015</u>
A. Total pension liability		
Service Cost	\$ 144,842	\$ 135,144
Interest on the Total Pension Liability	219,726	204,900
Changes of benefit terms	180,010	
Difference between expected and actual experience of the Total Pension Liability	(85,523)	
Changes of assumptions		(41,805)
Benefit payments, including refunds of employee contributions	<u>(137,877)</u>	<u>(72,944)</u>
Net change in total pension liability	321,178	225,295
Total pension liability - beginning	<u>2,926,196</u>	<u>2,700,901</u>
Total pension liability - ending (a)	<u>\$ 3,247,374</u>	<u>\$ 2,926,196</u>
B. Plan fiduciary net position		
Contributions - employer	\$ 49,050	\$ 33,018
Contributions - employee	65,837	63,498
Net investment income	85,550	478,328
Benefit payments, including refunds of employee contributions	(137,877)	(72,944)
Pension Plan Administrative Expense	(3,431)	(2,995)
Other	<u>1</u>	<u>155</u>
Net change in plan fiduciary net position	59,130	499,060
Plan fiduciary net position - beginning	<u>3,591,354</u>	<u>3,092,294</u>
Plan fiduciary net position - ending (b)	<u>3,650,484</u>	<u>3,591,354</u>
C. Net pension liability (asset) - ending (a) - (b)	<u>\$ (403,110)</u>	<u>\$ (665,158)</u>
D. Plan fiduciary net position as a percentage of the total pension liability	112.41%	122.73%
E. Covered employee payroll	\$ 822,966	\$ 790,777
F. Net pension asset as a percentage of covered payroll	48.98%	84.11%

**Schedule is intended to show information for 10 years - additional years will be displayed as they become available.*

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
SCHEDULE OF TOWN CONTRIBUTIONS
MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM AGENT PLAN - GENERAL EMPLOYEES
LAST TWO FISCAL YEARS*

	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 1,420,102	\$ 1,298,368
Contributions in relation to the actuarially determined contribution	<u>1,420,102</u>	<u>1,298,368</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 12,266,819	\$ 11,878,682
Contributions as a percentage of covered-employee payroll	11.58%	10.93%

* Schedule is intended to show information for 10 years - additional years will be displayed as they

Notes to Schedule:

Valuation date: June 30, 2014

Measurement date: June 30, 2015

Actuarially determined contribution rates are calculated as of June 30th of each plan year and effective two years after the actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	20 years
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary Increases	General Employees - 3.50% to 7.50%
	Police & Fire Employees - 4.00% to 14.00%
Investment rate of return	7.50%
Retirement age	Experience-based table of rates that are specific to the type of eligibility conditions. Last updated for 2014 valuation.
Mortality	Males: 115% of PR-2000 Combined Healthy for Males with White Collar adjustments, projected with Scale AA from 2000. 95% of RP-2000 Combined Healthy for Females with White Collar adjustments, projected with Scale AA from 2000.

**TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
SCHEDULE OF TOWN CONTRIBUTIONS
MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM AGENT PLAN - POLICE
LAST TWO FISCAL YEARS***

	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 712,921	\$ 468,675
Contributions in relation to the actuarially determined contribution	<u>712,921</u>	<u>468,675</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 3,128,217	\$ 3,120,331
Contributions as a percentage of covered-employee payroll	22.79%	15.02%

* Schedule is intended to show information for 10 years - additional years will be displayed as they become available.

Notes to Schedule:

Valuation date: June 30, 2014

Measurement date: June 30, 2015

Actuarially determined contribution rates are calculated as of June 30th of each plan year and effective two years after

Methods and assumptions used to determine contribution rates:

Actuarial cost method Entry age normal

Amortization method Level percentage of payroll, closed

Remaining amortization period 20 years

Asset valuation method 5-year smoothed market

Inflation 2.75%

Salary Increases General Employees - 3.50% to 7.50%
Police & Fire Employees - 4.00% to 14.00%

Investment rate of return 7.50%

Retirement age Experience-based table of rates that are specific to the type of eligibility conditions.
Last updated for 2014 valuation.

Mortality Males: 115% of PR-2000 Combined Healthy for Males with White Collar adjustments,
projected with Scale AA from 2000.
95% of RP-2000 Combined Healthy for Females with White Collar adjustments,
projected with Scale AA from 2000.

**TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
SCHEDULE OF TOWN CONTRIBUTIONS
MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM AGENT PLAN - EMT
LAST TWO FISCAL YEARS***

	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 49,050	\$ 33,018
Contributions in relation to the actuarially determined contribution	<u>49,050</u>	<u>33,018</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 822,966	\$ 790,777
Contributions as a percentage of covered-employee payroll	5.96%	4.18%

* Schedule is intended to show information for 10 years - additional years will be displayed as they become available.

Notes to Schedule:

Valuation date: June 30, 2014

Measurement date: June 30, 2015

Actuarially determined contribution rates are calculated as of June 30th of each plan year and effective two years

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	20 years
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary Increases	General Employees - 3.50% to 7.50% Police & Fire Employees - 4.00% to 14.00%
Investment rate of return	7.50%
Retirement age	Experience-based table of rates that are specific to the type of eligibility conditions. Last updated for 2014 valuation.
Mortality	Males: 115% of PR-2000 Combined Healthy for Males with White Collar adjustments, projected with Scale AA from 2000. 95% of RP-2000 Combined Healthy for Females with White Collar adjustments, projected with Scale AA from 2000.

**TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
 SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 EMPLOYEES' RETIREMENT SYSTEM - TEACHERS
 LAST TWO FISCAL YEARS***

	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability	1.62%	1.64%
Town's proportionate share of the net pension liability	\$ 44,674,781	\$ 39,917,633
State's proportionate share of the net pension liability associated with the school district	<u>30,520,408</u>	<u>27,373,360</u>
Total	<u>\$ 75,195,189</u>	<u>\$ 67,290,993</u>
Town's covered employee payroll	\$ 25,552,372	\$ 31,370,787
Town's proportionate share of the net pension liability as a percentage of its covered employee payroll	174.84%	127.24%
Plan fiduciary net position as a percentage of the total pension liability	57.55%	61.40%

**Schedule is intended to show information for 10 years - additional years will be displayed as they become available.*

Note:

The amounts presented for each fiscal year were determined as of 6/30 measurement date prior to the fiscal year-end.

**TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
SCHEDULE OF TOWN CONTRIBUTIONS
EMPLOYEES' RETIREMENT SYSTEM - TEACHERS
LAST TWO FISCAL YEARS***

	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 3,584,110	\$ 3,229,345
Contributions in relation to the actuarially determined contribution	<u>3,584,110</u>	<u>3,229,345</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 25,552,372	\$ 31,370,787
Contributions as a percentage of covered- employee payroll	14%	10%

* Schedule is intended to show information for 10 years - additional years will be displayed as they become available.

Notes:

1) Employers participating in the State Employee's Retirement System are required by RI General Laws, Section 36-10-2, to contribute an actuarially determined contribution rate each year.

Notes to Schedule:

Valuation date: June 30, 2014
Measurement date: June 30, 2015

Methods and assumptions used to determine contribution rates:

Actuarial cost method Entry age normal
Amortization method Level percentage of payroll, closed
Remaining amortization period 21 years at June 30, 2014
Inflation 2.75%
Salary Increases Teachers - 3.50% to 13.5%
Investment rate of return 7.50%
Mortality a GRS table based on male and female teacher experience, projected with Scale AA from 2000

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
SCHEDULE OF CHANGES IN THE TOWN'S NET OPEB LIABILITY AND RELATED RATIOS
OPEB TRUST FUND
LAST FISCAL YEAR*

	<u>2016</u>
Total OPEB liability	
Service Cost	\$ 820,802
Interest on the total OPEB liability	1,416,126
Changes of benefit terms	
Changes of assumptions	788,258
Differences between expected and actual experience	(3,006,059)
Benefit payments	<u>(1,127,619)</u>
Net change in total OPEB liability	(1,108,492)
Total OPEB liability - beginning	<u>19,435,296</u>
Total OPEB liability - ending	<u>\$ 18,326,804</u>
Plan fiduciary net position	
Contributions - employer	\$ 1,727,619
Contributions - retired members	
Net investment income	(62,732)
Benefit payments	(1,127,619)
OPEB Plan Administrative Expense	<u>(55,503)</u>
Net change in plan fiduciary net position	481,765
Plan fiduciary net position - beginning	<u>9,714,523</u>
Plan fiduciary net position - ending (b)	<u>10,196,288</u>
Net pension liability (asset) - ending	<u>\$ 8,130,516</u>
Plan fiduciary net position as a percentage of the total pension liability	55.64%
Covered employee payroll	\$ 40,959,060
Net OPEB liability as a percentage of covered payroll	19.85%

**Schedule is intended to show information for 10 years - additional years will be displayed as they become available.*

**TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
SCHEDULE OF TOWN CONTRIBUTIONS
OPEB TRUST FUND
LAST EIGHT FISCAL YEARS***

	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution (1)	\$ 1,812,425	\$ 1,665,055	\$ 1,722,851	\$ 1,878,000	\$ 1,878,000	\$ 1,922,000	\$ 1,780,100	\$ 1,694,400
Contributions in relation to the actuarially determined contribution	1,727,619	4,859,217	2,948,054	2,896,704	1,986,031	2,202,000	1,784,100	1,694,400
Contribution deficiency (excess)	\$ <u>84,806</u>	\$ <u>(3,194,162)</u>	\$ <u>(1,225,203)</u>	\$ <u>(1,018,704)</u>	\$ <u>(108,031)</u>	\$ <u>(280,000)</u>	\$ <u>(4,000)</u>	\$ <u>-</u>
Covered-employee payroll	\$ 40,859,060	\$ 42,546,253	\$ 42,546,253	\$ 43,016,000	\$ 43,016,000	\$ 41,868,678	\$ 41,868,678	\$ 42,961,106
Contributions as a percentage of covered-employee payroll	4.23%	11.42%	6.93%	6.73%	4.62%	5.26%	4.26%	3.94%

* Schedule is intended to show information for 10 years - additional years will be displayed as they become available.

(1) Actuarially Determined Contributions prior to fiscal year ending June 30, 2016 is based on the Annual Required Contribution (ARC) calculated in accordance with GASB No. 45

Notes to Schedule:

Valuation date: June 30, 2016

Measurement date: June 30, 2016

The Town and School of South Kingstown have opted to disclose OPEB liabilities under GASB 75 for the current valuation. The prior valuation was disclosed under GASB 45.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal Level % of Salary.
Discount rate	6.75% and will be updated annually to reflect market conditions
Payroll	Level percentage of payroll, closed
Asset valuation method	Market value of assets
Inflation	2.75%
Salary Increases	For amortization purposes: 3.25%
	For valuation purposes: 4% for IBPO/EMT and 3.5% for all others
Investment rate of return	6.75%
Healthcare trend rates	Initial 9% decreasing by 0.5% annually to an ultimate rate of 5.0%
Disability/Termination/Retirement rates	Experience-based table of rates that are specific to the type of eligibility conditions. Last updated for 2014 valuation.
Mortality	SOA RPH-2015 total Dataset Mortality Table fully generational using Scale MP-2015

**TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
SCHEDULE OF INVESTMENT RETURNS
OPEB TRUST FUND
LAST FISCAL YEAR***

	<u>2016</u>
Annual money-weighted rate of return, net of investment expense	6.64%

** Schedule is intended to show information for 10 years - additional years will be displayed as they become available.*

Combining and Individual Fund Statements and Schedules

General Fund

GENERAL FUND

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

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

**TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
COMBINING BALANCE SHEET - GENERAL FUND
JUNE 30, 2016**

	<u>General Fund</u>	<u>School Unrestricted Fund</u>	<u>Eliminations</u>	<u>Total General Fund</u>
ASSETS				
Cash and cash equivalents	\$ 23,350,944	\$ 200	\$	\$ 23,351,144
Investments	4,508,850			4,508,850
Accounts and other receivable, net	1,180,728	43,822		1,224,550
Due from federal and state governments	15,867	47,145		63,012
Due from other funds	645,914	6,077,104	(5,811,936)	911,082
Prepaid items	3,324	12,402		15,726
Total Assets	<u>\$ 29,705,627</u>	<u>\$ 6,180,673</u>	<u>\$ (5,811,936)</u>	<u>\$ 30,074,364</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 280,771	\$ 417,427	\$	\$ 698,198
Accrued liabilities	709,778	2,055,787		2,765,565
Due to state and federal governments	57,633			57,633
Due to other funds	15,606,207	202,471	(5,811,936)	9,996,742
Unearned revenue	181,190	756		181,946
Deposits held in custody of others	158,662			158,662
Total liabilities	<u>16,994,241</u>	<u>2,676,441</u>	<u>(5,811,936)</u>	<u>13,858,746</u>
Deferred inflows of resources:				
Unavailable revenue - property taxes	629,865			629,865
Total deferred inflows of resources	<u>629,865</u>	<u>-</u>	<u>-</u>	<u>629,865</u>
Fund balances:				
Nonspendable	3,324	12,402		15,726
Committed	1,906,535	3,491,830		5,398,365
Unassigned	10,171,662			10,171,662
Total fund balances	<u>12,081,521</u>	<u>3,504,232</u>	<u>-</u>	<u>15,585,753</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 29,705,627</u>	<u>\$ 6,180,673</u>	<u>\$ (5,811,936)</u>	<u>\$ 30,074,364</u>

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	<u>General Fund</u>	<u>School Unrestricted Fund</u>	<u>Eliminations</u>	<u>Total General Fund</u>
Revenues:				
Property taxes, interest and lien fees	\$ 69,170,273	\$	\$	\$ 69,170,273
Intergovernmental revenues	2,023,873	7,688,535		9,712,408
Licenses and fees	1,327,687			1,327,687
Investment income	173,954	1,358		175,312
Fines and charges for services		205,925		205,925
Departmental	1,319,990			1,319,990
State on behalf pension contribution		2,449,310		2,449,310
Other local revenues		509,145		509,145
Total revenues	<u>74,015,777</u>	<u>10,854,273</u>	<u>-</u>	<u>84,870,050</u>
Expenditures:				
Current:				
General government	3,598,573			3,598,573
Public safety	10,115,844			10,115,844
Public works	2,674,674			2,674,674
Human service agency contribution	161,800			161,800
Public libraries	1,180,756			1,180,756
Education		60,336,464		60,336,464
Recreation	1,787,933			1,787,933
Other	896,311			896,311
Total expenditures	<u>20,415,891</u>	<u>60,336,464</u>	<u>-</u>	<u>80,752,355</u>
Excess (Deficiency) of Revenues over Expenditures	<u>53,599,886</u>	<u>(49,482,191)</u>	<u>-</u>	<u>4,117,695</u>
Other Financing Sources (Uses):				
Transfers in from other funds	921,402	50,339,617	(50,561,941)	699,078
Transfers out to other funds	(54,317,275)	(498,185)	50,561,941	(4,253,519)
Total other financing sources (uses)	<u>(53,395,873)</u>	<u>49,841,432</u>	<u>-</u>	<u>(3,554,441)</u>
Net Change in Fund Balances	204,013	359,241	-	563,254
Fund Balances at Beginning of Year	<u>11,877,508</u>	<u>3,144,991</u>	<u>-</u>	<u>15,022,499</u>
Fund Balances at End of Year	<u>\$ 12,081,521</u>	<u>\$ 3,504,232</u>	<u>\$ -</u>	<u>\$ 15,585,753</u>

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
SCHEDULE OF REVENUES, EXPENDITURES AND OTHER FINANCING SOURCES (USES) -
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget - Positive (Negative)
Revenues and Use of Fund Balance:				
Property taxes:				
Current taxes	\$ 67,548,325	\$ 67,798,325	\$ 67,963,967	\$ 165,642
Prior taxes	575,000	575,000	596,558	21,558
Total taxes current and prior	68,123,325	68,373,325	68,560,525	187,200
Pilot - Federal Aid	8,000	8,000	8,019	19
Interest on taxes	333,500	333,500	349,825	16,325
Payment in lieu of taxes	246,300	246,300	251,904	5,604
Total property taxes	68,711,125	68,961,125	69,170,273	209,148
State aid - Town:				
General state aid	300,463	300,463	323,092	22,629
Telephone tax	412,970	412,970	378,660	(34,310)
Meals and beverage tax	700,000	700,000	821,483	121,483
Chapter 26 - school housing	518,022			-
State library general aid	187,759	187,759	187,759	-
State library endowment aid	13,975	13,975	13,975	-
State motor vehicle phase-out	170,945	170,945	139,730	(31,215)
Hotel tax	141,287	141,287	159,174	17,887
Total state aid - Town	2,445,421	1,927,399	2,023,873	96,474
Licenses, fees and rents:				
Business licensed and fees	470,280	470,280	425,287	(44,993)
Nonbusiness licenses and fees	374,025	374,025	369,735	(4,290)
Real Estate conveyance fees	80,000	80,000	91,864	11,864
Rental of Town properties	440,801	440,801	440,801	-
Total licenses, fees and rents	1,365,106	1,365,106	1,327,687	(37,419)
Investment income - short term	90,000	90,000	173,954	83,954
Revenues and Use of Fund Balance:				
Departmental revenues:				
Police department revenue	194,700	194,700	375,538	180,838
Park rental revenue	21,900	21,900	34,236	12,336
Town beach parking	128,675	128,675	172,400	43,725
Boat and mooring	30,000	30,000	31,706	1,706
Animal control fees	1,200	1,200	1,897	697
Libraries	22,000	22,000	20,855	(1,145)
Dog/cat licenses and fines	5,000	5,000	5,205	205
Recreation department	251,000	251,000	222,895	(28,105)
Recreation self-support program	135,400	135,400	193,863	58,463
Planning department	100	100	57	(43)
Communications department revenue	2,500	2,500	1,401	(1,099)
Copy charges	28,000	28,000	18,810	(9,190)
Recreation department - Outside sponsors	10,000	10,000	8,634	(1,366)
Stepping stone - creative	63,630	63,630	56,762	(6,868)
Stepping stone - self supported	3,500	3,500	2,262	(1,238)
Geographic information systems program	400	400	452	52
Narragansett - Dog Pound	70,500	70,500	70,500	-
Miscellaneous - Town	95,000	95,000	102,517	7,517
Total departmental revenues	1,063,505	1,063,505	1,319,990	256,485
Use of fund balance	675,000	675,000	675,000	-
Cancellation of Prior year encumbrances			29,211	29,211
Total revenues and use of fund balance	74,350,157	74,082,135	74,719,988	637,853

(Continued on next page)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
SCHEDULE OF REVENUES, EXPENDITURES AND OTHER FINANCING SOURCES (USES) -
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
Expenditures:				
General government:				
Town council	\$ 15,034	\$ 15,034	\$ 13,068	\$ 1,966
Financial town meeting	12,025	11,399		11,399
Legal staff	178,085	178,085	173,748	4,337
Probate judge	7,536	7,536	7,402	134
Town clerk	411,770	410,115	390,133	19,982
Public information	13,812	13,812	10,662	3,150
Canvassing authority	78,546	80,827	82,093	(1,266)
Town manager's office	410,083	410,083	408,479	1,604
Personnel administration	106,817	106,817	99,936	6,881
Town hall operations	190,467	180,467	174,281	6,186
Finance department	698,972	678,972	667,879	11,093
Tax assessor's office	387,301	387,301	388,170	(869)
Data processing division	323,796	293,796	293,431	365
Geographic information systems	119,665	119,665	117,910	1,755
Planning department	387,358	379,858	373,209	6,649
Conservation commission	850	850	193	657
Zoning/building inspection	354,412	354,412	354,160	252
Miscellaneous boards and agencies	47,715	60,215	50,381	9,834
Total general government	<u>3,744,244</u>	<u>3,689,244</u>	<u>3,605,135</u>	<u>84,109</u>
Public safety:				
Police department	8,311,708	8,171,708	8,032,517	139,191
Animal control - RD/shelter	316,805	316,805	295,744	21,061
Radio/communication	248,338	248,338	234,796	13,542
Harbor patrol	31,441	31,441	37,515	(6,074)
Emergency medical services	1,608,332	1,573,332	1,577,847	(4,515)
Total public safety	<u>10,516,624</u>	<u>10,341,624</u>	<u>10,178,419</u>	<u>163,205</u>
Public works:				
Public works administration	385,591	370,591	351,541	19,050
Streets and highway	2,337,933	2,177,933	2,080,402	97,531
Tree warden/ Street lighting	243,844	243,844	237,724	6,120
Total public works	<u>2,967,368</u>	<u>2,792,368</u>	<u>2,669,667</u>	<u>122,701</u>
Expenditures:				
Human service agency contributions:				
South Shore Mental Health	15,000	15,000	15,000	-
Hospice of Washington County	1,500	1,500	1,500	-
Visiting Nurses Association	24,000	24,000	24,000	-
Thundermist Health Center	24,000	24,000	24,000	-
Phoenix Marathon House	12,000	12,000		12,000
Jonnycake Center	22,000	22,000	22,000	-
Cane Day Care Center	9,000	9,000	9,000	-
South County Community Action	24,000	24,000	24,000	-
Welcome House of South County	8,000	8,000	8,000	-
Domestic Violence Resource Center	5,000	5,000	5,000	-
Washington County Coalition for Children	800	800	800	-
Education Exchange	3,500	3,500	3,500	-
Easter Seals	1,000	1,000	1,000	-
Total human service agency contributions	<u>149,800</u>	<u>149,800</u>	<u>137,800</u>	<u>12,000</u>

(Continued on next page)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
SCHEDULE OF REVENUES, EXPENDITURES AND OTHER FINANCING SOURCES (USES) -
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Recreation:				
Recreation department	\$ 1,804,803	\$ 1,794,803	\$ 1,787,933	\$ 6,870
Public libraries	1,179,156	1,179,156	1,180,873	(1,717)
Miscellaneous:				
Unemployment insurance	10,000	10,000	14,127	(4,127)
Insurance	285,000	285,000	310,102	(25,102)
Contingency	75,000	75,000	75,000	-
Miscellaneous expense	65,000	52,500	50,063	2,437
Contribution to Town retirement	350,000	350,000	350,000	-
Workers' compensation	150,000	150,000	151,044	(1,044)
Total miscellaneous	935,000	922,500	950,336	(27,836)
Debt service	2,393,308	-	-	-
Total expenditures	23,690,303	20,869,495	20,510,163	359,332
Excess of Revenues over Expenditures	50,659,854	53,212,640	54,209,825	997,185
Other Financing Sources (Uses):				
Transfers in:				
From Special Revenue Funds	1,352,849	912,135	921,402	9,267
Transfers out:				
Wastewater Fund	(4,300)	(4,300)	(4,300)	-
Elderly services	(402,047)	(402,047)	(402,047)	-
Tax Transfer to School	(50,313,756)	(50,313,756)	(50,313,756)	-
Tax Transfer to Debt Service Fund		(1,434,572)	(1,434,572)	-
Transfers to Other Funds		(677,500)	(677,500)	-
To Capital Project Funds	(1,292,600)	(1,292,600)	(1,292,600)	-
Total other financing sources (uses)	(50,659,854)	(53,212,640)	(53,203,373)	9,267
Excess of Revenues, Other Sources and Uses of Fund Balance over Expenditures and Other Financing Uses	\$ -	\$ -	1,006,452	\$ 1,006,452

Budgetary excess of revenues over expenditures is different than GAAP
net change in fund balance because of the following reconciling items:

Use of fund balance is not a GAAP revenue	(675,000)
Transfers to other funds appropriated from reserves	(200,000)
Expenditures not budgeted	(3,894)
Cancellation of prior year encumbrances is not a GAAP revenue	(29,211)
Encumbrances are reported in the year the order is placed for budgetary purposes but in the year received for financial reporting purposes	98,166
Reservations of fund balance is not an expense	7,500

Total Net Change in Fund Balance - GAAP basis \$ 204,013

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
SCHEDULE OF REVENUES, EXPENDITURES AND OTHER FINANCING SOURCES -
BUDGET AND ACTUAL - BUDGETARY BASIS - SCHOOL UNRESTRICTED FUND
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues and Designated Fund Balance:				
State aid	\$ 7,621,000	\$ 7,621,000	\$ 7,688,535	\$ 67,535
Tuition	210,272	210,272	205,925	(4,347)
Investment Income			1,358	1,358
Miscellaneous	565,000	565,000	502,420	(62,580)
Total revenues	<u>8,396,272</u>	<u>8,396,272</u>	<u>8,398,238</u>	<u>1,966</u>
Use of fund balance	<u>400,000</u>	<u>400,000</u>	<u>400,000</u>	<u>-</u>
Total Revenues and Use of Fund Balance	<u>8,796,272</u>	<u>8,796,272</u>	<u>8,798,238</u>	<u>1,966</u>
Expenditures:				
Salaries	33,729,168	33,627,968	33,168,740	459,228
Employee benefits	13,598,419	13,567,619	13,255,517	312,102
Purchased services	9,296,501	9,168,910	9,147,870	21,040
Supplies and materials	2,505,940	2,765,531	2,575,852	189,679
Total expenditures	<u>59,130,028</u>	<u>59,130,028</u>	<u>58,147,979</u>	<u>982,049</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(50,333,756)</u>	<u>(50,333,756)</u>	<u>(49,349,741)</u>	<u>984,015</u>
Other Financing Sources:				
Transfers in:				
Town of South Kingstown General Fund	50,313,756	50,313,756	50,313,756	-
Trust Fund Income	<u>20,000</u>	<u>20,000</u>	<u>25,861</u>	<u>5,861</u>
Total other financing sources	<u>50,333,756</u>	<u>50,333,756</u>	<u>50,339,617</u>	<u>5,861</u>
Excess of Revenues, Other Sources and Uses of Fund Balance over Expenditures and Other Financing Uses	<u>\$ -</u>	<u>\$ -</u>	<u>989,876</u>	<u>\$ 989,876</u>
Budgetary excess of revenues over expenditures is different than GAAP net change in fund balance because of the following reconciling items:				
Use of fund balance is not a GAAP revenue			(400,000)	
Use of fund balance, transfer to other funds			(250,000)	
Summer school revenue not budgeted			6,725	
Change in encumbrances			<u>12,640</u>	
Total Net Change in Fund Balance - GAAP basis			<u>\$ 359,241</u>	

**Nonmajor
Governmental Funds**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

TOWN FUNDS

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

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

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

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

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

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

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

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

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

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

SCHOOL FUNDS

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

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

CAPITAL PROJECTS FUNDS

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

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

Fair Share Development Fund - This fund is used to account for the fees collected from subdivision developers for future school and recreational capital improvements.

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

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

Public Safety Improvement Fund - This fund was established to account for the construction and maintenance of the South Kingstown Public Safety Building.

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

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

Recreation Center Fund - This fund is used to account for various restoration projects to the Town's recreation center.

Recreation Major Projects Fund - This fund is used to account for various restoration projects to the Town's recreational facilities.

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

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

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

Technology Improvement Fund - This fund is used to account for major enhancements to the Town's data processing system.

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

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

PERMANENT FUNDS

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

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

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

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

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

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

	Special Revenue Funds										
	Affordable Housing	Alcohol Grant	Animal Shelter Benefit	Asset Forfeiture	Community Development Block Grant	Elderly Services	EMS Billing Services	Governor's Justice Commission Grants	Historical and Vital Records	Narragansett Library	Neighborhood Guild
ASSETS											
Cash and cash equivalents	\$	\$	\$	\$ 740	\$	\$ 182,137	\$ 1,084,919	\$	\$	\$ 21,200	\$ 123,789
Investments										61,602	
Accounts and other receivables						38,199				3,150	95,618
Due from federal and state governments		314			209,996	30,713		1,926			
Due from other funds	10,000		232,246	105,328		9,213	2		147,333		
Prepays											5,581
Total Assets	\$ 10,000	\$ 314	\$ 232,246	\$ 106,068	\$ 209,996	\$ 260,262	\$ 1,084,921	\$ 1,926	\$ 147,333	\$ 85,952	\$ 224,988
LIABILITIES AND FUND BALANCES											
Liabilities:											
Accounts payable	\$	\$	\$ 1,332	\$ 2,162	\$ 4,000	\$ 6,990	\$ 800	\$	\$ 518	\$	\$ 17,206
Accrued liabilities			14,272			10,488					5,993
Due to federal and state governments			1,660	17,558							
Due to other funds		314			205,996			1,926		2,908	6,254
Unearned revenue											61,266
Total liabilities	-	314	17,264	19,720	209,996	17,478	800	1,926	518	2,908	90,719
Fund Balances:											
Nonspendable											5,581
Restricted				86,348					146,815	83,044	128,688
Committed	10,000		214,982			242,784	1,084,121				
Total fund balances	10,000	-	214,982	86,348	-	242,784	1,084,121	-	146,815	83,044	134,269
Total Liabilities and Fund Balances	\$ 10,000	\$ 314	\$ 232,246	\$ 106,068	\$ 209,996	\$ 260,262	\$ 1,084,921	\$ 1,926	\$ 147,333	\$ 85,952	\$ 224,988

(Continued on next page)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
 COMBINING BALANCE SHEET (CONTINUED)
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2016

EXHIBIT B-1

	Special Revenue Funds									
	Peace Dale Office Building	Property Revaluation Reserve	RI Resource Recovery Grant	Seat Belt Enforcement Grant	South Road School Reserve	Substance Abuse	Tobacco Compliance Investigation Project	Reducing Marijuana Grant	Statewide Planning Grant	Pre-Disaster Mitigation Grant
ASSETS										
Cash and cash equivalents	\$ 282,349									
Investments										
Accounts and other receivables										
Due from federal and state governments		79,445		2,474		8,140		20,006		468,630
Due from other funds		161,268	55,896		424,335				95	
Prepays										
Total Assets	<u>\$ 282,349</u>	<u>\$ 240,713</u>	<u>\$ 55,896</u>	<u>\$ 2,474</u>	<u>\$ 424,335</u>	<u>\$ 8,140</u>	<u>\$ -</u>	<u>\$ 20,006</u>	<u>\$ 95</u>	<u>\$ 468,630</u>
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts payable	\$ 1,957									
Accrued liabilities	3,940			1,237						
Due to federal and state governments										
Due to other funds	1,662			1,237		847		20,006		468,630
Unearned revenue	960									
Total liabilities	<u>8,519</u>	<u>-</u>	<u>-</u>	<u>2,474</u>	<u>-</u>	<u>847</u>	<u>-</u>	<u>20,006</u>	<u>-</u>	<u>468,630</u>
Fund Balances:										
Nonspendable										
Restricted			55,896						95	
Committed	273,830	240,713			424,335	7,293				
Total fund balances	<u>273,830</u>	<u>240,713</u>	<u>55,896</u>	<u>-</u>	<u>424,335</u>	<u>7,293</u>	<u>-</u>	<u>-</u>	<u>95</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 282,349</u>	<u>\$ 240,713</u>	<u>\$ 55,896</u>	<u>\$ 2,474</u>	<u>\$ 424,335</u>	<u>\$ 8,140</u>	<u>\$ -</u>	<u>\$ 20,006</u>	<u>\$ 95</u>	<u>\$ 468,630</u>

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TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
 COMBINING BALANCE SHEET (CONTINUED)
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2016

EXHIBIT B-1

	Special Revenue Funds					Capital Project Funds					
	Nancy Brown Memorial Fund	Municipal Planning Services Reserve Fund	School Restricted Fund	Miscellaneous Donations Fund	Total Special Revenue Funds	Capital Equipment and Replacement	Technology Improvement	Fair Share Development	Library Building Construction	Open Space Reserve	Public Safety Improvement
ASSETS											
Cash and cash equivalents	\$ 3,136	\$	\$	\$	\$ 1,698,270	\$	\$	\$	\$ 182,530	\$	\$
Investments					61,602						
Accounts and other receivables			417		137,384						
Due from federal and state governments			440,963		1,262,607	23,000					
Due from other funds		2,219	53,296	13,950	1,215,181	920,762	179,319	437,600	39,334	731,223	308,558
Prepays					5,581						
Total Assets	\$ 3,136	\$ 2,219	\$ 494,676	\$ 13,950	\$ 4,380,625	\$ 943,762	\$ 179,319	\$ 437,600	\$ 221,864	\$ 731,223	\$ 308,558
LIABILITIES AND FUND BALANCES											
Liabilities:											
Accounts payable	\$	\$	224,890	\$	259,855	\$	\$	\$	\$	\$	6,401
Accrued liabilities	3,136		50,387		89,453						
Due to federal and state governments					19,218						
Due to other funds			200,373		910,153						
Unearned revenue			19,026		81,252						
Total liabilities	3,136	-	494,676	-	1,359,931	-	-	-	-	-	6,401
Fund Balances:											
Nonspendable					5,581						
Restricted				13,950	514,836			437,600		731,223	
Committed		2,219			2,500,277	943,762	179,319		221,864		302,157
Total fund balances	-	2,219	-	13,950	3,020,694	943,762	179,319	437,600	221,864	731,223	302,157
Total Liabilities and Fund Balances	\$ 3,136	\$ 2,219	\$ 494,676	\$ 13,950	\$ 4,380,625	\$ 943,762	\$ 179,319	\$ 437,600	\$ 221,864	\$ 731,223	\$ 308,558

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TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
 COMBINING BALANCE SHEET (CONTINUED)
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2016

EXHIBIT B-1

	Capital Project Funds									Total Capital Project Funds
	Public Services Office Building Improvement	Public Works Improvement	Recreation Minor Improvement	Recreation Major Projects	School Improvement	Senior Services Improvement	Town Hall Improvement	Wastewater Construction	Recreation Center	
ASSETS										
Cash and cash equivalents	\$	\$	\$	\$	\$	\$	\$	\$	5,064,163	\$
Investments										
Accounts and other receivables										
Due from federal and state governments			28,145							51,145
Due from other funds	486,741	1,333,814	35,012	127,335	160,149	33,401	427,494	200,718	1,418,718	6,840,178
Prepays										
Total Assets	<u>\$ 486,741</u>	<u>\$ 1,333,814</u>	<u>\$ 63,157</u>	<u>\$ 127,335</u>	<u>\$ 160,149</u>	<u>\$ 33,401</u>	<u>\$ 427,494</u>	<u>\$ 5,264,881</u>	<u>\$ 1,418,718</u>	<u>\$ 12,138,016</u>
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts payable	\$	\$	\$	\$	\$	\$	\$	\$	\$	6,401
Accrued liabilities										
Due to federal and state governments										
Due to other funds										
Unearned revenue			28,145							28,145
Total liabilities	<u>-</u>	<u>-</u>	<u>28,145</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,546</u>
Fund Balances:										
Nonspendable										
Restricted									1,418,718	2,587,541
Committed	486,741	1,333,814	35,012	127,335	160,149	33,401	427,494	5,264,881		9,515,929
Total fund balances	<u>486,741</u>	<u>1,333,814</u>	<u>35,012</u>	<u>127,335</u>	<u>160,149</u>	<u>33,401</u>	<u>427,494</u>	<u>5,264,881</u>	<u>1,418,718</u>	<u>12,103,470</u>
Total Liabilities and Fund Balances	<u>\$ 486,741</u>	<u>\$ 1,333,814</u>	<u>\$ 63,157</u>	<u>\$ 127,335</u>	<u>\$ 160,149</u>	<u>\$ 33,401</u>	<u>\$ 427,494</u>	<u>\$ 5,264,881</u>	<u>\$ 1,418,718</u>	<u>\$ 12,138,016</u>

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TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
 COMBINING BALANCE SHEET (CONTINUED)
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2016

EXHIBIT B-1

	Permanent Funds						Total
	Hazard Memorial Trust	Irving Knowles Trust	Oliver Watson Home	Walter W. Watson Trust	Kingston Free Library Trust	Total Permanent Funds	
ASSETS							
Cash and cash equivalents	\$ 215,669	\$ 3,150	\$ 219,190	\$ 194,936	\$ 6,081	\$ 639,026	\$ 7,583,989
Investments	236,373	189,307			821,024	1,246,704	1,308,306
Accounts and other receivables						-	137,384
Due from federal and state governments						-	1,313,752
Due from other funds	7		90	74		171	8,055,530
Prepays						-	5,581
Total Assets	<u>\$ 452,049</u>	<u>\$ 192,457</u>	<u>\$ 219,280</u>	<u>\$ 195,010</u>	<u>\$ 827,105</u>	<u>\$ 1,885,901</u>	<u>\$ 18,404,542</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$	\$ 3,150	\$	\$	\$	\$ 3,150	\$ 269,406
Accrued liabilities						-	89,453
Due to federal and state governments						-	19,218
Due to other funds						-	910,153
Unearned revenue						-	109,397
Total liabilities	<u>-</u>	<u>3,150</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,150</u>	<u>1,397,627</u>
Fund Balances:							
Nonspendable						-	5,581
Restricted	452,049	189,307	219,280	195,010	827,105	1,882,751	4,985,128
Committed						-	12,016,206
Total fund balances	<u>452,049</u>	<u>189,307</u>	<u>219,280</u>	<u>195,010</u>	<u>827,105</u>	<u>1,882,751</u>	<u>17,006,915</u>
Total Liabilities and Fund Balances	<u>\$ 452,049</u>	<u>\$ 192,457</u>	<u>\$ 219,280</u>	<u>\$ 195,010</u>	<u>\$ 827,105</u>	<u>\$ 1,885,901</u>	<u>\$ 18,404,542</u>

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, 2016

EXHIBIT B-2

	Special Revenue Funds										
	Affordable Housing	Alcohol Grant	Animal Shelter Benefit Fund	Asset Forfeiture Fund	Community Development Block Grant	Elderly Services	EMS Billing Services Fund	Governor's Justice Commission Grants	Historical and Vital Recording Fees	Narragansett Library	Neighborhood Guild
Revenues:											
Intergovernmental revenues	\$	\$ 628	\$	\$ 1,988	\$ 554,448	\$ 325,736	\$	\$ 18,394	\$	\$	\$
Licenses and fees			17,420						34,606		
Fines and charges						110,120	860,009				375,926
Investment income (loss)						355	3,329			(2,040)	322
Contributions			5,645							44,723	
Other revenue			16,403	101,948						1,207	
Total revenues	<u>-</u>	<u>628</u>	<u>39,468</u>	<u>103,936</u>	<u>554,448</u>	<u>436,211</u>	<u>863,338</u>	<u>18,394</u>	<u>34,606</u>	<u>43,890</u>	<u>376,248</u>
Expenditures:											
Education											
Recreation											768,469
Other expenditures		628	19,242	15,998	310,173	778,261	170,133	18,394	26,135	40	
Debt service:											
Principal retirement											50,000
Interest and other charges											1,150
Capital outlay					88,065						
Total expenditures	<u>-</u>	<u>628</u>	<u>19,242</u>	<u>15,998</u>	<u>398,238</u>	<u>778,261</u>	<u>170,133</u>	<u>18,394</u>	<u>26,135</u>	<u>40</u>	<u>819,619</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>-</u>	<u>20,226</u>	<u>87,938</u>	<u>156,210</u>	<u>(342,050)</u>	<u>693,205</u>	<u>-</u>	<u>8,471</u>	<u>43,850</u>	<u>(443,371)</u>
Other Financing Sources (Uses):											
Transfers in						402,047				3,150	459,063
Transfers out					(156,210)		(575,000)			(47,936)	(17,450)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(156,210)</u>	<u>402,047</u>	<u>(575,000)</u>	<u>-</u>	<u>-</u>	<u>(44,786)</u>	<u>441,613</u>
Net Change in Fund Balances	-	-	20,226	87,938	-	59,997	118,205	-	8,471	(936)	(1,758)
Fund Balances at Beginning of Year	10,000	-	194,756	(1,590)	-	182,787	965,916	-	138,344	83,980	136,027
Fund Balances at End of Year	<u>\$ 10,000</u>	<u>\$ -</u>	<u>\$ 214,982</u>	<u>\$ 86,348</u>	<u>\$ -</u>	<u>\$ 242,784</u>	<u>\$ 1,084,121</u>	<u>\$ -</u>	<u>\$ 146,815</u>	<u>\$ 83,044</u>	<u>\$ 134,269</u>

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TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016

EXHIBIT B-2

	Special Revenue Funds										
	Peace Dale Office Building	Property Revaluation Reserve Fund	RI Resource Recovery Grant	Seat Belt Enforcement Grant	South Road School Reserve Fund	Substance Abuse	Tobacco Compliance Investigation Project	Reducing Marijuana Grant	Statewide Planning Grant	Pre-Disaster Mitigation Grant	Drug Free Community Grant
Revenues:											
Intergovernmental revenues	\$	\$ 109,800	\$	\$ 39,440	\$	\$ 29,141	\$ 255	\$ 62,901	\$	\$ 468,630	\$ 87,419
Licenses and fees											
Fines and charges	68,161				20,000						
Investment income (loss)	1,156										
Contributions											
Other revenue						7,099			6,890		
Total revenues	<u>69,317</u>	<u>109,800</u>	<u>-</u>	<u>39,440</u>	<u>20,000</u>	<u>36,240</u>	<u>255</u>	<u>62,901</u>	<u>6,890</u>	<u>468,630</u>	<u>87,419</u>
Expenditures:											
Education											
Recreation											
Other expenditures	97,021	147,073		39,440		28,947	255	62,901			87,419
Debt service:											
Principal retirement											
Interest and other charges											
Capital outlay					15,373						
Total expenditures	<u>97,021</u>	<u>147,073</u>	<u>-</u>	<u>39,440</u>	<u>15,373</u>	<u>28,947</u>	<u>255</u>	<u>62,901</u>	<u>-</u>	<u>-</u>	<u>87,419</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(27,704)</u>	<u>(37,273)</u>	<u>-</u>	<u>-</u>	<u>4,627</u>	<u>7,293</u>	<u>-</u>	<u>-</u>	<u>6,890</u>	<u>468,630</u>	<u>-</u>
Other Financing Sources (Uses):											
Transfers in	12,000										
Transfers out	(3,000)				(9,845)					(468,630)	
Total other financing sources (uses)	<u>9,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,845)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(468,630)</u>	<u>-</u>
Net Change in Fund Balances	(18,704)	(37,273)	-	-	(5,218)	7,293	-	-	6,890	-	-
Fund Balances at Beginning of Year	292,534	277,986	55,896	-	429,553	-	-	-	(6,795)	-	-
Fund Balances at End of Year	<u>\$ 273,830</u>	<u>\$ 240,713</u>	<u>\$ 55,896</u>	<u>\$ -</u>	<u>\$ 424,335</u>	<u>\$ 7,293</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 95</u>	<u>\$ -</u>	<u>\$ -</u>

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TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016

EXHIBIT B-2

	Special Revenue Funds			Capital Projects Funds						
	Municipal Planning Services Reserve Fund	School Restricted Fund	Miscellaneous Donations Fund	Total Special Revenue Funds	Capital Equipment and Replacement	Technology Improvement	Fair Share Development	Library Building Construction	Open Space Reserve	Public Safety Improvement
Revenues:										
Intergovernmental revenues	\$	\$ 1,804,330	\$	\$ 3,503,110	\$ 119,064	\$ 47,136	\$	\$ 40,000	\$	\$ 4,864
Licenses and fees				52,026			108,228		312,712	
Fines and charges				1,434,216						
Investment income (loss)				3,122				729		
Contributions			11,255	61,623						
Other revenue		80,550		214,097						
Total revenues	-	1,884,880	11,255	5,268,194	119,064	47,136	108,228	40,729	312,712	4,864
Expenditures:										
Education		1,860,355		1,860,355						
Recreation				768,469						
Other expenditures				1,802,060						
Debt service:										
Principal retirement				50,000						
Interest and other charges				1,150						
Capital outlay		24,525		127,963	511,628	325,274		36,938		285,207
Total expenditures	-	1,884,880	-	4,609,997	511,628	325,274	-	36,938	-	285,207
Excess (Deficiency) of Revenues over Expenditures	-	-	11,255	658,197	(392,564)	(278,138)	108,228	3,791	312,712	(280,343)
Other Financing Sources (Uses):										
Transfers in				876,260	502,600	55,000				150,000
Transfers out				(1,278,071)			(1,430,869)		(250,000)	
Total other financing sources (uses)	-	-	-	(401,811)	502,600	55,000	(1,430,869)	-	(250,000)	150,000
Net Change in Fund Balances	-	-	11,255	256,386	110,036	(223,138)	(1,322,641)	3,791	62,712	(130,343)
Fund Balances at Beginning of Year	2,219	-	2,695	2,764,308	833,726	402,457	1,760,241	218,073	668,511	432,500
Fund Balances at End of Year	\$ 2,219	\$ -	\$ 13,950	\$ 3,020,694	\$ 943,762	\$ 179,319	\$ 437,600	\$ 221,864	\$ 731,223	\$ 302,157

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TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016

EXHIBIT B-2

	Capital Project Funds									
	Public Services Office Building Improvement	Public Works Improvement	Recreation Minor Improvement	Recreation Improvement	School Improvement	Senior Services Center Construction	Town Hall Improvement	Wastewater Construction	Recreation Center	Total Capital Project Funds
Revenues:										
Intergovernmental revenues	\$ 18,948	\$ 37,019	\$	\$	\$ 52,092	\$	\$	\$	\$ 1,000	\$ 320,123
Licenses and fees										420,940
Fines and charges	4,466							23,400		27,866
Investment income (loss)								20,174		20,903
Contributions										-
Other revenue									16,619	16,619
Total revenues	<u>23,414</u>	<u>37,019</u>	<u>-</u>	<u>-</u>	<u>52,092</u>	<u>-</u>	<u>-</u>	<u>43,574</u>	<u>17,619</u>	<u>806,451</u>
Expenditures:										
Education										-
Recreation										-
Other expenditures									4,600	4,600
Debt service:										-
Principal retirement										-
Interest and other charges										-
Capital outlay	<u>21,722</u>	<u>877,276</u>	<u>132,019</u>	<u>-</u>	<u>385,218</u>	<u>12,490</u>	<u>-</u>	<u>-</u>	<u>793,009</u>	<u>3,380,781</u>
Total expenditures	<u>21,722</u>	<u>877,276</u>	<u>132,019</u>	<u>-</u>	<u>385,218</u>	<u>12,490</u>	<u>-</u>	<u>-</u>	<u>797,609</u>	<u>3,385,381</u>
Excess (Deficiency) of Revenues over Expenditures	<u>1,692</u>	<u>(840,257)</u>	<u>(132,019)</u>	<u>-</u>	<u>(333,126)</u>	<u>(12,490)</u>	<u>-</u>	<u>43,574</u>	<u>(779,990)</u>	<u>(2,578,930)</u>
Other Financing Sources (Uses):										
Transfers in	35,000	735,000	140,000	60,000	250,000	15,000	270,000		1,450,000	3,662,600
Transfers out										(1,680,869)
Total other financing sources (uses)	<u>35,000</u>	<u>735,000</u>	<u>140,000</u>	<u>60,000</u>	<u>250,000</u>	<u>15,000</u>	<u>270,000</u>	<u>-</u>	<u>1,450,000</u>	<u>1,981,731</u>
Net Change in Fund Balances	36,692	(105,257)	7,981	60,000	(83,126)	2,510	270,000	43,574	670,010	(597,199)
Fund Balances at Beginning of Year	<u>450,049</u>	<u>1,439,071</u>	<u>27,031</u>	<u>67,335</u>	<u>243,275</u>	<u>30,891</u>	<u>157,494</u>	<u>5,221,307</u>	<u>748,708</u>	<u>12,700,669</u>
Fund Balances at End of Year	<u>\$ 486,741</u>	<u>\$ 1,333,814</u>	<u>\$ 35,012</u>	<u>\$ 127,335</u>	<u>\$ 160,149</u>	<u>\$ 33,401</u>	<u>\$ 427,494</u>	<u>\$ 5,264,881</u>	<u>\$ 1,418,718</u>	<u>\$ 12,103,470</u>

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TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016

EXHIBIT B-2

	Permanent Funds						Eliminations	Total
	Hazard Memorial Trust	Irving Knowles Trust	Oliver Watson Home	Walter W. Watson Trust	Kingston Free Library Trust	Total Permanent Funds		
Revenues:								
Intergovernmental revenues	\$	\$	\$	\$	\$	\$ -	\$	\$ 3,823,233
Licenses and fees						-		472,966
Fines and charges						-		1,462,082
Investment income (loss)	(6,364)	(46,048)	868	772	(6,729)	(57,501)		(33,476)
Contributions						-		61,623
Other revenue						-		230,716
Total revenues	<u>(6,364)</u>	<u>(46,048)</u>	<u>868</u>	<u>772</u>	<u>(6,729)</u>	<u>(57,501)</u>	<u>-</u>	<u>6,017,144</u>
Expenditures:								
Education						-		1,860,355
Recreation						-		768,469
Other expenditures			769		4,913	5,682		1,812,342
Debt service:								
Principal retirement						-		50,000
Interest and other charges						-		1,150
Capital outlay						-		3,508,744
Total expenditures	<u>-</u>	<u>-</u>	<u>769</u>	<u>-</u>	<u>4,913</u>	<u>5,682</u>	<u>-</u>	<u>8,001,060</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(6,364)</u>	<u>(46,048)</u>	<u>99</u>	<u>772</u>	<u>(11,642)</u>	<u>(63,183)</u>	<u>-</u>	<u>(1,983,916)</u>
Other Financing Sources (Uses):								
Transfers in						-	(1,253,150)	3,285,710
Transfers out		(3,150)			(19,810)	(22,960)	1,253,150	(1,728,750)
Total other financing sources (uses)	<u>-</u>	<u>(3,150)</u>	<u>-</u>	<u>-</u>	<u>(19,810)</u>	<u>(22,960)</u>	<u>-</u>	<u>1,556,960</u>
Net Change in Fund Balances	(6,364)	(49,198)	99	772	(31,452)	(86,143)	-	(426,956)
Fund Balances at Beginning of Year	458,413	238,505	219,181	194,238	858,557	1,968,894	-	17,433,871
Fund Balances at End of Year	<u>\$ 452,049</u>	<u>\$ 189,307</u>	<u>\$ 219,280</u>	<u>\$ 195,010</u>	<u>\$ 827,105</u>	<u>\$ 1,882,751</u>	<u>\$ -</u>	<u>\$ 17,006,915</u>

Agency Funds

AGENCY FUNDS

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

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

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

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2016</u>
Unclaimed Estates				
Assets:				
Cash	\$ 129,764	\$	\$ 129,764	\$ -
Investments		<u>23,295</u>		<u>23,295</u>
Total Assets	<u>\$ 129,764</u>	<u>\$ 23,295</u>	<u>\$ 129,764</u>	<u>\$ 23,295</u>
Liabilities:				
Deposits held in custody for others	<u>\$ 129,764</u>	<u>\$ 23,295</u>	<u>\$ 129,764</u>	<u>\$ 23,295</u>
Student Activities Fund				
Assets:				
Cash	\$ 303,522	\$ 495,430	\$ 469,987	\$ 328,965
Investments	<u>8,016</u>			<u>8,016</u>
Total Assets	<u>\$ 311,538</u>	<u>\$ 495,430</u>	<u>\$ 469,987</u>	<u>\$ 336,981</u>
Liabilities:				
Deposits held in custody for others	<u>\$ 311,538</u>	<u>\$ 495,430</u>	<u>\$ 469,987</u>	<u>\$ 336,981</u>
Total All Agency Funds				
Assets:				
Cash	\$ 433,286	\$ 495,430	\$ 599,751	\$ 328,965
Investments	<u>8,016</u>			<u>8,016</u>
Total Assets	<u>\$ 441,302</u>	<u>\$ 495,430</u>	<u>\$ 599,751</u>	<u>\$ 336,981</u>
Liabilities:				
Deposits held in custody for others	<u>\$ 441,302</u>	<u>\$ 495,430</u>	<u>\$ 599,751</u>	<u>\$ 336,981</u>

Other Schedules

**TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
SCHEDULE OF PROPERTY TAXES RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2016**

<u>Year</u>	<u>Mill Rate</u>	<u>Property Taxes Receivable July 1, 2015</u>	<u>Current Year Assessment</u>	<u>Transfers Addendums (Net)</u>	<u>Abatements and Adjustments</u>	<u>Amount to be Collected</u>	<u>Collections Net of Refunds</u>	<u>Property Taxes Receivable June 30, 2016</u>
2015	15.520	\$	\$ 68,504,982	\$ 93,911	\$ 43,927	\$ 68,554,966	\$ 67,638,783	\$ 916,183
2014	15.482	960,637			1,302	959,335	824,832	134,503
2013	15.470	128,397			290	128,107	63,101	65,006
2012	14.501	54,753				54,753	7,603	47,150
2011	14.510	46,502				46,502	3,610	42,892
2010	14.190	61,672				61,672	4,180	57,492
2009	12.090	17,850				17,850	946	16,904
2008	11.970	19,253				19,253	224	19,029
2007	11.510	18,744				18,744	101	18,643
2006	13.650	14,737				14,737	214	14,523
2005	13.130	20,800			20,704	96	96	-
Subtotal		1,343,345	\$ <u>68,504,982</u>	\$ <u>93,911</u>	\$ <u>66,223</u>	\$ <u>69,876,015</u>	\$ <u>68,543,690</u>	1,332,325
Less: estimated allowance for uncollectable accounts		<u>331,082</u>						<u>350,103</u>
Net property taxes receivable		\$ <u>1,012,263</u>						\$ <u>982,222</u>

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**TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
 SCHEDULE OF PROPERTY TAXES RECEIVABLE (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2016**

Schedule of Net Assessed Property Value by Category			Reconciliation of Current Year Property Tax Revenue	
Assessed December 31, 2014				
<u>Description of Property</u>	<u>Valuations</u>	<u>Levy</u>		
Real property	\$ 4,127,131,800	\$ 64,053,056	Current year collections	\$ 68,543,690
Motor vehicle	264,298,736	4,945,029	Revenue received 60 days subsequent to fiscal year ending June 30, 2016	<u>352,357</u>
Tangible property	113,540,016	1,762,141	Subtotal	68,896,047
Wholesale and retail inventory				
Total	4,504,970,552	70,760,226	Prior year revenue received in current year (2015 60 day rule)	<u>(334,357)</u>
Exemptions and adjustments	<u>130,721,830</u>	<u>2,255,244</u>	Current Year Property Tax Revenue	\$ <u><u>68,561,690</u></u>
Net Assessed Value	\$ <u><u>4,374,248,722</u></u>	\$ <u><u>68,504,982</u></u>		

Town of South Kingstown
Annual Supplemental Transparency Report (MTP2)
Fiscal Year Ended June 30, 2016

EXHIBIT D-2

<u>REVENUE</u>	<u>Municipal</u>	<u>Education Department</u>
Current Year Property Tax Collection	\$ 67,962,847	\$ -
Prior Year Property Tax Collection	596,558	-
Interest & Penalty	350,945	-
PILOT & Tax Treaty (excluded from certified levy)	251,905	-
Other Local Property Taxes	-	-
Licenses and Permits	939,827	-
Fines and Forfeitures	110,120	-
Investment Income	174,309	-
Departmental	1,645,726	-
Rescue Run Revenue	863,339	-
Police & Fire Detail	-	-
Other Local Non-Property Tax Revenues	387,860	-
Tuition	-	212,649
Impact Aid	-	-
Medicaid	-	472,733
Federal Stabilization Funds	-	-
Federal Food Service Reimbursement	-	385,513
CDBG	17,549	-
COPS Grants	-	-
SAFER Grants	-	-
Other Federal Aid Funds	8,019	1,603,052
MV Excise Tax Reimbursement	139,730	-
State PILOT Program	173,566	-
Distressed Community Relief Fund	-	-
Library Resource Aid	201,734	-
Library Construction Aid	-	-
Public Service Corporation Tax	378,660	-
Meals & Beverage Tax	821,483	-
Hotel Tax	159,174	-
LEA Aid	-	7,623,268
Housing Aid Capital Projects	-	-
Housing Aid Bonded Debt	688,624	-
State Food Service Revenue	-	11,710
Incentive Aid	149,526	-
Property Revaluation Reimbursement	-	-
Other State Revenue	-	195,427
Other Revenue	-	702,591
Local Appropriation for Education	-	50,313,756
Regional Appropriation for Education	-	-
Other Education Appropriation	-	-
Rounding	-	-
Total Revenue	\$ 76,021,499	\$ 61,520,700
Transfer from Capital Projects Funds	\$ -	\$ -
Transfer from Other Funds	346,402	-
Debt Proceeds	51,944	-
Other Financing Sources	440,714	-
Rounding	-	-
Total Other Financing Sources	\$ 839,060	\$ -

EXPENDITURES	General		Social	Information	Planning	Libraries	Public	Parks and	Police
	Government	Finance	Services	Technology			Works	Rec	Department
Compensation- Group A	\$ 686,612	\$ 806,735	\$ 467,139	\$ 159,666	\$ 622,373	\$ 714,647	\$ 1,035,226	\$ 933,421	\$ 3,134,287
Compensation - Group B	-	-	-	-	-	-	-	-	589,493
Compensation -Volunteer	-	-	-	-	-	-	-	-	-
Overtime- Group A	7,448	-	796	-	465	876	38,453	19,851	638,986
Overtime - Group B	-	-	-	-	-	-	-	-	-
Police & Fire Detail	-	-	-	-	-	-	-	-	-
Active Medical Insurance - Group A	104,954	131,781	78,720	24,040	72,045	87,708	204,219	111,860	604,193
Active Medical Insurance- Group B	-	-	-	-	-	-	-	-	113,999
Active Dental insurance- Group A	8,726	10,310	7,452	1,469	8,295	6,041	17,239	9,855	42,726
Active Dental Insurance- Group B	-	-	-	-	-	-	-	-	8,062
Payroll Taxes	47,332	59,702	33,701	11,755	46,939	54,531	80,354	71,388	310,517
Life Insurance	325	436	245	61	300	334	671	432	4,670
Defined Contribution- Group A	5,096	8,192	4,238	2,009	4,767	5,855	7,096	7,394	798,313
Defined Contribution - Group B	-	-	-	-	-	-	-	-	4,207
Other Benefits- Group A	3,463	3,794	6,644	354	4,317	3,713	52,945	23,392	34,940
Other Benefits- Group B	-	-	-	-	-	-	-	-	-
Local Pension- Group A	-	-	-	-	-	-	-	-	-
Local Pension - Group B	-	-	-	-	-	-	-	-	-
State Pension- Group A	91,719	88,279	41,081	18,035	67,500	65,163	114,349	71,056	-
State Pension - Group B	-	-	-	-	-	-	-	-	55,151
Other Pension	-	-	-	-	-	-	-	-	7,293
Purchased Services	245,346	31,838	30,668	16,953	1,324	52,953	402,201	257,747	20,319
Materials/Supplies	5,191	4,767	24,048	3,094	3,296	110,929	132,502	110,489	39,821
Software Licenses	250	250	1,999	46,659	5,812	3,082	312	-	21,931
Capital Outlays	-	1,456	600	6,352	636	17,919	7,386	12,081	16,517
Insurance	339,909	-	-	-	-	-	-	-	-
Maintenance	12,138	-	4,227	-	-	15,978	9,621	23,016	12,303
Vehicle Operations	752	436	11,011	-	6,285	3,202	133,541	33,671	225,574
Utilities	40,365	-	52,762	-	-	37,041	40,414	64,074	95,224
Contingency	-	-	-	-	-	-	-	-	-
Street Lighting	-	-	-	-	-	-	194,403	-	-
Revaluation	-	-	-	-	-	-	-	-	-
Snow Removal-Raw Material & External Contracts	-	-	-	-	-	-	147,885	-	-
Trash Removal & Recycling	-	-	-	-	-	-	10,454	-	-
Claims & Settlements	-	-	-	-	-	-	-	-	-
Community Support	201,066	-	-	-	-	-	-	-	-
Other Operation Expenditures	26,530	9,276	3,629	3,213	4,164	2,259	19,428	56,884	68,586
Local Appropriation for Education	-	-	-	-	-	-	-	-	-
Regional Appropriation for Education	-	-	-	-	-	-	-	-	-
Other Education Appropriation	-	-	-	-	-	-	-	-	-
Municipal Debt- Principal	-	-	-	-	-	-	-	-	-
Municipal Debt- Interest	-	-	-	-	-	-	-	-	-
School Debt- Principal	-	-	-	-	-	-	-	-	-
School Debt- Interest	-	-	-	-	-	-	-	-	-
Retiree Medical Insurance- Total	-	-	-	-	-	-	-	-	-
Retiree Dental Insurance- Total	-	-	-	-	-	-	-	-	-
OPEB Contribution- Total	-	-	-	-	-	-	-	-	-
Non-Qualified OPEB Trust Contribution	-	-	-	-	-	-	-	-	-
Rounding	-	-	-	-	-	-	-	-	-
Total Expenditures	\$ 1,827,224	\$ 1,157,251	\$ 768,960	\$ 293,660	\$ 848,517	\$ 1,182,231	\$ 2,648,697	\$ 1,806,611	\$ 6,847,111

EXPENDITURES	Fire		Public Safety	Education	Debt	OPEB	Total	Education
	Department	Dispatch	Other	Appropriation			Municipal	Department
Compensation- Group A	\$ -	\$ 492,510	\$ 1,258,438	\$ -	\$ -	\$ -	\$ 10,311,054	\$ 29,327,386
Compensation - Group B	-	-	-	-	-	-	589,493	4,625,920
Compensation -Volunteer	-	-	-	-	-	-	-	-
Overtime- Group A	-	86,212	251,614	-	-	-	1,044,701	-
Overtime - Group B	-	-	-	-	-	-	-	63,710
Police & Fire Detail	-	-	-	-	-	-	-	-
Active Medical Insurance - Group A	-	96,899	238,078	-	-	-	1,754,497	3,572,735
Active Medical Insurance- Group B	-	-	-	-	-	-	113,999	1,405,131
Active Dental insurance- Group A	-	6,852	15,977	-	-	-	134,941	310,360
Active Dental Insurance- Group B	-	-	-	-	-	-	8,062	110,800
Payroll Taxes	-	41,895	106,866	-	-	-	864,980	2,512,592
Life Insurance	-	286	1,488	-	-	-	9,249	179,400
Defined Contribution- Group A	-	4,659	2,088	-	-	-	849,706	154,549
Defined Contribution - Group B	-	-	-	-	-	-	4,207	40,226
Other Benefits- Group A	-	1,005	14,670	-	-	-	149,236	287,491
Other Benefits- Group B	-	-	-	-	-	-	-	-
Local Pension- Group A	-	-	-	-	-	-	-	-
Local Pension - Group B	-	-	-	-	-	-	-	-
State Pension - Group A	-	42,607	70,381	-	-	-	670,169	3,818,120
State Pension - Group B	-	-	-	-	-	-	55,151	480,375
Other Pension	-	-	-	-	-	-	7,293	-
Purchased Services	-	2,771	185,024	-	-	-	1,247,144	9,900,200
Materials/Supplies	-	2,612	29,647	-	-	-	466,396	765,605
Software Licenses	-	3,570	6,512	-	-	-	90,378	118,719
Capital Outlays	-	-	23,633	-	-	-	86,580	1,380,702
Insurance	-	-	-	-	-	-	339,909	237,246
Maintenance	-	1,678	3,644	-	-	-	82,604	308,308
Vehicle Operations	-	-	68,833	-	-	-	483,305	18,771
Utilities	-	12,985	18,928	-	-	-	361,793	866,266
Contingency	-	-	-	-	-	-	-	-
Street Lighting	-	-	-	-	-	-	194,403	-
Revaluation	-	-	-	-	-	-	-	-
Snow Removal-Raw Material & External Contracts	-	-	-	-	-	-	147,885	-
Trash Removal & Recycling	-	-	-	-	-	-	10,454	-
Claims & Settlements	-	-	-	-	-	-	-	-
Community Support	-	-	-	-	-	-	201,066	-
Other Operation Expenditures	-	9,353	32,550	-	-	-	235,871	-
Local Appropriation for Education	-	-	-	50,313,756	-	-	50,313,756	-
Regional Appropriation for Education	-	-	-	-	-	-	-	-
Other Education Appropriation	-	-	-	-	-	-	-	-
Municipal Debt- Principal	-	-	-	-	685,608	-	685,608	-
Municipal Debt- Interest	-	-	-	-	147,062	-	147,062	-
School Debt- Principal	-	-	-	-	1,308,392	-	1,308,392	-
School Debt- Interest	-	-	-	-	185,721	-	185,721	-
Retiree Medical Insurance- Total	-	-	-	-	-	438,236	438,236	462,861
Retiree Dental Insurance- Total	-	-	-	-	-	5,072	5,072	38,572
OPEB Contribution- Total	-	-	-	-	-	425,000	425,000	175,000
Non-Qualified OPEB Trust Contribution	-	-	-	-	-	-	-	-
Rounding	-	-	-	-	-	-	-	-
Total Expenditures	\$ -	\$ 805,894	\$ 2,328,370	\$ 50,313,756	\$ 2,326,783	\$ 868,308	\$ 74,023,372	\$ 61,161,044

Transfer to Capital Project Funds	\$ 1,292,600	\$ -
Transfer to Other Funds	454,300	-
Payment to Bond Escrow Agent	-	-
Other Financing Uses	420,000	-
Total Other Financing Uses	\$ 2,166,900	\$ -
Net Change in Fund Balance	670,287	359,656
Fund Balance - beginning of year	13,026,211	3,212,595
Fund Balance - end of year	\$ 13,696,498	\$ 3,572,251

Town of South Kingstown
Combining Schedule of
Reportable Government Services with
Reconciliation to MTP2
Municipal
Fiscal Year Ended June 30, 2016

EXHIBIT D-2

Per Audited Fund Financial Statements Fund Description	Total Revenue	Total Other Financing Sources	Total Expenditures	Total Other Financing Uses	Net Change in Fund Balance	Fund Balance/ (Deficit) - Beginning	Fund Balance/ (Deficit) - Ending
General Fund	\$ 74,015,777	\$ 921,402	\$ 20,415,891	\$ 54,317,275	\$ 204,013	\$ 11,877,508	\$ 12,081,521
Senior Services	436,211	402,047	778,261	-	59,997	182,787	242,784
EMS Billing	863,338	-	170,133	575,000	118,205	965,916	1,084,121
CDBG Grants	554,448	-	554,448	-	-	-	-
Debt Service	740,568	1,875,286	2,327,783	-	288,071	-	288,071
Totals per audited financial statements	\$ 76,610,342	\$ 3,198,735	\$ 24,246,516	\$ 54,892,275	\$ 670,286	\$ 13,026,211	\$ 13,696,497

Reconciliation from financial statements to MTP2

Local Appropriation to Education is not a GAAP expenditure.	\$ -	\$ -	\$ 50,313,756	\$ (50,313,756)	\$ -	\$ -	\$ -
Reduction in CDBG grants to account for offsetting administration costs reimbursed to General Fund.	(536,898)	-	(536,898)	-	-	-	-
Debt Proceeds are a GAAP revenue not other Finance Sources.	(51,944)	51,944	-	-	-	-	-
Eliminate Transfer between General Fund and Debt Service.	-	(1,434,572)	-	(1,434,572)	-	-	-
Eliminate Transfer between General Fund and Senior Service.	-	(402,047)	-	(402,047)	-	-	-
Eliminate Transfer between EMS Billing and General Fund.	-	(575,000)	-	(575,000)	-	-	-
Rounding.	(1)	-	(2)	-	1	-	1
Totals Per MTP2	\$ 76,021,499	\$ 839,060	\$ 74,023,372	\$ 2,166,900	\$ 670,287	\$ 13,026,211	\$ 13,696,498

Town of South Kingstown
Combining Schedule of
Reportable Government Services with
Reconciliation to MTP2
Education Department
Fiscal Year Ended June 30, 2016

EXHIBIT D-2

Per Audited Fund Financial Statements Fund Description	Total Revenue	Total Other Financing Sources	Total Expenditures	Total Other Financing Uses	Net Change in Fund Balance	Fund Balance/ (Deficit) - Beginning	Fund Balance/ (Deficit) - Ending
School Unrestricted Fund	\$ 10,854,273	\$ 50,339,617	\$ 60,336,464	\$ 498,185	\$ 359,241	\$ 3,144,991	\$ 3,504,232
Enterprise Fund	988,593	-	983,204	-	5,389	67,604	72,993
School Special Revenue Funds	1,884,879	-	1,884,879	-	-	-	-
Totals per audited financial statements	\$ 13,727,745	\$ 50,339,617	\$ 63,204,547	\$ 498,185	\$ 364,630	\$ 3,212,595	\$ 3,577,225

Reconciliation from financial statements to MTP2

Municipal appropriation for Education reported as a transfer on Financial Statements but an expenditure on MTP2.	\$ 50,313,756	\$ (50,313,756)	\$ -	\$ -	\$ -	\$ -	\$ -
Trust Fund Income.	25,861	(25,861)	-	-	-	-	-
State contributions on behalf of teacher pensions are reported as revenue and expenditures on Financial Statements only.	(2,449,310)	-	(2,449,310)	-	-	-	-
In Financial Statements as fund transfer, reported in UCOA file as expenditure.	-	-	248,185	(248,185)	-	-	-
Transfer to Capital Fund, not in UCOA file, listed as capital expenditure on MTP2.	-	-	250,000	(250,000)	-	-	-
For Financial Statements, indirect cost charges and recovery are reported in federal grant funds and also actual expenditures & reimbursement reported in School Unrestricted Fund. On MTP2, revenue & expenditures reported once.	(65,267)	-	(65,267)	-	-	-	-
Less Commodities reported from GAAP financials, but not in UCOA file.	(32,085)	-	(32,085)	-	-	-	-
Less Depreciation recorded for GAAP but not in UCOA file.	-	-	(3,359)	-	3,359	-	3,359
Add Food Service equipment, in UCOA file as an expenditure, booked as asset in Financials Statements.	-	-	8,338	-	(8,338)	-	(8,338)
Miscellaneous variances between UCOA & Financial Statements, (rounding).	-	-	(5)	-	5	-	5
Totals Per MTP2	\$ 61,520,700	\$ -	\$ 61,161,044	\$ -	\$ 359,656	\$ 3,212,595	\$ 3,572,251

**TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
NOTES TO SUPPLEMENTARY INFORMATION - ANNUAL SUPPLEMENTAL TRANSPARENCY
REPORT (MTP2)
JUNE 30, 2016**

NOTE 1. Basis of Presentation

The *Annual Supplemental Transparency Report (MTP2)* is a new supplemental schedule required by the State of Rhode Island, as a result of newly enacted legislation, Article 8 of the Appropriations Act (2016 House Bill 7454 sub A as amended). This supplementary schedule included within the audit report is part of a broader project to create a municipal transparency portal (MTP) on the Division of Municipal Finance website to host municipal financial information in a centralized location.

The format of the *Annual Supplemental Transparency Report (MTP2)* was prescribed by the State Department of Revenue (Division of Municipal Finance), Office of the Auditor General, and the Department of Education.

NOTE 2. Reportable Government Services

Data consistency and comparability are among the key objectives of the State's Municipal Transparency portal. Consistent with that goal, the State has defined "reportable government services", RGS, to include those operational revenues, expenditures, and transfers related to activities which are essential to the achievement of municipal operations. The determination of RGS may be different from the activities included within the legally adopted budget of the municipality. In practice, some communities report certain RGS in separate funds (e.g., special revenue funds) rather than the municipality's general fund. The *Annual Supplemental Transparency Report (MTP2)* includes a reconciliation to the fund level statements.

NOTE 3. Allocations

The State reporting requires expenditures to be reported by departments, as defined by the State. Some of the departmental groupings are not consistent with the departments reflected in the Town's budget and accounting system. To report these costs, the Town made reasonable allocations of costs to the State's departmental groupings based on a reasonable basis.

NOTE 4. Employee Groups

Group A - This item includes compensation (salaries, longevity, stipends, clothing, shift differential, out-of-rank, holiday pay, and bonuses) and benefits (medical and dental insurance, pension contributions, OPEB (pay-go and ADC contributions) for the primary work force of the department (Police Department: Police Officers, Fire Department: Fire Fighters, Education Department: Certified Employees, and Other Departments: All Employees).

Group B - This item would only include compensation (salaries, longevity, stipend, clothing, shift differential, out-of-rank, holiday pay and bonuses) and benefits (medical and dental insurance, pension contributions, OPEB (pay-go and ADC contributions) for administrative and civilian dispatch employees in Police and Fire Departments and Non-Certified employees for Education Department.

**TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
NOTES TO SUPPLEMENTARY INFORMATION - ANNUAL SUPPLEMENTAL TRANSPARENCY
REPORT (MTP2)
JUNE 30, 2016**

NOTE 5. Education Revenue and Expenditures

The revenues and expenditures presented on the MTP2 under the Education Department is consistent with existing Uniform Chart of Accounts (UCOA) guidelines. Each MTP account code has been mapped to the corresponding UCOA code or group of UCOA codes to facilitate the preparation of the MTP reporting.

Additional guidance and definitions regarding the State's Municipal Transparency Portal can be found on the State Division of Municipal Finance website: <http://www.municipalfinance.ri.gov/>.

Statistical Section

Statistical Section Information

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

Statistical section information is presented in the following categories:

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

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

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

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
NET POSITION BY COMPONENT
LAST TEN YEARS

	Fiscal Year Ended June 30									
	2016	Restated 2015	Restated 2014	2013	2012	2011	2010	2009	2008	Restated 2007
Governmental activities:										
Net investment in capital assets	\$ 70,479,567	\$ 67,772,956	\$ 65,788,311	\$ 67,088,741	\$ 66,167,452	\$ 64,187,374	\$ 59,514,637	\$ 58,268,229	\$ 55,954,948	\$ 53,793,454
Restricted	2,295,984	17,686,826	17,649,052	15,968,722	15,885,876	15,927,670	14,457,291	13,627,269	15,981,878	17,131,006
Unrestricted	(17,866,252)	(30,877,110)	(54,454,652)	35,089,366	31,781,810	28,956,645	28,760,016	25,159,357	23,644,356	22,077,926
Total governmental activities net position	<u>54,909,299</u>	<u>54,582,672</u>	<u>120,001,159</u>	<u>118,146,829</u>	<u>113,835,138</u>	<u>109,071,689</u>	<u>102,731,944</u>	<u>97,054,855</u>	<u>95,581,182</u>	<u>93,002,386</u>
Business-type activities:										
Net investment in capital assets	20,764,646	20,379,758	20,653,037	21,169,022	21,551,897	21,529,486	21,683,245	21,953,466	22,481,289	21,425,967
Unrestricted	9,590,963	8,602,953	7,806,604	7,020,437	6,215,290	5,705,043	5,107,329	4,699,813	4,065,992	3,732,628
Total business-type activities net position	<u>30,355,609</u>	<u>28,982,711</u>	<u>28,459,641</u>	<u>28,189,459</u>	<u>27,767,187</u>	<u>27,234,529</u>	<u>26,790,574</u>	<u>26,653,279</u>	<u>26,547,281</u>	<u>25,158,595</u>
Primary government:										
Net investment in capital assets	91,244,213	88,152,714	86,441,348	88,257,763	87,719,349	85,716,860	81,197,882	80,221,695	78,436,237	75,219,421
Restricted	2,295,984	17,686,826	17,649,052	15,968,722	15,885,876	15,927,670	14,457,291	13,627,269	15,981,878	17,131,006
Unrestricted	(8,275,289)	(22,274,157)	44,370,400	42,109,803	37,997,100	34,661,688	33,867,345	29,859,170	27,710,348	25,810,554
Total Primary Government Net Position	<u>\$ 85,264,908</u>	<u>\$ 83,565,383</u>	<u>\$ 148,460,800</u>	<u>\$ 146,336,288</u>	<u>\$ 136,306,218</u>	<u>\$ 129,522,518</u>	<u>\$ 123,708,134</u>	<u>\$ 122,128,463</u>	<u>\$ 118,160,981</u>	<u>\$ 117,098,955</u>

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
CHANGES IN NET POSITION, LAST TEN FISCAL YEARS
GOVERNMENTAL ACTIVITIES
(Accrual Basis of Accounting)

	For the Fiscal Year Ended June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Expenses										
Governmental activities:										
General government	\$ 4,959,774	\$ 4,132,116	\$ 4,841,301	\$ 10,084,503	\$ 8,998,934	\$ 8,762,355	\$ 9,181,646	\$ 8,773,435	\$ 8,806,804	\$ 8,559,664
Public safety	13,020,538	10,223,505	10,045,222	7,077,376	6,982,529	6,842,338	6,586,666	6,809,682	6,784,029	6,701,924
Public works	3,084,179	4,621,350	4,299,775	3,648,193	2,867,358	3,267,543	3,123,570	3,381,225	2,905,202	3,221,185
Human service agency contributions	943,812	928,691	923,218	145,400	145,400	145,400	166,750	188,927	183,987	178,356
Public libraries	1,506,903	1,282,647	1,231,188	1,051,446	1,033,043	1,049,444	1,015,013	1,039,152	1,039,669	988,273
Education	65,100,240	61,776,176	61,622,756	62,189,433	62,121,226	62,708,323	62,584,202	63,199,438	62,853,934	60,131,860
Recreation	4,135,318	2,648,392	2,723,576	2,264,670	2,242,208	2,274,394	2,238,241	2,301,367	2,322,764	2,319,532
Interest on long-term debt	321,314	819,950	860,844	730,633	916,407	1,067,569	1,236,605	1,369,147	1,520,722	1,560,963
Total governmental activities	<u>93,072,078</u>	<u>86,432,827</u>	<u>86,547,880</u>	<u>87,191,654</u>	<u>85,307,105</u>	<u>86,117,366</u>	<u>86,132,693</u>	<u>87,062,373</u>	<u>86,417,111</u>	<u>83,661,757</u>
Business-type activities:										
Wastewater	3,105,813	3,223,580	2,829,421	2,768,557	3,024,608	2,941,505	3,084,902	3,152,653	3,144,544	2,972,625
Solid Waste	498,920	477,057	457,313	474,459	522,638	511,132	471,896	477,435	945,596	948,464
Water	818,052	927,477	845,888	768,278	852,845	831,549	805,924	784,999	835,913	713,784
School Cafeteria	983,204	939,795	973,067	957,920	984,046	1,022,540	956,998	992,566	1,041,418	1,095,906
Total business-type activities	<u>5,405,989</u>	<u>5,567,909</u>	<u>5,105,689</u>	<u>4,969,214</u>	<u>5,384,137</u>	<u>5,306,726</u>	<u>5,319,720</u>	<u>5,407,653</u>	<u>5,967,471</u>	<u>5,730,779</u>
Total Primary Government Expense	<u>\$ 98,478,067</u>	<u>\$ 92,000,736</u>	<u>\$ 91,653,569</u>	<u>\$ 92,160,868</u>	<u>\$ 90,691,242</u>	<u>\$ 91,424,092</u>	<u>\$ 91,452,413</u>	<u>\$ 92,470,026</u>	<u>\$ 92,384,582</u>	<u>\$ 89,392,536</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 561,391	\$ 538,276	\$ 3,188,727	\$ 3,447,815	\$ 3,140,696	\$ 3,568,036	\$ 3,544,928	\$ 3,170,376	\$ 3,617,841	\$ 3,794,768
Public safety	1,391,139	1,358,084	348,997	1,169,260	689,271	920,046	878,852	888,425	989,173	1,001,582
Human service	754,636	908,990	139,704		150					
Public works	162,652	123,738		324,340	5,500	114,780	77,269	65,465	62,935	61,100
Public libraries	20,855	21,686	24,491	24,283	24,784	27,877	28,448	30,186	28,348	28,478
Education	833,574	883,368	791,124	824,591	734,695	758,360	915,874	988,731	1,003,973	1,141,449
Recreation	1,609,412	1,585,138	1,015,206	958,750	980,159	921,171	863,176	821,301	800,684	820,278
Operating grants and contributions	14,611,427	12,940,772	13,186,891	13,639,256	14,373,951	14,624,647	14,597,929	14,971,735	16,321,642	16,188,793
Capital grants and contributions	3,217,518	524,381	92,439	107,725	877,125	1,002,922	678,310	105,831	272,145	292,834
Total governmental activities program revenues	<u>23,162,604</u>	<u>18,884,433</u>	<u>18,787,579</u>	<u>20,496,020</u>	<u>20,826,331</u>	<u>21,937,839</u>	<u>21,584,786</u>	<u>21,042,050</u>	<u>23,096,741</u>	<u>23,329,282</u>
Business-type activities:										
Charges for services:										
Wastewater	3,285,671	3,494,268	3,049,347	3,251,827	3,248,469	3,055,955	3,093,623	3,080,743	3,065,229	2,660,233
Solid Waste	506,858	528,250	492,264	544,766	565,191	483,873	425,240	478,540	789,355	950,248
Water	1,158,964	1,141,522	1,010,389	973,530	946,523	954,815	922,164	940,327	866,797	749,067
School Cafeteria	560,875	579,529	601,848	633,393	680,055	728,897	679,823	721,789	760,830	787,352
Operating grants and contributions	427,718	432,055	368,165	325,227	293,285	321,307	274,624	265,866	504,696	234,927
Capital grants and contributions					168,650	154,650			307,075	
Total business-type activities	<u>5,940,086</u>	<u>6,175,624</u>	<u>5,522,013</u>	<u>5,728,743</u>	<u>5,902,173</u>	<u>5,699,497</u>	<u>5,395,474</u>	<u>5,487,265</u>	<u>6,293,982</u>	<u>5,381,827</u>
Total Primary Government Program Revenues	<u>\$ 29,102,690</u>	<u>\$ 25,060,057</u>	<u>\$ 24,309,592</u>	<u>\$ 26,224,763</u>	<u>\$ 26,728,504</u>	<u>\$ 27,637,336</u>	<u>\$ 26,980,260</u>	<u>\$ 26,529,315</u>	<u>\$ 29,390,723</u>	<u>\$ 28,711,109</u>

(Continued on next page)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
CHANGES IN NET ASSETS, LAST TEN FISCAL YEARS (CONTINUED)
GOVERNMENTAL ACTIVITIES
(Accrual Basis of Accounting)

	For the Fiscal Year Ended June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Net (Expense)/Revenue										
Governmental activities	\$ (69,909,474)	\$ (67,548,394)	\$ (67,760,301)	\$ (64,480,774)	\$ (64,179,527)	\$ (64,547,907)	\$ (66,020,323)	\$ (63,320,370)	\$ (60,332,475)	\$ (50,498,333)
Business-type activities	534,097	607,715	416,324	759,529	392,771	75,754	79,612	326,511	(348,952)	226,928
Total Primary Government Net Expense	<u>\$ (69,375,377)</u>	<u>\$ (66,940,679)</u>	<u>\$ (67,343,977)</u>	<u>\$ (63,721,245)</u>	<u>\$ (63,786,756)</u>	<u>\$ (64,472,153)</u>	<u>\$ (65,940,711)</u>	<u>\$ (62,993,859)</u>	<u>\$ (60,681,427)</u>	<u>\$ (50,271,405)</u>
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Property taxes	\$ 69,126,888	\$ 66,953,388	\$ 66,953,388	\$ 66,659,301	\$ 66,472,251	\$ 65,797,804	\$ 64,729,407	\$ 63,974,336	\$ 60,903,094	\$ 58,032,552
Motor vehicle phase-out taxes	139,730	170,945	170,945	165,446	167,774	168,739	1,876,190	2,178,075	2,167,848	2,165,338
Telephone and hotel taxes	159,174	509,604	509,604	495,631	463,552	414,890	372,981	357,171	339,967	337,594
Grants and aid not restricted for a specific program	1,340,500	1,837,885	1,837,885	1,663,378	1,657,207	1,413,742	1,440,551	1,737,177	2,295,069	2,396,341
Unrestricted investment earnings	193,395	2,568,515	2,568,515	1,990,301	481,121	2,733,097	1,822,022	(834,736)	1,073,334	4,000,792
Transfers	(803,982)	163,057	163,057	357,608	2,318	(9,000)	(16,155)	81,973	(880,146)	25,197
Total governmental activities	<u>70,155,705</u>	<u>72,203,394</u>	<u>72,203,394</u>	<u>71,331,665</u>	<u>69,244,223</u>	<u>70,519,272</u>	<u>70,224,996</u>	<u>67,493,996</u>	<u>65,899,166</u>	<u>66,957,814</u>
Business-type activities:										
Unrestricted investment earnings	34,819	16,915	16,915	20,351	16,940	42,184	45,386	108,359	182,029	228,244
Transfers	803,982	(163,057)	(163,057)	(357,608)	(2,318)	9,000	16,155	(81,973)	880,146	(25,197)
Total business type activities	<u>838,801</u>	<u>(146,142)</u>	<u>(146,142)</u>	<u>(337,257)</u>	<u>14,622</u>	<u>51,184</u>	<u>61,541</u>	<u>26,386</u>	<u>1,062,175</u>	<u>203,047</u>
Total primary government	<u>\$ 70,994,506</u>	<u>\$ 72,057,252</u>	<u>\$ 72,057,252</u>	<u>\$ 70,994,408</u>	<u>\$ 69,258,845</u>	<u>\$ 70,570,456</u>	<u>\$ 70,286,537</u>	<u>\$ 67,520,382</u>	<u>\$ 66,961,341</u>	<u>\$ 67,160,861</u>
Change in Net Position										
Governmental activities	\$ 246,231	\$ 4,443,093	\$ 4,443,093	\$ 3,571,364	\$ 4,763,449	\$ 6,339,745	\$ 5,677,089	\$ 1,473,673	\$ 2,578,796	\$ 6,625,339
Business-type activities	1,372,898	270,182	270,182	79,067	774,151	443,955	137,295	105,998	1,388,686	(145,905)
Total primary government	<u>\$ 1,619,129</u>	<u>\$ 4,713,275</u>	<u>\$ 4,713,275</u>	<u>\$ 3,650,431</u>	<u>\$ 5,537,600</u>	<u>\$ 6,783,700</u>	<u>\$ 5,814,384</u>	<u>\$ 1,579,671</u>	<u>\$ 3,967,482</u>	<u>\$ 6,479,434</u>

**TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
FUND BALANCES, GOVERNMENTAL FUNDS, LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year Ended June 30,									
	2016	2015	2014	2013	2012 **	2011 *	2010	2009	2008	2007
General Fund:										
Reserved	\$ 15,726	\$ 38,193	\$ 63,678	\$ 21,926	\$ 30,361	\$ 2,579	\$ 22,133	\$ 45,788	\$ 211,673	\$ 55,127
Unreserved	<u>15,570,027</u>	<u>14,984,306</u>	<u>15,914,055</u>	<u>15,443,286</u>	<u>15,048,648</u>	<u>11,661,554</u>	<u>11,485,482</u>	<u>11,535,780</u>	<u>12,151,623</u>	<u>12,145,834</u>
Total General Fund	<u>\$ 15,585,753</u>	<u>\$ 15,022,499</u>	<u>\$ 15,977,733</u>	<u>\$ 15,465,212</u>	<u>\$ 15,079,009</u>	<u>\$ 11,664,133</u>	<u>\$ 11,507,615</u>	<u>\$ 11,581,568</u>	<u>\$ 12,363,296</u>	<u>\$ 12,200,961</u>
All Other Governmental Funds:										
Reserved	\$ 22,090,114	\$ 22,901,688	\$ 27,111,926	\$ 25,031,275	\$ 23,540,103	\$ 23,737,218	\$ 15,179,653	\$ 12,524,961	\$ 15,431,321	\$ 16,419,082
Unreserved, reported in:										
Special revenue funds	2,498,058	2,345,147	2,399,180	2,246,126	2,453,669	5,318,787	7,708,064	6,132,249	5,025,971	3,957,611
Capital project funds	9,518,148	9,525,428	3,931,006	4,140,305	4,134,410	3,376,356	9,576,489	9,966,576	9,022,455	8,629,412
Permanent funds							1,415,680	1,447,322	1,390,717	1,390,975
Total All Other Governmental Funds	<u>\$ 34,106,320</u>	<u>\$ 34,772,263</u>	<u>\$ 33,442,112</u>	<u>\$ 31,417,706</u>	<u>\$ 30,128,182</u>	<u>\$ 32,432,361</u>	<u>\$ 33,879,886</u>	<u>\$ 30,071,108</u>	<u>\$ 30,870,464</u>	<u>\$ 30,397,080</u>

Notes:
Permanent funds were reported as trust and agency funds prior to FY 2011

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

** Town and School fund balances were combined for reporting purposes beginning 6/30/12 in accordance with the audit firm's interpretation of GASB 54.

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS, LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	For the Fiscal Year Ended June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenues:										
Property Taxes and Interest	\$ 69,170,273	\$ 68,282,410	\$ 67,434,952	\$ 66,626,623	\$ 66,517,515	\$ 65,767,357	\$ 64,686,811	\$ 63,897,316	\$ 60,825,348	\$ 57,995,337
Intergovernmental revenues	14,224,265	13,519,811	13,313,778	13,809,380	15,000,408	14,625,902	16,477,182	16,796,121	18,853,974	19,128,068
Licenses, Fees and Rents	1,800,653	2,091,978	1,936,129	2,122,082	1,850,827	2,037,196	2,024,285	1,789,384	2,235,837	2,350,971
Interest on Investments	192,667	661,351	2,562,349	1,913,743	463,169	2,716,487	1,808,819	(853,653)	1,059,327	3,978,764
Fines and Charges	1,668,007	1,685,331	1,720,729	1,707,372	1,514,469	1,178,269	1,135,127	1,114,872	1,163,767	1,229,691
Department Revenue	1,319,990	1,153,858	1,131,332	924,693	1,255,012	1,064,987	1,002,911	1,028,183	1,146,290	1,115,818
Other Revenue	853,428	777,521	765,504	1,812,880	1,015,744	1,591,105	1,670,698	1,507,728	1,450,458	1,679,028
State On-behalf Pension	2,449,310	2,369,227	2,185,581	2,119,728	2,478,404	2,098,130	2,008,361	2,439,868	2,406,682	2,091,234
Total revenues	<u>91,678,593</u>	<u>90,541,487</u>	<u>91,050,354</u>	<u>91,036,501</u>	<u>90,095,548</u>	<u>91,079,433</u>	<u>90,814,194</u>	<u>87,719,819</u>	<u>89,141,683</u>	<u>89,568,911</u>
Expenditures:										
Current:										
General Government	3,776,694	3,571,502	3,632,029	2,660,861	2,549,948	2,578,103	2,486,301	2,732,722	2,643,256	2,562,378
Public Safety	10,559,201	9,639,003	9,281,517	6,672,979	6,743,188	6,563,358	6,036,189	6,383,435	6,343,310	6,105,953
Public Services	2,984,847	2,735,979	2,491,439	2,398,155	1,644,637	2,081,960	1,951,422	2,219,582	1,794,767	2,140,379
Public Health Contributions	940,061	125,400	147,400	145,400	145,400	145,400	166,750	188,927	183,987	178,356
Recreation	2,658,792	2,572,574	2,358,758	2,035,546	2,029,877	2,043,091	1,995,969	2,032,015	2,044,667	2,056,094
Public Libraries	1,180,796	1,173,634	1,134,945	914,695	943,655	928,496	918,449	936,811	909,506	873,701
Educational	62,196,819	61,834,589	60,988,629	61,524,508	61,576,314	61,820,390	61,519,957	61,776,284	60,874,616	58,544,022
Capital Improvements	3,508,744	3,011,018	2,906,979	1,842,708	2,229,942	4,319,515	2,091,968	1,445,008	1,833,299	3,418,724
Miscellaneous	967,255	928,093	2,361,875	7,550,463	6,965,814	6,382,023	6,386,655	6,786,000	6,739,952	6,269,940
Debt Service: (2)										
Principal	2,044,000	2,371,000	2,680,000	2,981,000	3,260,000	3,435,000	3,523,093	3,590,000	3,715,000	3,705,000
Interest	334,933	618,393	592,913	717,211	898,394	1,020,227	1,270,377	1,292,092	1,443,667	1,506,605
Total expenditures	<u>91,152,142</u>	<u>88,581,185</u>	<u>88,576,484</u>	<u>89,443,526</u>	<u>88,987,169</u>	<u>91,317,563</u>	<u>88,347,130</u>	<u>89,382,876</u>	<u>88,526,027</u>	<u>87,361,152</u>
Excess of revenues over (under) expenditures	<u>526,451</u>	<u>1,960,302</u>	<u>2,473,870</u>	<u>1,592,975</u>	<u>1,108,379</u>	<u>(238,130)</u>	<u>2,467,064</u>	<u>(1,663,057)</u>	<u>615,656</u>	<u>2,207,759</u>
Other Financing Sources (Uses):										
Proceeds from borrowing							1,283,916			2,200,000
Issuance of refunding bonds		6,935,000		4,263,000						
Payment to refunding debt escrow		(7,218,900)		(4,207,856)						
Transfers in	5,860,074	5,996,250	4,571,217	3,907,648	3,513,401	52,192,383	52,425,977	52,080,623	49,870,629	47,029,050
Transfers out	(6,489,214)	(5,892,553)	(4,508,160)	(3,880,040)	(3,511,083)	(52,201,383)	(52,442,132)	(51,998,650)	(49,850,566)	(47,003,853)
Total other financing sources (uses)	<u>(629,140)</u>	<u>(180,203)</u>	<u>63,057</u>	<u>82,752</u>	<u>2,318</u>	<u>(9,000)</u>	<u>1,267,761</u>	<u>81,973</u>	<u>20,063</u>	<u>2,225,197</u>
Net Change in Fund Balances	<u>\$ (102,689)</u>	<u>\$ 1,780,099</u>	<u>\$ 2,536,927</u>	<u>\$ 1,675,727</u>	<u>\$ 1,110,697</u>	<u>\$ (247,130)</u>	<u>\$ 3,734,825</u>	<u>\$ (1,581,084)</u>	<u>\$ 635,719</u>	<u>\$ 4,432,956</u>
Debt Service as a Percentage of Noncapital Expenditures (1)	<u>2.75%</u>	<u>3.52%</u>	<u>3.80%</u>	<u>4.24%</u>	<u>4.81%</u>	<u>5.18%</u>	<u>5.61%</u>	<u>5.63%</u>	<u>6.05%</u>	<u>6.29%</u>

Notes:

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

(2) Debt Service is broken out into principal and interest and other costs beginning with fiscal year 2003. Bond issuance costs and bank fees are further broken out from interest beginning fiscal year 2011.

TABLE 5

**TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
ASSESSED VALUES AND ACTUAL VALUES OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS**

Assessed Value

Fiscal Year Ended June 30	Residential Property	Commercial Property	Industrial/Utility Property	Tangible Personal Property	Inventory	Motor Vehicles	Less Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
2016	3,663,352,700	388,285,575	75,493,525	113,540,016		194,264,022	60,187,116	4,374,748,722	\$ 15.66
2015	3,528,766,791	493,273,045	73,836,764	106,473,897		187,325,550	61,825,012	4,327,851,035	15.48
2014	4,327,013,284	420,199,912	40,682,402	117,242,736		185,876,659	793,673,400	4,297,341,593	15.47
2013	4,434,004,364	476,108,659	41,715,054	202,728,309		182,251,511	810,728,300	4,526,079,597	14.50
2012	4,438,109,285	440,496,805	40,110,400	232,546,219		170,642,925	814,832,689	4,507,072,945	14.67
2011	4,423,285,263	440,530,005	40,110,400	236,046,336		220,747,096	813,898,457	4,546,820,643	14.41
2010	5,229,586,265	494,226,005	46,754,260	257,930,859		99,835,185	846,367,997	5,281,964,577	12.21
2009	5,185,491,136	492,945,505	46,824,460	239,650,476		122,641,096	832,047,183	5,255,505,490	12.13
2008	5,247,334,996	490,690,205	47,206,400	259,438,540	17,486,558	113,969,417	960,427,396	5,215,698,720	11.64
2007	4,078,647,297	365,358,470	36,285,300	235,818,415	15,560,824	115,287,225	653,769,240	4,193,188,291	13.75

Source: Town of South Kingstown, Rhode Island Assessor

Notes:

Prior to the adoption of Senate Bill - 3050 Sub A at the close of the 2006 legislative session, Rhode Island had a 5.5% cap on property tax growth in all cities and towns.

The State's enactment of the 2006 amendments to the local property tax cap provisions revised the tax cap to apply only to the prior year levy beginning in FY 2007-2008 and to further reduce the cap to 4% by FY 2012-2013 in 0.25% increments. The tax cap was 4% for fiscal year 2014.

The Town had a full revaluation of real property as of December 31, 2012, effective for the 2013-14 fiscal year. The full revaluation is required by state law every 9 years. Statistical updates are required every 3 years. A statistical update of real property was completed as of December 31, 2015 for the 2016-2017 fiscal year. Property is assessed at actual value; therefore, the assessed values are equal to actual value. Tax rates are per \$1,000 of assessed value.

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

Total Direct Rate represents the weighted average of all individual direct rates applied by the Town. Prior to 2000, all property was taxed at the same rate. At that time, the motor vehicles tax rate was frozen at \$18.71. For fiscal year 2016, the property tax rate, exclusive of motor vehicles, was \$15.52

(Continued on next page)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
ASSESSED VALUES AND ACTUAL VALUES OF TAXABLE PROPERTY (CONTINUED)
CALCULATION OF TOTAL DIRECT TAX RATE FOR FISCAL YEAR ENDED JUNE 30, 2016

Note: Exclude Exempt Property

<u>Category</u>	<u>Assessed Value</u>	<u>Assessed Value</u>	<u>Direct Rate Per \$1000</u>	<u>Total Tax Levy</u>
Real Estate	\$ 4,127,131,800			
Less Exemptions	60,187,116			
Net Real Estate		\$ 4,066,944,684	\$ 15.5200	\$ 63,118,981
Tangible/Personal		113,540,016	15.5200	1,762,141
Motor Vehicle	264,298,736			
Less Exemptions	70,534,714			
Net Motor Vehicle		193,764,022	18.71	3,625,325
		<u>\$ 4,374,248,722</u>		<u>\$ 68,506,447</u>
	Total Assessed Value:	\$ 4,374,248,722		
	Divided by Total Levy:	68,506,447		
	(Times 1000)	<u>\$ 15.66</u>	Weighted Avg/Total Direct Rate	

TABLE 6

**TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO**

	2016			2007		
	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value
Harbor Village Apts (formerly Grandville)	\$ 33,467,700	1	0.77%	\$ 28,620,200	2	0.68%
Schneider Electric (formerly APC)	30,237,205	2	0.69%	48,960,754	1	1.17%
Narragansett Electric	23,081,066	3	0.53%	16,630,020	3	0.40%
SCC Investments II, LLC	16,394,000	4	0.37%	9,312,400	9	0.22%
SHP III South Kingstown LLC	16,329,100	5	0.37%			
HCP HB2 South Bay Manor LLC	13,696,500	6	0.31%	14,821,234	4	0.35%
Wakefield Mall Associates	12,524,800	7	0.29%	11,460,600	8	0.27%
Jerry Brown Farm Association	12,313,800	8	0.28%	12,070,700	6	0.29%
United Water of RI	7,890,000	9	0.18%			
Indian Run Village RIH LLC	6,952,600	10	0.16%			
APC America Inc				13,908,500	5	0.33%
Green Tree Realty				10,081,700	7	0.24%
Hallkeen CDT Kingston LTD Part				7,482,700	10	0.18%
Total	<u>\$ 172,886,771</u>		<u>4.12%</u>	<u>\$ 173,348,808</u>		<u>3.96%</u>

Source: Town of South Kingstown Assessor

TABLE 7

**TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

Fiscal Year	Actual Tax Rate	Gross Levy	Addendums and Adjustments	Abatements and Adjustments	Net Levy	Uncollected (2)			
						End of Year Levy (1)	% of Net Levy	As of 8/30/16	% of Net Levy
2015-16	\$15.52	\$68,504,982	\$93,912	\$43,927	\$68,554,967	\$916,185	1.34%	\$589,236	0.8595%
2014-15	15.48	67,607,641	114,775	23,555	67,698,861	961,902	1.42%	118,666	0.18%
2013-14	15.47	67,082,117	175,914	348,216	65,885,154	940,714	1.43%	59,519	0.09%
2012-13	14.50	66,399,782	99,701	372,420	65,199,289	647,955	0.99%	45,634	0.07%
2011-12	14.51	66,120,832	124,683	360,361	64,231,377	618,926	0.96%	41,937	0.07%
2010-11	14.19	65,499,433	109,275	409,419	65,199,289	702,456	1.08%	55,913	0.09%
2009-10	12.09	64,504,174	122,736	395,533	64,231,377	647,960	1.01%	16,870	0.03%
2008-09	11.97	63,726,992	103,533	441,796	63,388,729	616,114	0.97%	19,028	0.03%
2007-08	11.51	60,692,561	115,434	528,939	60,279,056	529,770	0.88%	18,643	0.03%
2006-07	13.65	57,665,644	254,220	393,867	57,525,997	400,959	0.70%	14,522	0.03%

Source: Town of South Kingstown Tax Collector

Notes:

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

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

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

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

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

General Bonded Debt						
Fiscal Year June 30,	General Obligation Bonds	Bonds Premiums	Taxable Assessed Value	Percent of Taxable Assessed Value	(2010 is actual)	
					U.S. Census Estimated Population	Per Capita
2016	\$ 10,467,000	400,412	\$ 4,374,748,722	0.24%	30,826	\$ 340
2015	12,511,000	440,149	4,327,851,035	0.29%	30,750	407
2014	14,967,000	96,209	4,297,341,593	0.35%	30,615	489
2013	17,647,000	128,650	4,526,079,597	0.39%	30,363	581
2012	20,390,000	161,091	4,507,072,945	0.45%	30,378	671
2011	23,650,000	193,532	4,546,820,643	0.52%	30,639	772
2010	27,085,000		5,281,964,577	0.51%	30,639	884
2009	29,405,000		5,255,505,490	0.56%	29,195	1,007
2008	32,995,000		5,215,698,720	0.63%	29,188	1,130
2007	36,710,000		4,193,188,291	0.88%	29,238	1,256

Business-Type Activities							
Fiscal Year June 30,	Wastewater	Solid Waste	Water	Total Primary Government	Total Personal Income	Percent of Personal Income *	Per Capita
	Bonds	Bonds	Bonds				
2015	\$ 221,000	\$ 1,346,185		\$ 12,434,597	Not Available	Not Available	\$ 403
2015	246,000	1,498,979		14,696,128	Not Available	Not Available	478
2014	271,000	1,647,896		16,982,105	1,030,776,435	1.65%	555
2013	295,000	1,793,014	84,000	19,947,664	1,088,665,365	1.83%	657
2012	380,205	1,934,409	166,000	23,031,705	1,033,064,646	2.23%	758
2011	463,465	2,072,154	246,000	26,625,151	1,304,884,371	2.04%	869
2010	543,843	2,207,323	324,000	30,160,166	1,423,242,828	2.12%	984
2009	622,398	2,338,985	400,000	32,766,383	1,342,386,100	2.44%	1,122
2008	699,189	2,467,208		36,161,397	1,355,928,540	2.67%	1,239
2007	773,271	2,593,058		40,076,329	1,299,132,054	3.08%	1,371

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

Fiscal Year Ended June 30	Total Direct Tax Rate	Overlapping Rates		
		Union Fire District	Indian Lake Fire District	Kingston Fire District
2016	\$ 15.66	\$ 0.88	\$ 1.38	\$ 0.98
2015	15.62	0.82	1.38	0.96
2014	15.61	0.79	1.13	0.92
2013	14.67	0.71	0.95	0.87
2012	14.67	0.62	1.02	0.82
2011	14.41	0.52	0.80	0.81
2010	12.21	0.44	0.70	0.65
2009	12.13	0.46	0.70	0.61
2008	11.64	0.40	0.73	0.58
2007	13.75	0.54	1.13	0.67

Notes:

For the 2012-2013 fiscal year, the Town's basic tax rate increase cannot exceed 4% of the prior year's rate unless the State of Rhode Island approves such increase.

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

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

**TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS**

	Fiscal Year ended June 30									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Total assessed value	\$ 4,374,748,722	\$ 4,327,851,035	\$ 4,297,341,593	\$ 4,526,079,597	\$ 4,507,072,945	\$ 4,546,820,643	\$ 5,281,964,577	\$ 5,255,505,490	\$ 5,215,698,720	\$ 4,193,188,291
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	131,242,462	129,835,531	128,920,248	135,782,388	135,212,188	136,404,619	158,458,937	157,665,165	156,470,962	125,795,649
Total net debt applicable to the limit	4,362,607	4,745,677	5,443,192	4,299,513	4,747,717	5,338,372	5,911,770	6,564,785	7,240,508	8,013,858
Legal debt margin	\$ 126,879,855	\$ 125,089,854	\$ 123,477,056	\$ 131,482,875	\$ 130,464,471	\$ 131,066,247	\$ 152,547,167	\$ 151,100,380	\$ 149,230,454	\$ 117,781,791
Total net debt applicable to the limit as a percentage of debt limit	3.32%	3.66%	4.22%	3.17%	3.51%	3.91%	3.73%	4.16%	4.63%	6.37%

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
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**

<u>Fiscal Year June 30,</u>	<u>(3) Population</u>	<u>Per Capita Personal Income (1)</u>	<u>Estimated Total Personal Income (1) (thousands)</u>	<u>School Enrollment</u>	<u>Unemployment Rate (2)</u>
2016	30,826	Not Available	Not Available	3,249	5.4%
2015	30,750	Not Available	Not Available	3,275	6.9%
2014	30,615	\$ 33,669	\$ 1,030,776	3,397	8.7%
2013	30,363	35,855	1,088,665	3,357	9.1%
2012	30,378	34,007	1,033,065	3,443	9.7%
2011	30,639	42,589	1,304,884	3,523	10.3%
2010	30,639	46,452	1,423,243	3,548	9.2%
2009	29,195	45,980	1,342,386	3,599	6.6%
2008	29,188	46,455	1,355,929	3,658	4.3%
2007	29,238	44,433	1,299,132	3,803	4.4%

- (1) Per Bureau of Economic Analysis - Washington County. The income data released in April 2012 represents 2010 data. Personal income is only available at the county level. The Town's population is 24% of the County.
- (2) Rhode Island Department of Labor and Training; not seasonally adjusted, annual average for previous calendar year.
- (3) The non-census year statistics are estimates calculated by the RI Division of Planning. Most current available is 2010. The 2010 fiscal year census statistic is actual U.S. census figure.

TABLE 12

**TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO**

2016 (1)				2007 (1)			
Employment Sector	Employees	Rank	Percentage of Total Town Employment	Employment Sector	Employees	Rank	Percentage of Total Town Employment
Government	3,773	1	27.2%	Government	3,788	1	28.0%
Health Care & Social Assistance	2,806	2	20.2%	Health Care & Social Assistance	2,351	2	17.5%
Accommodation & Food Services	1,447	3	10.4%	Retail Trade	1,484	3	11.0%
Retail Trade	1,279	4	9.2%	Accommodation & Food Services	1,249	4	9.3%
Other Services (except Public Administration)	705	5	5.1%	Manufacturing	956	5	7.1%
Wholesale Trade	659	6	4.7%	Wholesale Trade	778	6	5.8%
Manufacturing	574	7	4.1%	Other Services (except Public Administration)	758	7	5.6%
Professional & Technical Services	390	8	2.8%	Construction	434	8	3.2%
Construction	348	9	2.5%	Professional & Technical Services	373	9	2.8%
Administrative Support & Waste Management	311	10	2.2%	Finance & Insurance	289	10	2.2%
Total	<u>12,292</u>		<u>88.5%</u>	Total	<u>12,460</u>		<u>92.5%</u>

NOTES

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

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
FULL-TIME EQUIVALENT TOWN GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

	Fiscal Year ended June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General Government:	33	33	33	33	33	33	33	36	38	38
Public Safety:										
Police - Officers	53	52	51	51	51	51	53	54	54	54
Police - Civilians	19	22	22	22	22	22	22	22	22	22
Emer. Medical Services	15	17	17	17	17	17	17	17	17	17
Communications	2	2	2	2	2	2	2	3	3	3
	<u>89</u>	<u>93</u>	<u>92</u>	<u>92</u>	<u>92</u>	<u>92</u>	<u>94</u>	<u>96</u>	<u>96</u>	<u>96</u>
Public Works:										
Streets & Highways	17	18	17	17	17	17	18	19	19	19
Administration	4	4	4	4	4	4	4	4	4	4
	<u>21</u>	<u>22</u>	<u>21</u>	<u>21</u>	<u>21</u>	<u>21</u>	<u>22</u>	<u>23</u>	<u>23</u>	<u>23</u>
Parks & Recreation	11	11	11	11	11	11	11	12	12	12
Libraries	10	10	10	10	11	11	12	12	11	12
TOTAL GENERAL FUND	164	169	167	167	168	168	172	179	180	181
Water	3	3	4	4	4	4	4	4	4	4
Wastewater	14	14	17	17	17	18	18	18	18	18
Neighborhood Guild	5	5	5	5	5	5	5	5	5	5
Senior Services	7	7	7	7	7	8	8	8	9	9
Other	1	1	1	1	1	1	1	1	1	1
Public education:										
Certified	313	316	323	341	345	347	348	367	373	381
Non-certified	154	153	158	174	172	180	195	203	208	207
Administrative	25	24	24	24	20	21	21	22	21	21
	<u>492</u>	<u>493</u>	<u>505</u>	<u>539</u>	<u>537</u>	<u>549</u>	<u>564</u>	<u>592</u>	<u>601</u>	<u>608</u>
Total	<u>686</u>	<u>692</u>	<u>706</u>	<u>740</u>	<u>739</u>	<u>752</u>	<u>772</u>	<u>807</u>	<u>819</u>	<u>827</u>

TABLE 14

**TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS**

Function/Program	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Police:										
Physical arrests	545	530	645	626	682	661	718	714 (3)	667	738
Traffic violations	2,021	1,751	2,696	2,764	3,718	2,354	3,147	4,650 (3)	8,197	7,621
Parking violations	2,428	1,152	1,257	742	987	1,032	1,239	1,145 (3)	1,046	715
Emergency Medical Services:										
Number of calls answered	2,930	2,750	2,852	2,807	2,652	2,707	2,703	2,637	2,584	2,487
Animal Control:										
Number of complaints	1,281	1,188	1,357	1,260	1,457	1,332	1,324	1,334	1,408	1,447
Number of impoundments	341	201	318	383	382	390	418	401	601	588
Communications:										
Fire alarm activations	64	202	227	262	222	241	254	227	240	261
Streets & Highways:										
Street Sweeping (miles)	148	151	151	151	151	150	150	150	150	150
Road regrading (miles)	44	45	45	45	45	45	45	45	45	45
Street plowing/deicing (OT hours)	1,055	2,814	1,568	1,965	344	2,394	1,666	2,500	1,836	931
Culture & Recreation:										
Programs/Classes (enroll/attend)	28,168	30,349	30,550	28,745	32,978	35,652	33,345	35,716 (2)	46,528	60,707
Libraries:										
Volumes in Collection	69,999	69,301	70,599	68,916	68,634	69,223	68,721	66,769	67,700	66,865
Volumes borrowed	247,197	257,137	267,491	262,456	278,828	287,607	301,834	313,716	302,654	306,722
Reference requests filled	25,907	26,158	29,025	28,136	27,949	26,362	26,865	28,221	29,088	28,052
Water:										
New connections (net)	7	10	12	4	0	16	9	35	60	0
Average daily consumption (1) (thousands of gallons)	391	250	324	315	313	325	317	364	376	313
Wastewater:										
Average daily sewage treatment (thousands of gallons)	2,430	2,368	2,589	2,520	2,700	2,517	3,052	2,733	2,473	2,967
Senior Services:										
Adult Day Care services (client days)	3,408	3,034	2,961	3,554	3,321	3,783	4,109	2,304	3,210	3,834
Senior transportation (trips)	5,758	7,042	6,246	7,730	7,645	6,244	7,631	9,269	6,706	8,293
Congregate meals served	9,831	9,375	9,648	11,149	11,977	11,422	11,512	12,765	13,587	15,379

Sources: Various Town departments

Notes:

Indicators are not available for the general government function.

(1) Consumption is calculated from billed usage

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

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

TABLE 15

**TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS**

Function/Program	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014	Fiscal Year 2013	Fiscal Year 2012	Fiscal Year 2011	Fiscal Year 2010	Fiscal Year 2009	Fiscal Year 2008	Fiscal Year 2007
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	16	16	16	16	16	16	16	16	16	16
Public works:										
Streets (miles)	149	151	151	151	149	149	149	148	148	147
Culture and recreation:										
Park acreage	453	453	453	453	453	453	453	440	440	440
Tennis courts	25	25	25	25	25	25	25	25	25	25
Community centers	1	1	1	1	1	1	1	1	1	1
Libraries	3	3	3	3	3	3	3	3	3	3
Water:										
Water mains (miles)	50	49	49	49	49	49	49	49	49	48
Fire hydrants	262	252	252	252	253	253	253	253	253	253
Storage capacity (thousands of gallons-treated)	800	800	800	800	800	800	800	800	800	800
Wastewater:										
Sanitary sewers (miles)	54	54	54	54	54	53	53	53	53	53
Storm drains (miles)	53	53	53	53	53	53	53	53	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.

Federal Single Audit Section

This section contains information regarding federal grant activity for the year ended June 30, 2016, which was audited in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States, and the he audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

**TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Passed Through to Subrecipients	Total Federal Expenditures
United States Department of Agriculture			
<i>Passed Through the State of Rhode Island Department of Education:</i>			
Child Nutrition Cluster:			
National School Lunch Program	10.555		\$ 427,412
Fresh Fruit & Vegetable Program	10.582		<u>1,897</u>
Total United States Department of Agriculture			<u>429,309</u>
United States Department of Education			
<i>Passed Through the State of Rhode Island Department of Education:</i>			
Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA)	84.010		356,396
Title II, Improving Teacher Quality State Grants	84.367A		182,712
Special Education Cluster (IDEA):			
Special Education - Grants to States (IDEA, Part B)	84.027	\$ 992,278	
Special Education - Preschool Grants (IDEA Preschool)	84.173	<u>23,028</u>	
			1,015,306
Title III Consortium	84.365		3,748
Project AWARE	93.243		<u>44,891</u>
Total United States Department of Education			<u>1,603,053</u>
United States Department of Health and Human Services			
<i>Passed Through the State of Rhode Island Department of Health:</i>			
Block Grants for Community Mental Health - Reducing Marijuana Grant	93.959		62,901
Drug-Free Communities Support Program Grant	93.276		87,419
Tobacco Compliance Investigation Grant	93.959		<u>786</u>
Total United States Department of Health and Human Services			<u>151,106</u>
United States Department of Homeland Security			
<i>Passed Through the Rhode Island Emergency Management Agency:</i>			
Emergency management Performance Grants	97.042		8,948
Pre-Disaster Mitigation	97.047		468,630
Homeland Security Grant Program	97.067		<u>52,000</u>
Total United States Department of Homeland Security			<u>529,578</u>

The accompanying notes are an integral part of this schedule

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Passed Through to Subrecipients	Total Federal Expenditures
United States Department of Housing and Urban Development			
<i>Passed Through the State of Rhode Island Governor's Office of Housing, Energy & Intergovernmental Relations</i>			
Community Development Block Grants:			
Community Development Block Grant/Small Cities Program - 2012	14.228	\$ 14,269	
Community Development Block Grant/Small Cities Program - 2013	14.228		125,594
Community Development Block Grant/Small Cities Program - 2014	14.228	\$ 30,000	38,544
Community Development Block Grant/Small Cities Program - 2015	14.228	73,004	<u>122,204</u>
			\$ 300,611
CDBG - Disaster Recovery Grants - Pub. L. No. 113-2 Cluster:			
Hurricane Sandy Community Development Block Grant Disaster Recovery	14.269	<u>57,829</u>	<u>253,081</u>
Total United States Department of Housing and Urban Development		<u>160,833</u>	<u>553,692</u>
United States Department of Justice			
<i>Passed Through the State of Rhode Island Governor's Justice Commission:</i>			
Governor Justice Commission Grant	16.738		20,381
US Department of Justice, DEA	16.001		13,941
Enforcing Underage Drinking Laws Program	16.727		25,136
SOLEMN - U.S. Marshalls Grant	16.203		<u>4,477</u>
Total United States Department of Justice			<u>63,935</u>
United States Department of Transportation			
<i>Passed Through the State of Rhode Island Department of Transportation:</i>			
Highway Safety Cluster:			
Seat-Belt Enforcement	20.604		<u>40,209</u>
Total Federal Awards Expended		<u>\$ 160,833</u>	<u>\$ 3,370,882</u>

The accompanying notes are an integral part of this schedule

**TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Town of South Kingstown, Rhode Island, under programs of the federal government for the year ended June 30, 2016. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported using the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. NONCASH AWARDS

Donated commodities in the amount of \$32,085 are included in the Department of Agriculture's National School Lunch Program, CFDA #10.555. The amount represents the market value of commodities received.

4. INDIRECT COST RECOVERY

The Town of South Kingstown, Rhode Island, has elected not to use the 10% de minimis indirect cost rate provided under Section 200.414 of the Uniform Guidance.

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Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of South Kingstown, Rhode Island, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of South Kingstown, Rhode Island's basic financial statements, and have issued our report thereon dated December 23, 2016.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
December 23, 2016



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Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance

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

Report on Compliance for Each Major Federal Program

We have audited the Town of South Kingstown, Rhode Island's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town of South Kingstown, Rhode Island's major federal programs for the year ended June 30, 2016. The Town of South Kingstown, Rhode Island's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of South Kingstown, Rhode Island's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of South Kingstown, Rhode Island's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town of South Kingstown, Rhode Island's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town of South Kingstown, Rhode Island, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

Management of the Town of South Kingstown, Rhode Island, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of South Kingstown, Rhode Island's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of South Kingstown, Rhode Island's internal control over compliance.

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

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

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

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
December 23, 2016

**TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2016**

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? _____ yes X none reported
- Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? _____ yes X none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? _____ yes X no

Major programs:

CFDA #	Name of Federal Program or Cluster
97.047	Pre-Disaster Mitigation
84.027/84.173	Special Education Cluster

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? X yes _____ no

II. FINANCIAL STATEMENT FINDINGS

No matters were reported.

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.