

NEW ISSUE

**Ratings: Moody's Investor Services, Inc. - "Aaa"
Standard & Poor's - "AAA"
(FSA Insured)**

*In the opinion of Bond Counsel, under existing law, interest on the Bonds, as hereafter defined, will be exempt from Rhode Island income taxes, although the Bonds and the income therefrom may be included in the measure of Rhode Island estate taxes and certain Rhode Island corporate and business taxes, and, assuming continued compliance by the Town with the Internal Revenue Code of 1986, as amended (the "Code"), interest on the Bonds will be excluded from gross income for federal income tax purposes, and will not be an item of tax preference for purposes of computing the federal alternative minimum tax imposed on individuals and corporations, although interest on the Bonds will be taken into account in computing certain federal taxes imposed on corporations. **The Bonds are designated as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code. See "Tax Exemption" and "Appendix C" herein.***

\$2,840,000

**Town of North Kingstown, Rhode Island
General Obligation Bonds**

Dated: May 1, 2006

Due: As shown below

The Bonds are issuable only as fully registered Bonds without coupons, and, when issued, will be registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 or any multiple thereof. Purchasers will not receive certificates representing their interest in Bonds purchased. So long as Cede & Co. is the Bondowner, as nominee of DTC, references herein to the Bondowners or registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the Bonds. So long as DTC or its nominee, Cede & Co., is the Bondowner, principal and semiannual interest payments will be made directly to such Bondowner. Principal of and interest on the Bonds will be payable by U.S. Bank National Association, Corporate Trust Department, Boston, Massachusetts, as Paying Agent, to DTC. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants and the Indirect Participants, as more fully described herein. (See "THE BONDS—Book-Entry Only System" herein.)

The Bonds will be dated May 1, 2006. Interest on the Bonds will be payable on November 1, 2006 and semiannually thereafter on May 1 and November 1 of each year at the rates as shown in the maturity schedule below. Principal on the Bonds will be paid on May 1 of each year as shown in the maturity schedule below.

<u>Maturity</u>	<u>Principal</u>	<u>Interest</u>	<u>Price</u>		<u>Maturity</u>	<u>Principal</u>	<u>Interest</u>	<u>Price</u>	
<u>May 1</u>	<u>Amount</u>	<u>Rate</u>	<u>or Yield</u>	<u>CUSIP*</u>	<u>May 1</u>	<u>Amount</u>	<u>Rate</u>	<u>or Yield</u>	<u>CUSIP*</u>
2007	\$185,000	5.25%	3.45%	660325TN1	2015	\$190,000	4.00%	3.90%	660325TW1
2008	185,000	4.50	3.50	660325TP6	2016	190,000	4.25	3.95	660325TX9
2009	190,000	4.125	3.52	660325TQ4	2017	190,000	4.00	4.00	660325TY7
2010	190,000	4.00	3.54	660325TR2	2018	190,000	4.00	4.05	660325TZ4
2011	190,000	4.00	3.58	660325TS0	2019	190,000	4.00	4.10	660325UA7
2012	190,000	4.00	3.66	660325TT8	2020	190,000	4.125	4.125	660325UB5
2013	190,000	4.00	3.75	660325TU5	2021	190,000	4.125	4.15	660325UC3
2014	190,000	4.125	3.85	660325TV3					

*The CUSIP Numbers have been assigned by an independent company not affiliated with the Town or the Financial Advisor and are included solely for the convenience of the holders of the Bonds. Neither the Financial Advisor nor the Town is responsible for the selection or uses of the CUSIP numbers, and no representation is made as to their correctness on the Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity.

Payment of the principal of and interest on the Bonds when due will be insured by a municipal bond insurance policy to be issued by Financial Security Assurance Inc., simultaneously with the delivery of the Bonds.



The Bonds are subject to optional redemption prior to maturity as described herein.

The Bonds are offered for delivery when, as, and if issued, subject to the final approving opinion of Taft & McSally LLP, Bond Counsel, of Cranston, Rhode Island, and to certain other conditions referred to herein. It is expected that the Bonds, in definitive form, will be available for delivery to DTC in New York, New York, on or about May 3, 2006.

Underwriter

**Roosevelt & Cross, Inc. and Associates
Official Statement Dated April 19, 2006**

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No dealer, broker, salesperson or other person has been authorized by the Town to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Town. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

Upon issuance, the Bonds will not be registered under the Securities Act of 1933, as amended, in reliance upon exemptions contained in such Act. The Bonds will not be listed on any stock or other securities exchange. Any registration or qualification of the Bonds in accordance with applicable provisions of securities laws of the states in which the Bonds may be registered or qualified and the exemption from registration or qualification in other states cannot be regarded as a recommendation thereof. Neither the Securities and Exchange Commission nor any other federal, state or other governmental entity or agency will have passed upon the accuracy of the Official Statement or, except for the Town, approved the Bonds for sale. Any representation to the contrary may be a criminal offense.

The information relating to The Depository Trust Company (“DTC”) and the book-entry only system contained in this Official Statement have been furnished by the DTC (see “THE BONDS—Book-Entry Only System” herein). No representation is made by the Town as to the adequacy or accuracy of such information. The Town has not made any independent investigation of DTC or the book-entry only system.

This Official Statement is not to be construed as a contract or agreement between the Town and the purchasers or holders of any of the Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinion and not as representations of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Town of since the date hereof.

All quotations from and summaries and explanations of provisions of laws and documents described herein do not purport to be complete and reference is made to said laws and documents for full and complete statements of their provisions.

The financial advisor to the Town has provided the following sentence for inclusion in this Official Statement. The financial advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the Town and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the financial advisor does not guarantee the accuracy or completeness of such information.

Other than with respect to information concerning Financial Security Assurance Inc. ("Financial Security") contained under the caption "Bond Insurance" and Appendix D specimen "Municipal Bond Insurance Policy" herein, none of the information in this Official Statement has been supplied or verified by Financial Security and Financial Security makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information; (ii) the validity of the Bonds; or (iii) the tax exempt status of the interest on the Bonds.

The cover page hereof, this page and the appendices attached hereto are part of this Official Statement.

OFFICIAL STATEMENT
of the
TOWN OF NORTH KINGSTOWN, RHODE ISLAND
Relating to
\$2,840,000 General Obligation Bonds

This Official Statement provides certain information concerning the Town of North Kingstown, Rhode Island (the "Town" or the "Issuer") in connection with the issuance by the Town of its \$2,840,000 General Obligation Bonds dated May 1, 2006 (the "Bonds").

THE BONDS

Description of the Bonds

The Bonds will be issued only as fully registered Bonds in the denomination of \$5,000 or any integral multiple thereof. The Bonds will be dated May 1, 2006 and will bear interest at the rates shown on the cover page hereof.

Interest on the Bonds will be payable on November 1, 2006 and semi-annually thereafter on May 1 and November 1 of each year at the rates shown in the maturity schedule on the front cover hereof. Principal of the Bonds will be payable on May 1 of each year set forth on the cover page hereof.

When issued the Bonds will be registered in the name of Cede & Co., as Bondowner and nominee for Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry only form. Purchasers will not receive certificates representing their interest in the Bonds purchased. So long as Cede & Co. is the Bondowner, as nominee of DTC, references herein to the Bondowners or registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the Bonds. See "THE BONDS - Book-Entry Only System" herein.

Principal of and interest on the Bonds will be paid by U.S. Bank National Association, Corporate Trust Department, Boston, Massachusetts as Paying Agent to DTC. So long as DTC or its nominee, Cede & Co., is the Bondowner, such payments will be made directly to such Bondowner. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants and the Indirect Participants, as more fully described herein. **Interest on the Bonds is computed on the basis of a 360-day year consisting of twelve 30-day months.**

For every transfer and exchange of the Bonds, whether in certified form or otherwise, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto. Adequate indemnification may be required to replace any lost, stolen or destroyed Bonds, whether in certificate form or otherwise.

Record Date

The Record Date for each payment of interest for the Bonds is the fifteenth day preceding the interest payment date or, if such day is not a business day of the Paying Agent, the next preceding day which is a regular business day of the Paying Agent.

Authorization and Purpose of the Bonds

The Bonds in the amount of \$2,840,000 are authorized pursuant to Chapters 129/229 of the Rhode Island Public Laws of 2000 and resolutions passed by the Town Council to finance the acquisition of development rights to farmland, undeveloped land and/or open spaces and the preservation or restriction of use of farmland, undeveloped land and open spaces.

Book-Entry Only System

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or

such other name as may be requested by an authorized representative of DTC. One-fully registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent to vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or the Agent, on the payable date in accordance

with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Issuer or the Agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or the Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

Redemption notices shall be sent to DTC. If less than all of the securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issues to be redeemed.

The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.

Redemption Prior to Maturity

The Bonds maturing on or after May 1, 2017, shall be subject to redemption prior to their stated dates of maturity, at the option of the Town, on or after May 1, 2016, as a whole or in part at any time (by lot by DTC), in any order of maturity designated by the Town, at 100% of the aggregate principal amount of the Bonds to be redeemed, together with interest accrued and unpaid to the redemption date.

Notice of any redemption of Bonds, specifying the numbers and other designations of the bonds to be redeemed, shall be given by registered mail not more than sixty (60) days, nor less than thirty (30) days, prior to the date set for redemption to the Registered Owners as nominee of DTC. In addition, if required by law, notice of any redemption of Bonds shall be published at least fifteen (15) days prior to the date of redemption in a daily newspaper of general circulation in the State of Rhode Island, and in a nationally distributed financial newspaper devoted primarily to financial or investment information.

The Town, so long as a book-entry system is used for determining beneficial ownership of the Bonds, shall send any notice of redemption to DTC, or its nominee, as registered owner of the Bonds. Transfer of such notice to the DTC Participants is the responsibility of DTC. Transfer of such notice to Beneficial Owners by DTC Participants is the responsibility of the DTC Participants and other nominees of Beneficial Owners of the Bonds. Any failure of DTC to mail such notice to any DTC Participant, or any failure by any DTC Participant to notify any Beneficial Owner, will not affect the validity of the redemption of the Bonds. The Town can make no assurances that DTC, the DTC Participants or other nominees of the Beneficial Owners of the Bonds will distribute such redemption notices to the Beneficial Owners of the Bonds, or that they will do so on a timely basis, or that DTC will act as described in this Official Statement.

Security for the Bonds

Rhode Island General Laws Section 45-15-5 permits any person who shall have any claim for money due from any town to present a demand for such claim to the town council and, if satisfaction of such claim is not made within 40 days, to commence an action against the town treasurer for recovery of the claim. If judgment is obtained for such debt due and if the monies available in the town treasury are insufficient to pay the judgment, Rhode Island General Laws Section 45-15-6 authorizes the town treasurer to apply to any justice of the peace for an order requiring the town to hold a town meeting "for the speedy ordering and making a tax" to be collected for such purpose. If the town meeting shall fail voluntarily to assess a tax sufficient to satisfy judgment on a town debt, the Superior Court is authorized to order the assessors of the town "to assess upon the ratable property thereof, and the collector to collect, a tax sufficient

for the payment of such judgment, with all incidental costs and charges, and the expense of assessing and collecting such tax."

The rights of the holders of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

BOND INSURANCE

The following information has been furnished by Financial Security Assurance Inc. for use in this Official Statement. Reference is made to Appendix D—Form of Municipal Bond Insurance Policy for a specimen of the insurer's policy.

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Financial Security Assurance Inc. ("Financial Security") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Financial Security Assurance Inc.

Financial Security is a New York domiciled financial guaranty insurance company and a wholly owned subsidiary of Financial Security Assurance Holdings Ltd. ("Holdings"). Holdings is an indirect subsidiary of Dexia, S.A., a publicly held Belgian corporation, and of Dexia Credit Local, a direct wholly-owned subsidiary of Dexia, S.A. Dexia, S.A., through its bank subsidiaries, is primarily engaged in the business of public finance, banking and asset management in France, Belgium and other European countries. No shareholder of Holdings or Financial Security is liable for the obligations of Financial Security.

At December 31, 2005, Financial Security's combined policyholders' surplus and contingency reserves were approximately \$2,417,516,000 and its total net unearned premium reserve was approximately \$1,850,446,000 in accordance with statutory accounting principles. At December 31, 2005, Financial Security's consolidated shareholder's equity was approximately \$2,822,902,000 and its total net unearned premium reserve was approximately \$1,509,867,000 in accordance with generally accepted accounting principles.

The consolidated financial statements of Financial Security included in, or as exhibits to, the annual and quarterly reports filed after December 31, 2005 by Holdings with the Securities and Exchange Commission are hereby incorporated by reference into this Official Statement. All financial statements of Financial Security included in, or as exhibits to, documents filed by Holdings pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 after the date of this Official Statement and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement. Copies of materials incorporated by reference will be provided upon request to Financial Security Assurance Inc.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 826-0100).

The Policy does not protect investors against changes in market value of the Bonds, which market value may be impaired as a result of changes in prevailing interest rates, changes in applicable ratings or other causes. Financial Security makes no representation regarding the Bonds or the advisability of investing in the Bonds. Financial Security makes no representation regarding the Official Statement, nor has it participated in the preparation thereof, except that Financial Security has provided to the Issuer the information presented under this caption for inclusion in the Official Statement.

TOWN OF NORTH KINGSTOWN

General

North Kingstown, settled in 1641 and incorporated as a Town in 1674, covers an area of 54 square miles and is primarily a residential suburb approximately 22 miles south of Providence but is also emerging as an important employment center because of the location of the Quonset Business Park. North Kingstown, with a population of 26,326 as of the 2000 U.S. Census, has a current full value of real and tangible personal property of \$3,737,513,337 with a budget in excess of \$84,395,396 (i.e. all budgeted funds) for the fiscal year ending June 30, 2006.

Theodore Francis Green Airport, a stop for seven major airlines, is located 12 miles north in the City of Warwick via Interstate Route 95.

Government

The Town operates under a home rule charter adopted in 1954, and subsequently amended, providing for a council/town manager form of government with a five-member Town Council headed by a Council President. All legislative powers of the Town are vested in the Town Council by the Charter including the adoption of the Town budget, the ordering of any tax, making appropriations and transacting any other business pertaining to the financial affairs of the Town.

The Town Manager is appointed by a majority vote of the Town Council for an indefinite term solely on the basis of his or her executive and administrative qualifications. The Town Manager is the chief executive officer and head of the administrative branch of government. The Charter grants to the Town Manager the authority to appoint or remove all officers or employees of the Town except the Town Solicitor and School Department employees, to prepare and submit to the Town Council the annual budget and annual report of the Town, to recommend to the Town Council pay schedules for Town employees and to recommend to the Town Council the adoption of such measures as he or she may deem necessary for the health, safety or welfare of the Town.

The current Town Treasurer, Cynthia J. Olobri, will be retiring on April 14, 2006. In accordance with the Town's Charter, the Town Manager, Richard I. Kerbel, will become acting Town Treasurer until a replacement is appointed by him.

Members of the Town Council are elected on a partisan basis at large for a term of two years. The Charter grants to the Town Council all powers to enact, amend, or repeal ordinances relating to the Town's property, affairs and government including the power to create offices, departments or agencies of the Town, to preserve the public peace, health and safety, to establish personnel policies, to authorize the issuance of Bonds (with the approval of the voters) and to provide for an annual audit of the Town's accounts.

Public Education

The general administration of the Town's school system is directed by a seven-member School Committee elected on a partisan basis from the Town at large to staggered four-year terms. The School Committee determines and controls all policies affecting the administration, maintenance and operations of the public schools in the Town, appoints a Superintendent of Schools as its chief administrative agent and appoints and removes all school employees upon recommendation of the Superintendent of Schools, except as may be provided otherwise by the laws of the State.

The Town has six elementary schools, two middle schools and one senior high school.

The School Department has 421 professional staff members comprised of 387 teachers and 34 administrators. The average enrollment is 4,609 students in the 2005—2006 school year. There are approximately 12 students per teacher in the system. Historically, more than 87% of the graduating students have attended college.

The total cost of operating the public school system for the 2004-05 school year was \$49,229,674 of which \$11,093,579 came from the State of Rhode Island, \$35,252,772 from the Town's 2005 appropriation, \$2,062,796 from nonresident tuition, and \$820,527 from other sources. Set forth below are actual and projected enrollment data for the years indicated.

	Actual					Projected				
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Kindergarten.....	309	290	261	293	291	289	287	285	284	282
Grade 1 & PRE 1....	342	331	317	286	323	321	318	316	314	313
Grade 2.....	342	339	332	313	284	321	319	316	314	312
Grade 3.....	362	337	347	328	315	286	323	320	318	316
Grade 4.....	385	353	351	341	327	314	284	321	319	317
Grade 5.....	352	381	354	363	348	333	320	290	328	325
Grade 6.....	354	344	391	353	364	349	334	321	291	329
Grade 7.....	350	355	351	394	356	367	352	337	323	293
Grade 8.....	348	348	352	337	385	348	358	344	329	316
Grade 9.....	386	377	384	412	384	439	396	408	392	375
Grade 10.....	366	395	378	376	411	383	437	395	407	390
Grade 11.....	337	366	365	355	358	391	364	416	376	387
Grade 12.....	300	312	356	370	351	354	387	360	411	371
Special Education..	<u>120</u>	<u>117</u>	<u>109</u>	<u>110</u>	<u>112</u>	<u>114</u>	<u>117</u>	<u>120</u>	<u>123</u>	<u>126</u>
Totals.....	4,653	4,645	4,648	4,631	4,609	4,609	4,596	4,549	4,529	4,452

In addition to its schools, the Town provides major public services, certain of which are described below:

Government Services

Police and Fire Protection

As of July 1, 2005, the North Kingstown Police Department consisted of 63 employees comprised of 50 law enforcement personnel and 13 civilians. The Town expended \$5,012,104 in fiscal 2005, and the Town's budget for fiscal 2006 is \$5,391,222.

As of July 1, 2005, the Fire Department had a force of 73 employees including 3 civilian workers and 70 fire and rescue personnel. The Town expended \$6,431,860 in fiscal 2005, and the Town's budget for fiscal 2006 is \$6,640,108.

Highway & Public Works

The Town has approximately 152 miles of paved streets maintained by the Public Works Department. In addition to other services, the department maintains Town property and provides snow removal services. The Town operates a trash transfer station, composting facility and recycling program. Refuse collection for the Town is provided by private collectors. The Public Works Department expended \$4,681,481 in fiscal 2005, and the Town's budget for fiscal 2006 is \$4,672,067.

Recreation and Leisure Activities

The Recreation Department/Leisure Activities Department provides a variety of activities for the Town's youth including field trips, art and creative dramatics, and most sports that are available through Recreation or organizations that rely on facilities provided by Recreation and the Town of North Kingstown. These facilities include four major areas for active and passive recreation includes boating. They are Ryan Park, Wilson Park, Signal Rock Park and McGinn Park. The Recreation Department Secretary schedules the Cold Spring Community Center, a building used to host meetings, family outings and Recreation Activities. The Arts Council sponsors numerous activities throughout the Town including Children's and Family Concerts and Theater Productions. The Town and the Wickford Art Association work collectively to hold the Annual Wickford Art Festival in Historic Wickford each July.

The Recreation/Leisure Activities Department is continuing its plan to improve the conditions of the municipal golf course and the Allen Harbor/Calf Pasture Point Recreation Complex that consists of approximately 250 acres on Narragansett Bay including the Allen Harbor Marina and the recently acquired Calf Pasture Point. Funding for the Operation and Maintenance of Municipal Golf Course and the Allen Harbor Marina as well as the planned Capital

Improvements for these facilities will come from the proceeds of the operation of the Golf Course and the Marina that are deposited in the Town's Quonset/Davisville Enterprise Account.

The North Kingstown Municipal Golf Course generated fees in excess of \$1.34 million dollars and increased the number of rounds played by 5.4% for since January 2004 to 42,600 rounds. The golf course remains one of top golf destinations in Rhode Island and will host the US Open Qualifier in May 2006. A new putting green is under construction and will be available in May 2006. Additional improvements that are part of the Golf Course Capital Improvement Plan include the replacement of the irrigation system and a number of tees, bunkers and greens.

The Town is expanding the Marina by adding 54 slips and 4 moorings over the next several years to bring the total number of slips and moorings to 205. A new sewer has been constructed for a new restroom that will open in time for the 2006 boating season. Future plans include the replacement of the bulkhead in the northern section of the Marina, improving the parking areas and the rehabilitation of the maintenance building and the office building.

The Master Plan for the Calf Pasture Point Recreation area has been completed and work is underway to develop trails and outlooks for use by the general public.

Libraries

The North Kingstown Free Library is governed by the Library Board of Trustees, which is made up of seven (7) members appointed by the Town Council for a three-year term. The North Kingstown Free Library, with a staff of 12 full-time and 12 part-time employees, continues to be one of the six busiest public libraries in Rhode Island. The library has more than 125,000 books, magazines, newspapers, videos, DVDs, compact discs, and talking books in its collection. In fiscal year 2004-2005, more than 19,000 CLAN (Cooperating Libraries Automated Network) cardholders borrowed over 317,000 items. More than 180,000 people visited the library to borrow books, to use the Internet computers, to attend public events, and to find information. The library staff hosted 436 public events that were attended by more than 10,000 children, teens, and adults. Patrons asked the staff more than 51,000 reference questions. The Library's 10 public Internet computers were used more than 19,000 times. North Kingstown CLAN cardholders accessed our 17 online reference databases either here at the library or from their homes more than 64,000 times. In addition to the North Kingstown Free Library, the Town's municipal public library, there are two small, non-municipal libraries in North Kingstown: the Willett Free Library in Saunderstown and the Davisville Free Library in Davisville.

Water

The Town draws groundwater from three aquifers using 10 gravel packed wells. Together these wells pump, on average, just over three million gallons per day (MGD), or one billion gallons per year. Maximum daily production for all wells is 8 MGD. Revenue is collected on approximately 85% of total well production. The Town is presently seeking to expand its pumping capacity by drilling a new well. This new well should be on-line by 2007.

The Town meters all active service connections. Inactive accounts are charged a quarterly flat fee. Private fire protection services are charged a quarterly fee depending on size. All Town owned buildings and sales to the Town of Narragansett are metered and charged in accordance with the rate schedule. There is no discount for large volume users. All requests for additional services, such as turn on/off, are charged a service fee of \$25.00. Accounts that fall into arrears are served shut-off notices. The total budget for the Water Department for fiscal year 2006 is \$3,132,803. Ninety-five percent of revenues are from the sale of water. Non-operating revenues such as service fees, lateral charges, penalties, interest and investments makeup the remaining five percent of the needed revenue. In 2004, the Town adopted its current rate schedule. This schedule provides for annual increases for usage, fire protection and flat fees through 2008. A new rate schedule will be in place the following year. The Town's water rates are not regulated by the Public Utilities Commission. It is the Town Council by their legislative authority that sets water rates in the Town.

Employee Relations

As of July 1, 2005 the Town had 236 full-time employees exclusive of the School Department. The School Department employs 421 professional employees. In addition, there are 91 substitute teachers and 242 full-time non-professional employees. Set forth below is the current status of union contracts for municipal employees.

- Teachers—3 year contract expires August 31, 2007
- Firemen—3 year contract expires June 30, 2007
- Policemen—3 year contract expires June 30, 2007
- School Service Personnel—3 year contract expires June 30, 2009
- Public Works/Clerical—3 year contract expires June 30, 2008
- School Paraprofessionals—3 year contract expires June 30, 2009

Employee Retirement Plans

See Note 11 to Financial Statements, Appendix B.

ECONOMIC CHARACTERISTICS

Population

North Kingstown ranks thirteenth among thirty-nine cities and towns in Rhode Island in population, with 26,326 residents according to the 2000 U.S. Census. North Kingstown is the largest of nine communities in Washington County, having approximately 25% of the total county population.

<u>Year</u>	<u>Population</u>
1980	21,938
1982	22,664
1984	22,999
1986	24,080
1990	23,786
1994	24,065
2000	26,326

Source: 2000 U.S. Bureau of the Census. The 1982, 1984 and 1986 population are estimates obtained from the Local Population Estimate Reports, prepared by the U.S. Department of Commerce; 1994 population estimate was obtained from the Population Estimates Branch, U.S. Bureau of the Census, January, 1995 Report.

Employment

In 2004, the Town of North Kingstown had 973 private business and industrial firms subject to employment security taxes with yearly payrolls which totaled \$450,264,166 and the average number of persons employed was 11,894 according to the most recent statistics. The following is a listing of the various types of industry in the Town covered by the Department of Employment Security for the calendar year ended December 31, 2004.

	<u># of Units</u>	<u>Total Wages</u>	<u>Average Employment</u>	<u>% of Total Covered Employees</u>
Agriculture, Forestry, Fishing & Hunting	8	\$ 3,255,991	51	0.43%
Construction	123	14,768,144	389	3.27%
Manufacturing	67	226,104,808	4,426	37.21%
Wholesale Trade	106	21,789,371	333	2.80%
Retail Trade	107	52,838,657	2,025	17.03%
Transportation & Warehousing	30	8,561,104	311	2.61%
Information	27	7,554,460	159	1.34%
Finance & Insurance	50	19,078,314	353	2.97%
Real Estate & Rental & Leasing	29	2,276,499	94	0.79%
Professional & Technical Services	120	16,674,358	315	2.65%
Management of Companies & Enterprises	8	16,829,828	444	3.73%
Administrative Support & Waste Mgmt.	57	7,403,258	313	2.63%
Educational Services	15	2,267,987	72	0.61%
Health Care & Social Assistance	62	26,574,849	1,017	8.55%
Arts, Entertainment & Recreation	27	4,877,290	213	1.79%
Accommodation & Food Services	65	10,866,076	983	8.26%
Other Services	72	8,543,172	396	3.33%
Total Private Only	973	\$ 450,264,166	11,894	100.00%

Source: Rhode Island Department of Labor & Training.

Unemployment

The most recent labor market information summary indicates that annualized unemployment for the years indicated was as shown in the following table:

	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Town of North Kingstown	3.3%	3.7%	3.4%	3.2%	3.3%	3.7%	4.3%	4.0%	4.1%	4.1%
State of Rhode Island	5.3	5.2	4.6	4.2	4.1	4.6	5.1	5.4	5.2	5.0
United States	5.4	4.9	4.5	4.2	4.0	4.7	5.8	6.0	5.5	5.1

Source: Department of Labor and Training
Not Seasonally Adjusted

Largest Employers

<u>Name</u>	<u>Type of Business</u>	<u># of Employees</u>
<i>Private Employers</i>		
Electric Boat Corporation	Mfr/Submarine	2,000
Toray Plastics	Mfr/Plastic Products	695
Perspectives, Corp.	Program for Disabled Adults	600
Brown & Sharpe Manf. Company	Mfr/Measuring Products	350
Ocean State Jobbers	Retail Warehouse	300
The Stop & Shop Co., Inc.	Retail	225
Home Depot	Retail	250
Star Gas Services	Distributor	212
Wal-Mart	Retail	200
SENESCO	Ship Builders	160
American Biophysics Corp.	Mosquito Magnet Developer	150
Custom Design	Jewelry Displays	150
Gregg's	Restaurant	150
South County Nursing Center	Nursing Home	150
Anvil International	Engineered Pipe Support	134
Scalabrini Villa	Nursing Home	120
Arch Chemicals	Mfg/Chemicals	120
North Atlantic Dist.	Storage & Prep of Imported Cars	100
Adecco Staffing	Employment Staffing	100
<i>Public Employers</i>		
Town of North Kingstown		1,200
R.I. Air National Guard		303
Army Aviation Support Facility		65

Source: Rhode Island Economic Development Corporation—November 2005.

Income Levels

According to the 2000 U.S. Census, median family income for the Town of North Kingstown was \$46,736 compared with \$39,172 for the State as a whole; 1990 per capita income was \$18,218 compared with \$14,981 for the State. The Town ranked 7th and 8th, respectively, for these income levels among the 39 cities and towns in the State.

Housing and Building Permits

The U.S. Census reported a total of 9,348 housing units in the Town in 1990 and 10,743 housing units in 2000; this represents an increase of 1,395 new units, or a 14.9 percent increase.

Building permits issued by the Town's Building Inspector for the fiscal years indicated and the declared value of construction are as follows:

<u>Fiscal Year</u>	<u>Permits Issued</u>	<u>Value</u>
1998	1,009	\$43,046,625
1999	924	24,026,817
2000	995	44,668,975
2001	997	35,668,975
2002	2,182	38,110,228
2003	1,641	29,232,887
2004	1,001	34,112,952
2005	2,625	33,683,393

Source: Town Building Inspector

ECONOMIC DEVELOPMENT AND OUTLOOK

Over the past two decades, North Kingstown's economy has emerged as a dominant employment center for the region. Employment has grown in industrial, commercial and office uses.

Industrial Development

About a third of North Kingstown employment is associated with manufacturing and industry. The majority of new manufacturing employment in the Town has been the result of migration of firms into North Kingstown. Seven major employers account for most of the manufacturing employment: Electric Boat Corporation; Toray Plastics of America; Ocean State Jobbers; SENESCO shipbuilding; Fuji Film (formerly Arch Chemicals); NORAD; and Illumination Concepts and Engineering, Inc.

Other significant employers include: 143rd Air Wing, Rhode Island Air National Guard; Wal-Mart; Scalabrini Villa; Seafreeze Limited; New England Stone; Maro Display; Dominion Diagnostics; Goldline Controls; Emissive Energy; South County Nursing Center; Stop and Shop Supermarkets; and Home Depot.

Quonset Business Park

The centerpiece of industrial development in North Kingstown is the Quonset Business Park, which is operated by the Quonset Development Corporation (QDC). The industrial and commerce park complex contains 3000 acres of land; approximately 675 acres remain available for development. The park is actually composed of a number of smaller districts that are distinguished by their services and types of industry. Overall the park area is served by an airport, rail, and deep-water piers and is thus suitable for a wide diversity of manufacturing and port activities. One hundred thirty-eight tenants employing more than 6900 employees currently occupy the industrial park. The complex also includes an 18-hole golf course and marina owned and operated by the Town of North Kingstown.

The industrial complex was once the home of the Davisville Naval Construction Battalion Center and the Quonset Naval Air Station. The Naval Air Station closed in 1973 and the Naval Construction Battalion Center, 900 acres in size, was closed in 1994. The Town and the RI Economic Development Corporation (RIEDC) prepared a base reuse plan for the 1994 closure site with the expectation that the majority of the site would be converted to industrial and associated purposes. Most of the 900 acres has now been conveyed to the RIEDC (now QDC) and is part of an interim master lease for the site. As a part of the Base Closure process, two hundred and four acres of land have been conveyed to the Town by the U.S. Department of Interior for recreation and conservation purposes; this land adjoins an additional 75 acres and was included in the development of a master plan for the entire area, known as Allen Harbor Calf Pasture Point. The goal of the master plan is establish Allen Harbor Calf Pasture Point as a passive recreation area.

The Town has been participating in the development of plans for Quonset Point/Davisville in anticipation of the full transfer of the Navy property to the State Economic Development Corporation and the Town. The vision for the Quonset Business Park calls for mixed industrial, commercial and waterfront uses. Bond referendums passed by Rhode Island voters have secured funds to enhance the existing freight rail system and other infrastructure improvements to the park including on going improvement projects to the internal roadways and public signage servicing the park. Construction is well underway on the relocation and improvement of Route 403, which will, upon completion, provide a limited access highway link between development at Quonset Point and Davisville and Route 4. The importance of linking the development of Quonset Point/Davisville to community objectives is demonstrated in the day to day coordination between the Town and the QDC and ongoing efforts to ensure that the Town's Comprehensive Plan and the Master Plan for the park are consistent as well as the development of a separate element of the North Kingstown Comprehensive Plan devoted to the industrial complex.

Several major facilities have been proposed, have recently expanded or are under construction at Quonset Point/Davisville. Keifer Park, the technology center of Quonset Point Davisville, exemplifies the mixed industrial development that has characterized the growth of the Quonset Point Davisville Industrial Park. In this portion of Quonset Point/ Davisville alone there is extensive activity and construction. Dominion Diagnostics operates a 23,000 square foot office and medical testing laboratory and is now preparing for the construction of Phase II of their project, a 30,000 square foot addition. Goldline Controls, a high technology manufacturer, operates a 67,206 square foot facility and has recently begun the process of acquiring additional land for development of an addition. Seiferts MTM, an

electronic manufacturing firm has constructed a manufacturing operation in a new 56,900 square foot facility. Emissive Energy, an emerging leader in the use of LED technology, has constructed a 30,000 square foot addition to their Keifer Park facility. Vantage Point Properties has completed a 43,000 square foot industrial building and has begun construction on another 30,000 square foot building in Keifer Park. Also in Keifer Park the State of Rhode Island and Hexagon Metrology have partnered in the construction for a 100,000 square foot manufacturing facility for Hexagon's Brown and Sharp Division, one of Rhode Island's oldest manufacturing firms.

Another area of the Park boasting significant current and anticipated growth is Commerce Park located at the heart of Quonset Point. Here, existing park tenants and new arrivals continue to prosper. Among the expanded existing facilities are Ocean State Jobbers with a 104,000 square foot addition to their existing warehouse/distribution facility raising their total square footage to 978,188 square feet. General Dynamics/Electric Boat, with the recent addition of two new structures, a 43,000 square foot materials processing plant and a 4,500 square foot paint application facility and approval of plans for a 14,000 square foot addition that will connect two of their existing building, continues to grow and remains the largest employer at Quonset Point/Davisville. SENESCO, a shipbuilder continues to grow and can be ranked as one of Quonset Point/Davisville's best success stories to date with contracts for large barges coming in at a sufficient rate as to drive both additional employment and the expansion of their facility. Toray Plastic of America a long time North Kingstown employer is in the process of seeking approvals to construct an addition to their existing facility. D.S. Nelson, a manufacturer of custom interior woodwork recently constructed a four-unit 22,000 square foot structure and has just started to house its expansion and act as an incubator for additional industrial growth. Also of note in Commerce Park is the Community College of Rhode Island Training Center, which provides trained employees for businesses in the industrial park and the region. Finally Commerce Park also houses the Rhode Island Army National Guard and Rhode Island Air National Guard installations both slated to expand and upgrade their facilities to better provide for their current missions and responsibilities.

North Davisville and West Davisville are the final areas of the park slated for industrial development. Here, as elsewhere in the park, existing uses continue to expand and new tenants are ready to move in. NORAD, an automobile importer, continues to expand its activities at the Davisville piers. Meanwhile, as the QDC finalizes its development plan for this area of the park, Landmark Building, Delfino Construction and Quonset Trucking (an existing park tenant) have completed new facilities in North Davisville. Also in North Davisville, the new Town Public Works garage has been completed and is now open. North Davisville appears to be a high priority for the QDC and further redevelopment is anticipated in this area including the potential realignment of Davisville Road. In order to streamline port operations the QDC has begun the process of finding a port operations management firm to oversee the Davisville Port. The port activities currently focus on automobile and seafood products.

In West Davisville, three existing businesses have completed expansion plans: All-American Meats and Seafoods has added 25,400 square feet to their existing 28,000 square foot facility; Trussco, a truss assembly company will be adding a 5,238 square foot addition; and BB and S has constructed a small addition to their current facility to incorporate new operational processes. West Davisville Realty acquired two 200,000 square foot former Navy buildings and has renovated them for reuse for warehousing and assembly purposes and also to provide space for a number of smaller industrial operations; a number of new tenants are settled into the renovated buildings. Seafresh USA, a seafood packaging and distribution operation, completed construction of a 20,000 square foot facility. D.S. Nelson, also a tenant of Commerce Park, has begun construction of a three building multi-tenant industrial complex intended to serve as a business incubator by attracting small industrial operations. Marrinan Realty LLC, a promotional materials distributor has received approval for a 14,000 square feet office and warehousing structure to serve as a headquarters for its operations. Further development within West Davisville is anticipated with the completion of the relocation of Route 403 as a limited access highway with access ramps at West Davisville.

Other Industrial Development

industrial activity is also located in other parts of the community, particularly in the mill village of Lafayette and adjacent to the rail lines that cross through North Kingstown. These areas include Dry Bridge Road and Old Baptist Road. Atlantic Tree Service has located its operation on Dry Bridge Road and is seeking to construct additional buildings on their site to house small business uses. Two applications for small unit flexible space light industrial complexes to provide further growth capacity for the Town's industrial base and additional start-up space for local small businesses have been approved and are in the first stages of construction.

The Town also participates in several regional economic development initiatives. The Town along with other Rhode Island communities is a member of a regional economic development corporation focused on enhancing manufacturing activities in the region. The Corporation has a targeted manufacturer outreach program designed to assess business needs for management and workforce support and training and to assist the business community with meeting those needs. The corporation provides small grants for equipment and training. The success of the regional corporation is reflected in the recent addition of new member communities and the positive feedback from the local business community.

More recently as a component of the economic development strategy of the Washington County Regional Planning Council, of which North Kingstown is a member, the Town completed an Economic Development Plan for the Town. The recommendations of the plan include designating some areas for office uses and developing zoning ordinances to implement the strategies. The Plan also addressed protecting the community character through zoning regulations that address pedestrian scale and design.

Commercial Development

Post Road (U.S. 1) and Routes 2/102 are the primary areas where the larger-scale commercial and shopping plaza uses have located in North Kingstown. Many of the commercial establishments now located on Post Road were developed in response to the Navy base at Quonset Point and associated growth during the 1960's. Post Road development suffered following the closure of the Navy base during the 1970's and early 1980's. Since then, growth has begun anew with the addition of Wickford Commons and Hunt River Commons and the redevelopment of sites originally constructed in the 1950's and 1960's. Post Road has a mix of retail stores, offices, restaurants and services one would expect in a typical commercial corridor.

With a diminishing amount of commercially zoned land, it is anticipated that development will continue to focus on redevelopment of sites along Post Road. The gateway to the Quonset Business Park is located along Post Road and the Quonset Development Corporation is negotiating a development agreement for a large parcel adjacent to Post Road identified as the Quonset Point Davisville Business Park gateway in the QDC Master Plan for mixed-use commercial/ office development. Anticipated uses might include a hotel; retail that supports the industrial complex; and office uses.

Prime examples of recent development and redevelopment along Post Road are the U.S. Post Office's rehabilitation of a former supermarket; the construction of a Washington Trust Bank; Getty Petroleum demolished a former service station and completed construction of a gas station/convenience store; the redevelopment and construction of a "drive through" gas station/ convenience store on the site of a former Extramart; Brooks Drugs demolition of a former car dealer facility to make way for a modern pharmacy and convenience store; Bess Eaton Donuts (now Tim Hortons), rehabilitation of a former bank; and Kingstown Plaza, first constructed in 1961, investing \$500,000 in a clock tower, new signage and façade improvements. Additionally, Tarbox Motors completed substantial renovations of their facilities; Cingular Wireless has completed the development of a 5,000 square foot retail location on a long vacant lot; 7-11/ Citgo has constructed a convenience store and gas station on a previously undeveloped lot; and a former health and fitness facility acquired by the YMCA has received extensive renovations. The YMCA has also undertaken additional site improvements that will enhance the site through additional parking and enhanced landscaping. Three auto rental agencies have already located on Post Road; and Tire Pro, an automotive services facility, operates a 7560 square foot establishment and is seeking approval of an expansion. Seven Moons and Bay Leaves restaurants recently redeveloped two long time restaurant sites with interior and exterior renovations as well as site improvements. Further south in the US 1 corridor Dave's Marketplace has completed construction of an 11,000 square foot expansion of an existing market that includes façade, landscaping, and septic system upgrades.

The importance of Post Road to the economic base of the Town is best reflected by the inclusion of a separate element within the Town Comprehensive Plan for the Post Road Corridor. This element addresses issues such as improving traffic conditions, updating design features of the commercial area, and the introduction of landscaping, pedestrian and bicycle enhancements. As development or redevelopment is occurring, the Planning Commission and Planning Department work to achieve these goals. The Town is also working with the Rhode Island Department of Transportation to insure that their projects work toward Town objectives. The Town has adopted a corridor plan for Post Road that will help guide development within the corridor in the future. The planning effort includes looking at ways to improve the aesthetics of the Post Road in North Kingstown, as well as exploring the potential for areas along Post Road to become growth centers.

Post Road has a long history as a commercial center. Richard Smith's Castle located near Wickford village is a recognized historic dwelling in Rhode Island. Richard Smith was the first English settler in Narragansett County and opened his trading post at Cocumscussoc in 1637. With local, state, and federal assistance, the property was refurbished over a three-year period and received historic preservation awards from the State of Rhode Island and the National Trust for Historic Preservation. Smith's Castle, along with the Gilbert Stuart Birthplace; Casey Farm, the Quonset Air Museum together with passive recreation sites such as the John H. Chaffee Preserve at Rome Point form vital components of North Kingstown's stock of tourism attractions. Helping to better serve visitors to the Town is the recently expanded Hamilton Village Inn and new restaurants such as Bay Leaves and Seven Moons both of which redeveloped existing sites.

In addition to the commercial development along Post Road, there is considerable activity in each of the Town's villages. Seven villages are recognized for their historic prominence in the National Register of Historic Places. Most notable is the seaport of Wickford, a popular tourist attraction with many well-preserved historic buildings from the eighteenth and nineteenth century. The Town completed the first phase of plans for Wickford, which included significant improvements to the roads and right of way amenities without sacrificing the historic character of the village. This improvement process began with improvements to Library Park, a waterfront park linking the Brown Street commercial heart of the village with the waterfront and continued with the Brown Street reconstruction project; these improvements were funded by the Town, a grant from the Rhode Island Department of Environmental Management, and a grant from the Rhode Island Department of Transportation. The next phase will involve improvements to the infrastructure of Main Street, the heart of the local historic district. Currently the plans for this phase are being finalized with the project engineering and will include reconstruction of the roadway and sidewalks and installation of lighting and drainage improvements.

In Wickford village, redevelopment activity is underway in the business district. Brook's Drugs acquired a former pharmacy and completed extensive renovations designed to make the building more in keeping with the historic quality of the area. Centreville Bank constructed a new branch facility on a former location of a U.S. Post Office. The building was designed in coordination with the Town's historic district commission to ensure the new building's compatibility with the village. Another project just completed is the redevelopment of a property at the gateway to the village center; the design for the redeveloped building takes into account the protection of historic structure as well as the village character and was accomplished through a collaborative effort involving the property owner, the town historic district commission and Rhode Island Historic Preservation and Heritage Commission. The same property owner is also refurbishing another property located on Main Street for commercial and office use and has received approval to construct a pedestrian connection between Main Street and Brown Street. Renovations are now complete on a former diner and office building both recently acquired by the same local businessman and another local businessman has converted a long time restaurant to commercial space. The renovated space is quickly filling up with the relocation of some businesses already in the village or new businesses to the new space.

Wickford village is such an integral component of the Town's economic vitality and cultural center that the Town prepared a Wickford Village Plan (1998). A committee has been established by the Town Council to assist in the implementation of the Plan. The Town has been awarded \$575,000 in transportation enhancement monies for sidewalk and streetscape improvements and \$125,000 to design a bicycle connection between the village of Wickford and the Quonset Davisville Port and Commerce Park. Zoning designed to protect the character of Wickford village has been adopted.

The town expects that the commercial sector will continue to grow, particularly in response to development at the Quonset Business Park. Wickford Junction, a commercial project of nearly 300,000 square feet, includes a proposed commuter rail station near the village of Lafayette; Staples added a 25,000 square foot building in the complex and construction of the final phases of the commercial development are expected to coincide with the development of a train station on the site which will once more connect North Kingstown to points afar via rail. A 120,000 square foot Home Depot is now open on a site in the same vicinity with construction of a Dunkin Donuts and Washington Trust drive through automated teller on an adjacent parcel just completed. Approval for a shopping complex anchored by a Super Stop and Shop across from Home Depot has been granted and the project is in the initial stages of construction. BankRI has constructed a branch facility in the immediate area. Additional small retail development is also located along Boston Neck Road, particularly in the villages of Hamilton and Saunderstown and along the Quaker Lane portion of Route 2. On the South County Trail portion of Route 2 redevelopment of a Bald Hill Nursery Garden Shop is expected to provide an opportunity for additional commercial development.

Office Development

The Meadows, an office park located at the intersection of Routes 2, 4, and 102, is a 27-acre office park that opened in 1988; growth in the office market led to the construction of two additional buildings to the complex. The same developer has recently completed a 2 building office complex directly across the street from The Meadows. The Wickford Professional Building on Phillips Street is another 40,000 square foot office complex.

The Lafayette Mill is now a satellite office for the State Department of Children, Youth, and Families. The state office uses comprise more than 13,000 square feet. Office development along the Post Road corridor includes renovation of a former residence as an accountant's office (the first stage of a mixed use development that will ultimately include a mini-storage facility as well as a multi-tenant office building); reuse of a long vacant furniture store has been redeveloped for 30,000 square foot of office use; Koch Eye Associates renovation of a former restaurant into medical office space; and construction of a new 2700 square foot dental office by Dr. Thomas Vutech. Office development called for in the Executive Park area of the Quonset Point Davisville Industrial Park is expected to have a positive impact on the Town's stock of professional office stock in the future.

BUSINESS TAX EXEMPTIONS AND ECONOMIC DEVELOPMENT TAX INCENTIVE

The Town Council adopted an ordinance in April of 1997, which allows a phase-in over a period of six years of the assessment on property located at the Quonset Point Davisville Port and Commerce Park. The phase-in applies to any new buildings, new structures, or new additions to existing buildings used essentially for offices, manufacturing or commercial enterprises. The phase-in is intended to help any commercial concern that is willing to locate at the Quonset Point Davisville Industrial Park as a new business to Rhode Island or for any existing business who are expanding their facilities. This incentive program has played an important role in encouraging new businesses to locate their facilities at the Quonset Point Davisville Industrial Park.

MUNICIPAL PLANNING AND DEVELOPMENT

Planning

The North Kingstown Planning Commission was established in 1946. A full-time professional Planning Department assists this and other boards in the growth management of the town. The Town of North Kingstown adopted a Comprehensive Plan in 1992 that was prepared by a citizens advisory committee under the review of the Planning Commission; the Comprehensive Plan received approval from the State Department of Administration in 1995. The State-required Five-Year Update to the North Kingstown Comprehensive Plan was approved by the State Department of Administration in June 2002. The Commission provides recommendations to the Town Council for its implementation.

Zoning and Subdivision Regulation

In May 1998, the town completed the zoning that implements the comprehensive community plan. The ordinance expanded the number of zones in North Kingstown and now includes a five-acre residential zone intended to direct growth into Town villages. The zoning ordinance also provides for business, industrial, public and open space zones. Certain types of uses within these districts are restricted by soils limitations and groundwater protection overlay regulation. Subdivision regulations first adopted by North Kingstown in 1946 have been amended a number of times, more recently to implement the comprehensive plan and respond to new State Enabling legislation.

Growth Management

In support of the North Kingstown Comprehensive Plan, the North Kingstown Town Council has focused on implementing the Plan through a set of growth management strategies. The Planning Department meets with the Town Council annually to discuss the activities of the Department and discuss those planned for the succeeding fiscal year. As a component of the Town budget process, Town departments are asked to document how proposed activities meet the vision of the Town and the Comprehensive Plan.

Over the past few years many of the growth management objectives have been achieved. These activities included the adoption of zoning ordinance amendments; subdivision and land development regulation amendments; the

acquisition of farmland development rights; the preparation of cost of community services reports and the adoption of wastewater management and revised groundwater protection ordinances. The Town Council also adopted a Water Service Area, which helped recognize the limits of growth in the community.

One component of the Growth Management Program and the Action Plan is the acquisition of farmland development rights. The community electorate expressed their support for this activity in a June 1998 referendum where \$4.0 million was approved for continued acquisitions. The proceeds of the bond authorization, along with federal and state grants and in-kind charitable donations, has allowed for the permanent open space preservation of nearly 1,200 acres of land. An additional \$4.0 million bond referendum was approved by the voters in November 2000; funds remaining in the 2000 Bond authorization are targeted for additional development rights acquisitions. In addition, the North Kingstown Town Council established an Open Space Fund that is supported by the dedication of a portion of the real estate transfer tax to the fund.

PROPERTY TAXES

General

In North Kingstown, the fiscal year begins July 1 with taxes based on the prior December 31 assessment payable on July 31 or quarterly thereafter.

Rhode Island municipalities, including the Town, are restricted from levying general taxes except *ad valorem* taxes upon real and personal property and an excise tax on motor vehicles.

Tax Limitations

Section 44-5-2 of Rhode Island General Laws provides that a city or town may not levy a tax in any year in an amount more than five and one-half percent (5.5%) in excess of the amount levied for the prior year unless it qualifies for certain exceptions relating to loss of non-property tax revenue, emergencies and payment of debt service. Any levy in excess of five and one-half percent (5.5%) must be approved by a majority vote of the governing body of the city or town or, in the case of a city or town having a financial town meeting, the majority of electors present and voting at the financial town meeting.

Section 44-5-2 makes it clear that nothing contained in that Section constrains the payment of obligations as described by Section 45-12-1 of the Rhode Island General Laws, which provides that the outstanding notes, bonds and contracts of cities and towns shall be paid and be fulfilled and that the power and obligation of each city and town to pay its general obligation bonds and notes shall be unlimited and each city and town shall levy *ad valorem* taxes upon all taxable property within the city or town for the payment of such bonds and notes and interest thereon, without limitation as to rate or amount.

Furthermore, Section 44-5-2 expands the cap definition to include the tax rate as a basis for calculating the five and one-half percent (5.5%) increase. In this manner, property assessment growth is captured with the base prior to application of the five and one-half percent (5.5%) limitation.

Motor Vehicle Phaseout Program

The General Assembly passed legislation during the 1998 Legislative Session that eliminates municipal authority to levy an excise tax on motor vehicles and trailers after Fiscal Year 2007. This legislative directive requires all cities and towns to exempt the first \$4,500 (based on NADA valuation) in value on all motor vehicles subject to taxation in Fiscal Year 2003-2004. Thereafter, the value of the exemption will increase each year until a full phase-out is reached in Fiscal Year 2007. The adopted Motor Vehicle Tax Phase-Out also freezes the Town's 1998 Tax Rate for motor vehicles for all future assessment periods.

To offset State budget deficits, in 2002, the General Assembly amended this legislation to extend this phase-out period until fiscal year 2008 and to establish the exemption current for fiscal year 2003 and thereafter at \$4,500. However, phase-outs occurring beyond fiscal year 2003 were subject to annual review and appropriation by the General Assembly. In 2005, the General Assembly increased the exemption for fiscal year 2006 and thereafter to \$5,000. Any future increases in the phase-out must be specifically approved by the General Assembly.

Assessed Valuations

The following table indicates assessed valuations of taxable real and personal property as of December 31 for the years 2000—2004.

	<u>12/31/2000</u>	<u>12/31/2001</u>	<u>12/31/2002</u>	<u>12/31/2003⁽²⁾</u>	<u>12/31/2004</u>
Real Estate	\$1,954,112,590	\$1,986,996,310	\$2,011,507,975	\$3,373,797,470	\$3,401,172,700
Personal Property	<u>294,261,442</u>	<u>308,815,483</u>	<u>313,965,027</u>	<u>305,843,062</u>	<u>336,340,637</u>
Total	\$2,248,374,032	\$2,295,811,793	\$2,325,473,002	\$3,679,640,532	\$3,737,513,337
Less Exemptions ⁽¹⁾	<u>111,877,715</u>	<u>134,732,509</u>	<u>136,310,757</u>	<u>154,036,444</u>	<u>169,029,676</u>
Net Total	\$2,136,496,317	\$2,161,079,284	\$2,189,162,245	\$3,525,604,088	\$3,568,483,661

Full Value Ratio of Assessment	0.97	0.83	0.72	1.00	0.84
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(1) Tax exemptions are applied for on an accrual basis and are allowed as provided under State law. The Town offers exemptions to assessed value to qualified applicants who are Certified Blind Residents, \$24,000; Gold Star Parents, \$8,750; 100% Disabled Veteran, \$11,000; Prisoner of War, \$26,993; Disabled Veteran in Special Housing, \$17,993; Veterans and Widows, \$10,000; Poverty/Infirmity, based on need; Totally Disabled under age 65 with a maximum income of \$25,000, from \$17,993 to \$44,986; and Elderly Exemption for persons over age 65 with income for single person of less than \$16,758 to \$20,482 and married couple of less than \$22,482 to \$27,478, from \$68,182 to \$113,637 with an additional ten percent for persons age 75 and older, and \$24,000 exemption based on years of ownership for elderly.

(2) Revaluation

Principal Taxpayers

The following table sets forth the principal taxpayers in the Town and the assessed valuation of the property held by such taxpayers as of December 31, 2004.

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>
Narragansett Electric Company	Utility	\$27,884,780	0.75%
WREC Precision Park LLC	Manufacturing and Tenants	18,844,700	0.50%
Zakapone Real Estate Association Inc.	Warehouse	13,794,400	0.37%
Home Depot USA, Inc.	Building Supply Store	11,942,450	0.32%
New Plan Hunt River Commons LLC	Retail plaza	11,617,500	0.31%
Wal-Mart Stores Inc.	Discount Department Store	10,140,900	0.27%
Fuji Film Electronic Materials USA	Electronic Materials	8,836,730	0.24%
Millcreek Limited	Apartments	8,036,700	0.22%
Heritage Village Associates	Apartments	7,658,500	0.20%
Toray Plastics America	Polypropylene film, polyester film	7,389,630	0.20%
Meadows Professional	Office Condos	7,011,300	0.19%
Quidnessett Country Club	Golf Course	6,885,950	0.18%
Slocum Woods Inc.	Real Estate Developer	6,778,050	0.18%
New England Gas Co.	Utility	6,291,040	0.17%
Essex Village Company	Apartments	5,892,300	0.16%
Kingstown Plaza Limited Part	Retail plaza	5,644,100	0.15%
Wickbay Properties Inc.	Marina & Rental Property	5,275,300	0.14%
Kings Grant Co.	Apartments	5,169,600	0.14%
Wickford Shipyard Inc.	Warehouse	4,905,200	0.13%
Wickford Junction Assoc. LLC	Shopping Center	4,764,700	0.13%
High Lea Properties LLC	Retail plaza	4,620,200	0.12%
Wickford Village Associates	Apartments	4,312,700	0.12%
Stone, Don W.	Real Estate rentals	4,285,400	0.11%
West Davisville Realty Co. LLC	Warehouse	4,108,300	0.11%
South County Nursing & Rehab	Skilled nursing and subacute services	<u>4,027,700</u>	<u>0.11%</u>
		\$202,090,430	4.26%

Taxed Under Payment in Lieu of Taxes (PILOT) Agreements - Not Part of Assessed Valuation:

		<u>Assessed Valuation*</u>
Toray Plastics America	Polypropylene film, polyester film	\$ 38,098,700
Electric Boat Corporation	Submarine and hull components	19,496,025

*Agreed upon values upon which assessments are based.

Analysis of Property

The following table shows an analysis of taxable real and personal property in the Town, assessed as of December 31, 2004 and as reflected in the Tax Rolls for the fiscal year ended June 30, 2005:

Class	Percent of Total Real Estate and Tangible Property	
	Town	State
Residential	81.03%	79.46%
Commercial.....	8.74	10.48
Industrial	2.25	2.16
Utilities & Railroads	0.92	1.31
Motor Vehicles	6.69	5.93
Other	<u>0.37</u>	<u>0.67</u>
	100.00%	100.00%

Tax Rate, Levy and Collection Records

Fiscal Year	Actual Tax Rate ⁽¹⁾	Levy	Net abatements or Additions	Net Levy	Uncollected at Fiscal Year end	% Uncollected at Fiscal Year End
1994-95	\$19.26	\$29,127,597	\$ (286,734)	\$28,840,863	\$ 1,261,335	4.37%
1995-96	20.24	31,217,622	(180,296)	31,037,326	1,225,089	3.95%
1996-97	20.76	32,777,180	(102,849)	32,674,331	1,394,257	4.27%
1997-98	22.04	35,731,297	7,377	35,738,674	1,413,078	3.95%
1998-99	22.79	38,259,389	79,375	38,338,764	1,344,729	3.51%
1999-00	23.68	40,203,103	22,736	40,225,839	1,239,311	3.08%
2000-01	24.65	42,189,391	35,883	42,225,274	1,128,042	2.67%
2001-02	21.94	46,925,569	(39,896)	46,885,673	1,243,990	2.65%
2002-03	22.60	48,766,433	212,451	48,978,884	1,301,325	2.66%
2003-04	23.38	50,861,710	90,839	50,952,549	1,046,075	2.05%
2004-05	14.38	51,656,183	(132,741)	51,523,442	1,160,000	2.25%
2005-06 ⁽²⁾	14.85	54,015,438	46,165	54,061,603	1,157,000	2.15%

(1) Tax rate for Real Estate (motor vehicle tax rate has been frozen at \$22.04 since Fiscal Year 1999-00).

(2) Estimated, as of March 31, 2006.

The Town of North Kingstown has an annual tax sale for prior year delinquent real property taxes. Delinquent automobile excise taxes are collected in cooperation with the Rhode Island Registry of Motor Vehicles. If automobile taxes have not been paid, registration renewals are not mailed to the taxpayer and information is supplied to the Registry of Motor Vehicles and the taxpayer. Motor vehicles may not be re-registered until taxes are paid in full. After 2 years, all unpaid tax accounts are turned over to a collection agency. Other delinquent personal property taxes are collected through delinquency notices and use of collection with legal action by the Town Solicitor. The Town assesses an interest charge of 12% per annum on delinquent accounts.

TOWN DEBT

Debt Limit

Except as provided below, under Rhode Island law the Town may not, without special statutory authorization, incur any debt which would increase its aggregate indebtedness, not otherwise excepted by law, to an amount greater than 3% of the taxable property of the Town. Deducted from the computation of aggregate indebtedness is the amount of any borrowing in anticipation of taxes authorized by law and the amount of any sinking funds maintained by the Town. As of June 30, 2005 the Town had \$652,412 of debt outstanding subject to the 3% debt limit. The current 3% debt limit of the Town is \$107,054,509 as the net assessed valuation as of December 31, 2004 of \$3,568,483,661.

The State Legislature may by special legislation permit the Town to incur indebtedness outside the limitations imposed by the 3% debt limit. Special legislation adopted by the legislature authorizing the Town to incur debt is

subject to referendum by the electors of the Town. On June 30, 2005 the total outstanding debt of the Town issued pursuant to special legislation outside the 3% debt limit was \$46,184,851.

In addition to debt authorized within the 3% debt limit and debt authorized by special legislation of the legislature, Rhode Island General Laws 45-12-11 authorizes the Rhode Island State Director of Administration, upon petition by a municipality, to authorize such municipality to incur indebtedness in excess of the 3% debt limit whenever the Director shall determine that the sums appropriated by the municipality or its funds available are insufficient to pay the necessary expenses of the municipality. The Town has never petitioned the State Director of Administration to authorize indebtedness of the Town under Section 45-12-11.

Current Outstanding Debt

The outstanding general obligation debt of the Town for the fiscal years ended June 30, 2001 through 2005 was as follows:

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
General Obligation Bonds					
School	\$ 41,579,216	\$41,431,405	\$ 39,192,160	\$ 36,954,964	\$ 36,285,418
Public Facilities	4,719,248	4,405,526	4,092,191	3,778,856	3,474,246
Open Space	8,563,480	7,845,909	7,129,386	6,420,812	5,725,759
Library	899,646	849,560	799,474	749,388	699,429
Total G.O. Bonds	\$ 55,761,590	\$54,532,400	\$ 51,213,211	\$47,904,020	\$ 46,184,852
Enterprise Fund Bonds	1,152,274	1,035,056	912,869	785,428	652,409
Total Bonds	\$ 56,913,864	\$55,567,456	\$ 52,126,080	\$48,689,448	\$ 46,837,261

Actual Bonded Debt Service Requirements

Fiscal Year	Existing Debt Service ⁽¹⁾		This Issue of Bonds		Total Debt Service
	Principal	Interest	Principal	Interest	
6/30/2006	\$ 3,655,000	\$ 1,802,837	\$ -	\$ -	\$ 5,457,837
6/30/2007	3,250,000	1,750,779	185,000	118,263	5,304,041
6/30/2008	3,140,000	1,640,239	185,000	108,550	5,073,789
6/30/2009	3,030,000	1,532,219	190,000	100,225	4,852,444
6/30/2010	3,005,000	1,423,611	190,000	92,388	4,710,999
6/30/2011	2,985,000	1,312,425	190,000	84,788	4,572,213
6/30/2012	2,855,000	1,200,974	190,000	77,188	4,323,161
6/30/2013	2,340,000	1,098,334	190,000	69,588	3,697,922
6/30/2014	2,325,000	1,000,806	190,000	61,988	3,577,794
6/30/2015	2,320,000	894,986	190,000	54,150	3,459,136
6/30/2016	2,310,000	788,651	190,000	46,550	3,335,201
6/30/2017	2,045,000	689,030	190,000	38,475	2,962,505
6/30/2018	2,035,000	594,440	190,000	30,875	2,850,315
6/30/2019	2,030,000	496,600	190,000	23,275	2,739,875
6/30/2020	1,510,000	411,588	190,000	15,675	2,127,263
6/30/2021	1,495,000	340,800	190,000	7,838	2,033,638
6/30/2022	1,290,000	274,063	-	-	1,564,063
6/30/2023	1,275,000	213,144	-	-	1,488,144
6/30/2024	1,255,000	153,056	-	-	1,408,056
6/30/2025	1,240,000	92,250	-	-	1,332,250
6/30/2026	1,225,000	30,625	-	-	1,255,625
Total	\$ 46,615,000	\$ 17,741,456	\$ 2,840,000	\$ 929,813	\$ 68,126,268

(1) Includes self-supporting recreation debt.

Debt Ratios and Debt Per Capita

Fiscal Year	Population ⁽¹⁾	Assessed Value ⁽²⁾	Gross Bonded	Debt Payable	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
			Debt and Bond Anticipation Notes	From Enterprise Revenue			
1996	23,786	\$ 1,542,372,324	\$ 10,925,000	\$ -	\$ 10,925,000	0.71%	\$ 459.30
1997	23,786	1,578,054,704	11,365,000	900,000	10,465,000	0.66%	439.96
1998	23,786	1,622,101,177	10,430,907	830,907	9,600,000	0.59%	403.60
1999	23,786	1,678,779,770	19,117,841	757,841	18,360,000	1.09%	771.88
2000	23,786	1,709,592,473	50,690,574	680,574	50,010,000	2.93%	2,102.50
2001	26,326	1,728,519,804	56,913,864	1,152,248	55,761,616	3.23%	2,118.12
2002	26,326	2,136,496,317	55,567,456	1,035,032	54,532,424	2.55%	2,071.43
2003	26,326	2,161,079,284	52,126,079	912,846	51,213,233	2.37%	1,945.35
2004	26,326	2,189,162,245	48,689,445	785,402	47,904,043	2.19%	1,819.65
2005	26,326	3,525,604,088	46,837,263	652,412	46,184,851	1.31%	1,754.34

(1) U.S. Department of Commerce, Bureau of Census 1990 and 2000.

(2) Net taxable assessed value.

Overlapping and Underlying Debt

The Town of has no overlapping or underlying governmental units and accordingly has no overlapping or underlying debt.

Outstanding Bond Authorizations

The following schedule sets forth the status of the various bond authorizations including this issue of Bonds.

Authorization			Original	Bond		Unissued
Chapter	Year	Purpose	Total Authority	Bonds Issued	Anticipation Notes Outstanding	Authority
165	1992	Public Facilities	\$ 6,000,000	\$ 4,710,000	\$ —0—	\$ 1,290,000
13	1997	Library	1,350,000	1,000,000	—0—	350,000
129 & 229	2000	Open Space/Farmland	4,000,000	4,000,000	—0—	—0—
534	2004	School Facilities	9,000,000	—0—	—0—	9,000,000
Totals			\$ 20,350,000	\$ 9,710,000	\$ —0—	\$10,640,000

TOWN FINANCES

Basis of Accounting

See note 1 to Financial Statements, Appendix B.

Annual Audit

The Town Charter provides that within three months after the beginning of each fiscal year the Town Council, by resolution, shall arrange for an annual independent audit of the Town's financial records as of the close of the preceding fiscal year. The audit may be conducted by any independent certified public accountant and the audit shall conform to generally accepted auditing standards.

The comparative financial statements set forth in Appendix A have been prepared by the Town Treasurer from audited financial statements for the fiscal years 2001—2005. Set forth in Appendix B are audited financial statements for the fiscal year ended June 30, 2005.

Budgetary Procedures

The Town Charter requires the following process for adoption of the Town's annual budget. The preliminary preparation for the 2006—2007 budget actually began in September when capital budgets were submitted to the Manager by the department heads. In December, the department heads began work on their proposed operating budgets which were submitted to the Manager in January. During the months of January and February, the department heads met with the manager to discuss their requests.

The Library Board of Trustees and the School Committee were required by the charter to submit their budget requests to the manager not later than February 28, 2006.

STEP	DATE	CHARTER CONSTRAINTS
Proposed Budget	March 13, 2006	The Manager shall submit to the Council not later than the fiftieth day preceding the first Wednesday in May a proposed budget of anticipated revenues and proposes expenditures after a review of estimated requirements from department heads.
Preliminary Approval of the Budget	March 27, 2006	The Council has two weeks to give preliminary approval to the manager's budget which the Council may revise.
Public Hearing	April 17, 2006 and April 19, 2006	Approximately three weeks after preliminary approval by the Council, two public hearings are held (one for school portion and one for all other budgets).
Petitions to Council	April 24, 2006	After preliminary approval of the budget, any qualified elector may circulate a petition requesting that the Council increase or decrease the budget. At least 50 signatures, validated by the Board of Canvassers, are required. The Council is required to consider and vote on each valid petition.
Final approval of the budget	May 3, 2006	On or before the first Wednesday in May, the Council is required to make any final changes to the budget by a majority vote and consider any petitions. Following final approval, the budget is published and copies are available for the public.
Referendum petitions	May 23, 2006	Following final approval by the Council, any qualified elector may circulate a petition requesting a referendum for either an increase or decrease to the total appropriations for a specific fund. Petition forms approved by the Town Clerk must be returned before the twentieth day following the first Wednesday in May.
Budget Referendum	June 6, 2006	Each valid petition with no less than 300 signatures along with the Council's final adopted budget is presented to the voters for a referendum vote on the first Tuesday following the first Saturday in June. The polls are open from 8:00 a.m. to 8:00 p.m.

Comparative Budgets (General Fund Only)

	Adopted Budget <u>2004/05</u>	Adopted Budget <u>2005/06</u>
<u>Current Revenue</u>		
General Property Tax ⁽¹⁾	\$ 9,870,689	\$ 10,744,456
Prior Year's Taxes	1,235,000	1,000,000
Interest and Penalties	330,000	290,000
State Revenues	3,659,023	4,034,583
Licenses and permits	98,615	91,605
Departmental Revenue	2,134,945	2,366,640
Property Rental	477,500	524,605
Investment Earnings	300,000	325,000
Miscellaneous	20,000	20,000
Payments in Lieu of Tax (PILOT)	2,434,120	1,656,375
Transfer from Q/D Recreation Fund	<u>375,000</u>	<u>375,000</u>
Total Current Revenue	\$ 20,934,892	\$ 21,428,264
Prior Year Revenue	<u>1,000,000</u>	<u>870,000</u>
Total Estimated Available for Appropriation	\$ 21,934,892	\$ 22,298,264
<u>Estimated Requirements</u>		
Personnel Expenses	\$ 16,561,783	\$ 17,213,213
Non-Personnel Expenses	<u>4,855,660</u>	<u>4,614,439</u>
Total Ordinary Recurring Expenses	\$ 21,417,443	\$ 21,827,652
Major Capital Outlay	395,750	403,000
Contributions to Other Agencies	<u>121,699</u>	<u>67,612</u>
Total Estimated Requirements	\$ 21,934,892	\$ 22,298,264

(1) Amount to be raised by tax levy.

Tax Anticipation Notes

Under Rhode Island Law the Town may borrow in each fiscal year in anticipation of the receipt of the proceeds of the property tax due in such fiscal year, an amount which shall not exceed the total tax levy of the then current fiscal year. Tax anticipation notes must be payable no later than one year from their date, but notes issued for less than one year may be renewed provided such renewal notes are payable within one year of the date of the original notes. The Town has not borrowed in anticipation of taxes since 1983 and does not expect to do so in the future.

State Aid

State School Operations Aid

Pursuant to Rhode Island General Laws Sections 16-7-15 to 16-7-34, as amended, the State provides operations assistance to each municipality and school district in the State. The statute provides for a guaranteed minimum per pupil expenditure set by each municipality under a formula prescribed by the statute and equalized with other municipalities on the basis of assessed valuations and other factors as determined by the Rhode Island General Assembly. The legislation guarantees a minimum program for every pupil, and, if the municipality fails to provide adequate funds for such program, the State transfers other State Aid due to the municipality to the school account. The Town's School Department received \$11,093,579 in State School Operations Aid during the fiscal year ended June 30, 2005 and expects to receive \$11,143,340 for the fiscal year ending June 30, 2006.

State School Construction Aid

Pursuant to Rhode Island General Laws Section 16-7-35 to 16-7-47, as amended, the State provides construction aid to Rhode Island municipalities for the cost of building or renovating public schools. All buildings constructed or renovated since July 1, 1949 are eligible for assistance of a minimum of 30% of the full cost of such buildings. Such assistance level may be further increased by a formula which takes into account the equalized assessed valuation and debt service burden of the particular municipality. For the fiscal year ended June 30, 2005 the Town received 1,651,078 in school construction aid and expects to receive \$1,398,210 in the fiscal year ending June 30, 2006. The legislation authorizing State School Construction Aid is subject to future change and all State aid is subject to annual appropriation by the Rhode Island General Assembly.

Other State Aid

In addition to school operations assistance, municipalities in Rhode Island receive additional aid through the State General Revenue Sharing program. The program, with the distribution formula similar to the Federal Revenue Sharing program, replaced various state grant and aid programs as of July 1, 1987. For the fiscal year ended June 30, 2005, the Town received \$806,625 in funding from the General Revenue Sharing program and expects to receive \$1,014,310 in the fiscal year ending June 30, 2006.

Summary of State Aid Revenues

Shown below is a summary of various State Aid revenues credited to the Town's General Fund (excluding School Operations Aid and School Construction Aid, which are accounted for in the Special Revenue Fund and Debt Services Fund, respectively).

	<u>2002 Actual</u>	<u>2003 Actual</u>	<u>2004 Actual</u>	<u>2005 Actual</u>	<u>2006 Projected</u>
General Revenue Sharing	\$ 722,666	\$ 784,034	\$ 821,676	\$ 806,625	\$ 1,014,310
Telephone Tax	422,696	452,550	409,969	361,535	306,537
State PILOT (non profits)	4,466	5,908	8,265	8,301	6,631
Excise Tax Phase Out	1,560,009	2,180,209	2,180,209	2,179,062	2,341,148
Hotel, Meal & Beverage Tax	<u>9,568</u>	<u>8,581</u>	<u>215,041</u>	<u>403,193</u>	<u>380,000</u>
Total State Aid	\$ 2,719,405	\$ 3,431,282	\$ 3,635,160	\$ 3,758,716	\$ 4,048,626

LITIGATION

The Town Solicitor is of the opinion that there is not now pending or, to his knowledge, threatened any litigation seeking to restrain or enjoin the issuance or delivery of the Bonds, or in any way affecting the validity of the Bonds or in any way contesting the power of the Town to sell the Bonds to the purchasers thereof. The Town, its officers and employees are defendants in several lawsuits. The Town Solicitor is of the opinion that none of such litigation is likely to result either individually or in the aggregate in final judgments against the Town which would materially affect its ability to pay the principal of, and interest on, the Bonds.

TAX EXEMPTION

In the opinion of Taft & McSally LLP, Bond Counsel, under existing law, interest on the Bonds will be exempt from Rhode Island income taxes although the Bonds and the income therefrom may be included in the measure of Rhode Island estate taxes and certain Rhode Island corporate and business taxes, and interest on the Bonds will be excludable from the gross income of recipients thereof for federal income tax purposes and will not be treated as an item of preference in calculating the alternative minimum tax imposed on individuals and corporations, although interest on the Bonds will be taken into account in computing certain federal taxes imposed on corporations. See Appendix C herein for "Proposed Form of Legal Opinion".

The opinion of Bond Counsel is subject to the condition that the Town comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code") that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause the interest on the Bonds to be so included in gross income

retroactive to the date of issuance of the Bonds. The Town has covenanted to comply with all such requirements. Bond Counsel expresses no opinion regarding other federal tax consequences arising with respect to the Bonds.

The foregoing analysis of the exclusion of interest from gross income for purposes of federal income taxation is limited to the initial issuance of the Bonds. Bondholders should consult their tax advisors with respect to any federal tax consequences of secondary market transactions.

Original Issue Discount

Certain of the Bonds (the "Discount Bonds") may be offered and sold to the public at an original issue discount (the "OID"). The OID is the excess of the stated redemption price at maturity (the face amount) over the "issue price" of such Bonds. The issue price of a Discount Bond is the initial offering price to the public (other than to bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of the Discount Bonds of the same maturity are sold pursuant to that offering. For federal income tax purposes, OID accrues to the holder of a Discount Bond over the period to maturity at a constant yield as described in Income Tax Regulation Section 1.1272-1(b). With respect to an initial purchaser of a Discount Bond at its issue price, the portion of OID that accrues during the period the purchaser owns the Discount Bond (i) is interest excludable from the purchaser's gross income for federal income tax purposes to the same extent and subject to the same considerations discussed above as other interest on the Bonds, and (ii) is added to the purchaser's tax basis for purposes of determining gain or loss on the maturity, redemption, prior sale or other disposition of that Discount Bond. Holders of Discount Bonds should consult their own tax advisors as to the determination for federal income tax purposes of the amount of OID properly accruable each year with respect to the Discount Bond, and as to other federal tax consequences and any state or local tax aspects of owning Discount Bonds.

Bond Premium

Under the Code, a purchaser (other than a purchaser who holds such Bond as inventory, stock in trade or for sale to customers in the ordinary course of business) who acquires a Bond (a "Premium Bond") for a price in excess of (i) in the case of a Discount Bond, its initial offering price plus accrued OID to the date of purchase (as described in the preceding paragraph) or (ii) in the case of any other non-callable Bond, its stated redemption value at maturity, has acquired the Bond with "bond premium". In the case of Bonds that are callable at the Applicable Call Date (defined below) at a price less than the holder's acquisition price, the bond premium is the excess of the holder's acquisition price over the redemption price on the Applicable Call Date. The Applicable Call Date is the first date on which the Bond may be redeemed for a redemption price less than the holder's acquisition price.

Bond premium is amortized over the remaining term of the Premium Bond for federal income tax purposes. In the case of callable Premium Bonds acquired at a price in excess of par, the bond premium will be amortizable to the Applicable Call Date. For purposes of calculating amortizable bond premium only, a Bond not redeemed on the Applicable Call Date shall be treated as if sold and reacquired on such date at the optional redemption price. The purchaser of a Premium Bond is required to decrease his adjusted basis in the Premium Bond by the amount of amortizable bond premium attributable to each taxable year during the amortization period. The amount of amortizable bond premium attributable to each taxable year is determined actuarially at a constant interest rate. The amortizable bond premium attributable to a taxable year is not deductible for federal income tax purposes. Purchasers of Premium Bonds should consult their own tax advisors with respect to the precise determination for federal income tax purposes of the treatment of bond premium upon sale, redemption or other disposition of Premium Bonds and with respect to the state and local consequences of owning and disposing of Premium Bonds.

Except as described herein, Bond Counsel will express no opinion regarding the federal income tax consequences resulting from the acquisition of, ownership of, receipt or accrual of interest on, or disposition of the Bonds. Ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers including, without limitation, corporations subject to the foreign branch profits tax, Subchapter S corporations, financial institutions, certain insurance companies, individual recipients of Social Security or railroad retirement benefits. It should also be noted that Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds, and that for insurance companies subject to the tax imposed by Section 831 of the Code, the deduction for loss reserves is reduced by 15 percent of the sum of certain items, including interest on the Bonds. In addition, taxpayers disposing of property, the acquisition of which is financed in whole or in part after 1990 with federally-subsidized indebtedness (qualified mortgage bonds or mortgage credit certificates) must

take receipts or accruals of interest on the Bonds into account in determining what portion, if any, of the federally-subsidized amount is subject to recapture. Prospective purchasers of the Bonds should consult their tax advisors as to the applicability of any such collateral consequences.

The Bonds are designated as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code.

CONDITIONS PRECEDENT TO DELIVERY

The following, among other things, are conditions precedent to the delivery of the Bonds to the original purchasers thereof.

No Litigation Certificate

Upon delivery of the Bonds, the Town shall deliver or cause to be delivered a certificate of the President of the Town Council, the Town Treasurer and the Town Clerk, dated the date of delivery, to the effect that there is no litigation pending or, to the knowledge of such officers, threatened affecting the validity of the Bonds or the power of the Town to levy and collect taxes to pay them, and that neither the corporate existence nor the boundaries of the Town, nor the title of any said officers to their respective offices, is being contested.

Approval of Legality

The legality of the Bonds will be approved by Taft & McSally LLP, Bond Counsel. The unqualified approving opinion of such counsel with respect to the Bonds will be delivered at the time of original delivery of the Bonds. The opinion will be substantially the form attached hereto as Appendix B. The scope of engagement of Bond Counsel does not extend to passing upon or assuming responsibility for the accuracy or adequacy of the statements made in this Official Statement (other than matters expressly set forth as their opinion) and they make no representations that they have independently verified the same.

Certificate With Respect to Official Statement

At the time of the original delivery of and payment for the Bonds, the Town will deliver a certificate of the Finance Director certifying that, to the best of her knowledge and belief, both as of its date and as of the date of delivery of the Bonds, this Official Statement does not contain any untrue statement of a material fact and does not omit to state a material fact necessary to make the statements made herein, in the light of the circumstances under which they were made, not misleading.

Financial Advisor

First Southwest Company is employed as Financial Advisor to the Town in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. First Southwest Company may submit a bid for the Bonds, either independently or as a member of a syndicate organized to submit a bid for the Bonds. First Southwest Company, in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

CONTINUING DISCLOSURE

The Securities and Exchange Commission has promulgated amendments to Rule 15c2-12 (the "Rule") under the Securities and Exchange Act of 1934, as amended, which requires that issuers of municipal securities undertake to provide continuing disclosure with respect to their securities, subject to certain exemptions. The Rule is effective for municipal securities for which an underwriter enters into a contractual commitment on or after July 3, 1995 to purchase such securities and, therefore, applies to the Bonds. The Town will covenant, at the time of the delivery of the Bonds, to provide continuing disclosure consistent with the terms of the Rule, as provided in a Continuing Disclosure Certificate to be dated as of the date of the Bonds.

Pursuant to the Continuing Disclosure Certificate, the Town will undertake to provide the following continuing disclosure with respect to the Bonds:

- (I.) The Town will provide to each Nationally Recognized Municipal Securities Information Repository ("National Repository") and the appropriate State Information Depository for the State ("State Repository"), if any: (a) not later than nine (9) months after the close of the Town's fiscal year, which is June 30, commencing June 30, 2006, certain financial information and operating data relating to the Town updating the financial information and operating data presented in the Official Statement prepared in connection with the Bonds to the extent required to comply with the Rule; and (b) as soon as available the audited financial statements of the Town for the most recently ended fiscal year, prepared on a modified accrual basis, reflecting assets, liabilities and financial activities not recorded in separate fund groups. The Town reserves the right to provide the information required in the above clauses (a) and (b) separately and to modify from time to time the specific types of information provided under clause (a) above or the format of the presentation of such information, to the extent necessary or appropriate, provided that any such modification will be done in a manner consistent with the Rule.

- (II.) The Town will provide in a timely manner to each National Repository or the Municipal Securities Rulemaking Board, and the State Repository, if any, notice of the occurrence of any of the following events with respect to the Bonds, if material:
 - 1. Principal and interest payment delinquencies.
 - 2. Non-payment related defaults.
 - 3. Unscheduled draws on debt service reserves reflecting financial difficulties.
 - 4. Unscheduled draws on credit enhancements reflecting financial difficulties.
 - 5. Substitution of credit or liquidity providers, or their failure to perform.
 - 6. Adverse tax opinions or events affecting the tax-exempt status of the Bonds.
 - 7. Modifications to rights of beneficial owners and the holders of the Bonds.
 - 8. Bond calls.
 - 9. Defeasances.
 - 10. Release, substitution, or sale of property securing repayment of the Bonds.
 - 11. Rating changes.

(a) Whenever the Town obtains knowledge of the occurrence of a listed event, the Town shall as soon as possible determine if such event would constitute material information for the beneficial owners and holders of the Bonds, provided, that any event under subsection (II.) (1), (4), (5) or (6) will always be deemed to be material.

(b) If the Town determines that knowledge of the occurrence of a listed event would be material, the Town, or, if appointed, any Dissemination Agent (as defined in the Continuing Disclosure Certificate) shall promptly file a notice of such occurrence with the Municipal Securities Rulemaking Board or the National Repository and each State Repository. Notwithstanding the foregoing, notice of listed events described in subsections (II.) (8) and (9) need not be given any earlier than the notice (if any) of the underlying event is given to beneficial owners or holders of affected Bonds pursuant to the Bonds or the Legislation (as defined in the Continuing Disclosure Certificate).

The Town from time to time may choose to provide notice of the occurrence of certain other events, in addition to those listed above, if, in the judgment of the Town, such other event is material with respect to the Bonds, but the Town does not undertake to commit to provide any such notice of the occurrence of any material event except those listed above.

(III.) The Town will provide, in a timely manner, to each National Repository or to the Municipal Securities Rulemaking Board and to the State Repository, if any, notice of a failure to satisfy the requirements of paragraph (I) above.

The intent of the Town's undertaking in the Continuing Disclosure Certificate is to provide on a continuing basis the information described in the Rule. Accordingly, the Town reserves the right to modify the disclosure

thereunder or format thereof so long as any such modification is made in a manner consistent with the Rule. Furthermore, to the extent that the Rule no longer requires the issuers of municipal securities to provide all or any portion of the information the Town has agreed to provide pursuant to the Continuing Disclosure Certificate, the obligation of the Town to provide such information also shall cease immediately.

The purpose of the Town's undertaking is to conform to the requirements of the Rule and not to create new contractual or other rights for the original purchasers of the Bonds, any registered owner or beneficial owner of the Bonds, any municipal securities broker or dealer, any potential purchaser of the Bonds, the Securities and Exchange Commission or any other person. The sole remedy in the event of any actual or alleged failure by the Town to comply with any covenant of the Continuing Disclosure Certificates shall be an action for the specific performance of the Town's obligations thereunder and not for money damages in any amount. Any failure by the Town to comply with any provision of such undertaking shall not constitute an event of default with respect to the Bonds. The Town has not failed to comply with its continuing disclosure obligations under the Rule.

The Town Treasurer, or such official's designee from time to time, shall be the contact person on behalf of the Town from whom the foregoing information, data and notices may be obtained. The name, address and telephone number of the initial contact person is Barbara Strate, Town of North Kingstown, 80 Boston Neck Road, North Kingstown, Rhode Island 02852, Telephone (401-294-3331).

RATINGS

The Bonds will be rated by Moody's Investors Service Inc. ("Moody's") and Standard & Poor's Ratings Service ("S&P"). Moody's, upon request, rates bonds insured by the Bond Insurer "Aaa" designated to be of the highest quality. S&P, upon request, rates new issues insured by the Bond Insurer "AAA".

The Moody's rating of the Bond Insurer should be evaluated independently of the S&P rating of the Bond Insurer. No application has been made to any other rating agency in order to obtain additional ratings on the Bonds. The ratings reflect the respective rating agency's current assessment of the creditworthiness of the Bond Insurer and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained from the applicable rating agency.

The above ratings are not a recommendation to buy, sell or hold the Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of the ratings may have an adverse effect on the market price of the Bonds.

MISCELLANEOUS

All quotations from and summaries and explanations of provisions of laws and documents described herein do not purport to be complete and reference is made to the laws and documents for a full and complete statement of their provisions.

This Official Statement is submitted only in connection with the sale of the Bonds by the Town and may not be reproduced or used in whole or in part for any other purpose.

TOWN OF NORTH KINGSTOWN, RHODE ISLAND

By: /s/ Richard I. Kerbel
Town Treasurer

Dated: April 19, 2006

TOWN OF NORTH KINGSTOWN

Comparative Balance Sheets—General Fund⁽¹⁾

	For Fiscal Years Ended June 30,				
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
	ASSETS				
Cash and investments	\$11,763,319	\$13,628,643	\$17,022,271	\$15,663,454	\$14,954,301
Property tax receivables	1,875,928	1,900,776	1,909,708	1,170,009	1,133,405
Federal, state grants receivable	301,920	270,567	373,071	375,066	668,649
Due from other funds	481,556	155,085	129,958	403,781	672,323
Other assets	<u>132,042</u>	<u>152,163</u>	<u>156,071</u>	<u>176,568</u>	<u>172,037</u>
Total	\$14,554,765	\$16,107,234	\$19,591,079	\$17,788,878	\$17,600,715
	LIABILITIES AND FUND EQUITY				
<i>Liabilities:</i>					
Accts. Payable, accrued expenses	\$ 588,078	\$ 582,066	\$ 774,971	\$ 823,161	\$ 821,420
Deferred revenues	3,781,170	3,610,976	3,816,560	3,060,316	3,937,147
Due to other funds	2,968,194	4,575,187	5,779,611	3,785,844	3,549,147
Other liabilities	<u>310,358</u>	<u>402,927</u>	<u>583,586</u>	<u>531,281</u>	<u>565,505</u>
Total	\$ 7,647,800	\$ 9,471,156	\$10,954,728	\$8,200,602	\$7,874,018
<i>Fund Equity:</i>					
Fund balances:					
Reserved	\$ 1,766,553	\$ 1,089,535	\$ 1,566,317	\$ 1,148,088	\$ 1,419,288
Unreserved	<u>5,140,412</u>	<u>5,546,543</u>	<u>7,070,034</u>	<u>8,440,188</u>	<u>8,307,409</u>
Total fund balances	\$ 6,906,965	\$ 6,636,078	\$ 8,636,351	\$ 9,588,276	\$ 9,726,697
TOTAL LIABILITIES AND FUND EQUITY	<u>\$14,554,765</u>	<u>\$16,107,234</u>	<u>\$19,591,079</u>	<u>\$17,788,878</u>	<u>\$17,600,715</u>

(1) Prepared from audited financial statements.

TOWN OF NORTH KINGSTOWN

Comparative Statement of Revenues and Expenditures—General Fund⁽¹⁾

	For Fiscal Years Ended June 30,				
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Revenues:					
Taxes	\$44,883,156	\$48,570,277	\$51,272,225	\$53,805,401	\$53,653,354
Intergovernmental/Department s	3,188,940	4,231,343	5,220,050	5,620,071	6,007,777
Local receipts	<u>1,310,864</u>	<u>782,902</u>	<u>667,427</u>	<u>864,115</u>	<u>1,215,046</u>
Total revenues	\$49,382,960	\$53,584,522	\$57,159,702	\$60,289,587	\$60,876,177
Expenditures:					
General government	\$ 4,238,457	\$ 3,991,423	\$ 3,999,356	\$ 4,040,582	\$ 4,089,378
Public safety	8,896,960	10,037,113	10,108,995	11,290,558	11,537,311
Public works	2,977,767	3,521,915	3,294,564	3,936,763	4,238,446
Senior services	-0-	-0-	271,638	286,475	297,474
Parks and recreation	-0-	-0-	-0-	-0-	585,699
Human resources	<u>802,496</u>	<u>788,645</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total expenditures	\$16,915,680	\$18,339,096	\$18,050,887	\$20,147,972	\$20,748,308
Excess (deficiency) of revenues over expenditures	\$32,467,280	\$35,245,426	\$39,108,815	\$40,141,615	\$40,127,869
Other financing sources (uses)	(30,503,130)	(35,516,313)	(37,108,542)	(39,189,690)	(39,989,448)
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ 1,964,150	\$ (270,887)	\$ 2,000,273	\$ 951,925	\$ 138,421

(1) Prepared from audited financial statements.

TOWN OF NORTH KINGSTOWN

Comparative Statement of Changes in Fund Balance—General Fund⁽¹⁾

	For Fiscal Years Ended June 30,				
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Fund Balance, July 1	\$4,942,815	\$6,906,965	\$6,636,351	\$8,696,351	\$9,588,276
Prior Period Adjustment	-0-	-0-	-0-	-0-	-0-
Current Year Excess (Deficiency) of Revenues Over Expenditures	1,964,150	(270,887)	2,000,273	951,925	138,421
Fund Balance June 30, 2001	<u>\$6,906,965</u>				
Fund Balance June 30, 2002		<u>\$6,636,078</u>			
Fund Balance June 30, 2003			<u>\$8,636,351</u>		
Fund Balance June 30, 2004				<u>\$9,588,276</u>	
Fund Balance June 30, 2005					<u>\$9,726,697</u>

(1) Prepared from audited financial statements.

THE TOWN OF
NORTH KINGSTOWN, RHODE ISLAND

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

FOR THE YEAR ENDED
JUNE 30, 2005

Prepared By:

Finance Department

TOWN OF NORTH KINGSTOWN, RHODE ISLAND

YEAR ENDED JUNE 30, 2005

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TOWN OF NORTH KINGSTOWN, RHODE ISLAND

YEAR ENDED JUNE 30, 2005

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(CONCLUDED)

THE TOWN OF
NORTH KINGSTOWN, RHODE ISLAND

INTRODUCTORY SECTION



TOWN OF
NORTH KINGSTOWN, RHODE ISLAND

80 BOSTON NECK ROAD
NORTH KINGSTOWN, R.I. 02852-5762
PHONE: (401) 294-3331
www.northkingstown.org

December 1, 2005

To the Honorable Members of the
Town Council
Town of North Kingstown, Rhode Island

State law requires 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. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the Town of North Kingstown for the fiscal year ended June 30, 2005.

This report consists of management's representations concerning the finances of the Town of North 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 North 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 North Kingstown's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Town of North 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, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The Town of North Kingstown's financial statements have been audited by Prescott Chatellier Fontaine & Wilkinson, LLP, a licensed certified public accountant firm. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town of North Kingstown for the fiscal year ended June 30, 2005, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Town of North Kingstown's financial statements for the fiscal year ended June 30, 2005, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP require 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 MD&A and should be read in conjunction with it. The Town of North Kingstown's MD&A can be found immediately following the report of the independent auditors.

PROFILE OF THE GOVERNMENT

North Kingstown settled in 1641 and incorporated as a Town in 1674, covers an area of 54 square miles and is primarily a residential suburb approximately 22 miles south of Providence, but is also emerging as an important employment center because of the location of the Quonset Business Park. The Town operates under a home rule charter adopted in 1954, and subsequently amended, providing for a council/town manager form of government with a five-member Town Council headed by a Council President. All legislative powers of the Town are vested in the Town Council by the Charter, including the adoption of the Town budget, the ordering of any tax, making appropriations and transacting any other business pertaining to the financial affairs of the Town.

The Town Manager is appointed by a majority vote of the Town Council for an indefinite term solely based on his or her executive and administrative qualifications. The Town Manager is the chief executive officer and head of the administrative branch of government. The Charter grants to the Town Manager the authority to appoint or remove all officers or employees of the Town except the Town Solicitor and School Department employees, to prepare and submit to the Town Council the annual budget and annual report of the Town, to recommend to the Town Council pay schedules for Town employees and to recommend to the Town Council the adoption of such measures as he or she may deem necessary for the health, safety or welfare of the Town.

Members of the Town Council are elected on a partisan basis at large for a term of two years. The Charter grants to the Town Council all powers to enact, amend, or repeal ordinances relating to the Town's property, affairs and government including the power to create offices, departments or agencies of the Town, to preserve the public peace, health and safety, to establish personnel policies, to authorize the issuance of Bonds (with the approval of the voters) and to provide for an annual audit of the Town's accounts.

In accordance with the North Kingstown Home Rule Charter, the Town has established budgetary control for its General Fund, Library Fund, two Enterprise Funds, School Unrestricted Fund which is a Special Revenue Fund, School Capital Reserve Fund and Debt Service Fund. The Town Council adopts an annual operating budget for the General Fund. The School Unrestricted Fund and the School Capital Reserve are subject to an annual budget approved by the School Committee and adopted by the Town Council. The Library Fund budget is submitted by the Library Board of Trustees and adopted by the Town Council. All annual operating budgets' appropriation amounts are supported by revenue estimates and take into account the elimination of accumulated deficits and the re-appropriation of accumulated surpluses to the extent necessary. Appropriations which are not expended or encumbered lapse at year end.

Under the Town Council's expenditure limitation, total expenditures cannot exceed the final appropriation within each budgeted fund, once the budget is adopted. Amendments to the operating budgets that do not result in additional appropriations may be made within departments by means of a transfer. The Town Manager has authority to make such transfers within departments. Any other transfers made outside the departmental level during the fiscal year require Town Council approval. The level at which all budgeted funds may not legally exceed appropriations is at the department level.

REPORTING ENTITY AND ITS SERVICES

This report includes all the funds and account groups of the Town and the funds of the North Kingstown School Department.

The Town of North Kingstown provides a full range of services. These services include public safety, streets, recreation and parks, education, health and welfare, and general administration. In addition, the town operates the Water and Quonset/Davisville Recreation enterprise funds.

ECONOMIC DEVELOPMENT AND OUTLOOK

Over the past two decades, North Kingstown's economy has emerged as a dominant employment center for the region. Employment has grown in industrial, commercial and office uses.

Industrial Development

About a third of North Kingstown employment is associated with manufacturing and industry. The majority of new manufacturing employment in the Town has been the result of migration of firms into North Kingstown. Seven major employers account for most of the manufacturing employment: Electric Boat Corporation; Toray Plastics of America; Ocean State Jobbers; SENESCO shipbuilding; Arch Chemicals; NORAD; and Illumination Concepts and Engineering, Inc.

Other significant employers include: 143rd Air Wing, Rhode Island Air National Guard; Wal-Mart; Scalabrini Villa; Seafreeze Limited; New England Stone; Maro Display; Dominion Diagnostics; Custom Design, Inc.; John J. Orr & Sons, Inc.; South County Nursing Center; and Home Depot.

Quonset Point/Davisville Port and Commerce Park

The heart of industrial development in North Kingstown is the Quonset Point/Davisville Industrial Park, which is operated by the Quonset Development Corporation (QDC). The industrial and commerce park complex contains 3000 acres of land; approximately 675 acres remain available for development. The park is actually composed of a number of smaller parks that are distinguished by their services and types of industry. The overall industrial park area is served by an airport, rail, and deep-water piers and is thus suitable for a wide diversity of manufacturing and port activities. One hundred thirty-eight tenants employing more than 6900 employees currently occupy the industrial park. The complex also includes an 18-hole golf course and marina owned and operated by the Town of North Kingstown.

The industrial complex was once the home of the Davisville Naval Construction Battalion Center and the Quonset Naval Air Station. The Naval Air Station closed in 1973 and the Naval Construction Battalion Center, 900 acres in size, was closed in 1994. The Town and the RIEDC prepared a base reuse plan for the 1994 closure site with the expectation that the majority of the site would be converted to industrial and associated purposes. Most of the 900 acres has now been conveyed to the RIEDC or is a part of an interim master lease for the site. As a part of the Base Closure process, two hundred four acres of land have been conveyed to the Town by the U.S. Department of Interior for recreation and conservation purposes; this land adjoins an additional 75 acres and was included in the development of a master plan for the entire area.

The Town has been participating in the development of plans for Quonset Point/Davisville in anticipation of the full transfer of the Navy property to the State Economic Development Corporation and the Town. The vision for the industrial complex focuses on the development of a commerce park and port area of nearly 2,200 acres. A bond referendum passed by Rhode Island voters secured \$72.0 million to enhance the existing freight rail system and make infrastructure improvements to Quonset Point/Davisville. Rhode Island voters have approved an additional \$48.0 million bond for further infrastructure and aesthetic improvements to the industrial complex. Construction has begun on the

ECONOMIC DEVELOPMENT AND OUTLOOK (Continued)

Quonset Point/Davisville Port and Commerce Park (Continued)

relocation and improvement of Route 403, which will, upon completion, provide a limited access highway link between development at Quonset Point and Davisville and Route 4. The importance of linking the development of Quonset Point/Davisville to community objectives is demonstrated in the recent development of a separate element of the North Kingstown Comprehensive Plan devoted to the industrial complex. The Economic Development Corporation amended its Master Plan for the industrial complex to assure consistency with the Town's Comprehensive Plan. Subsequently, the Town incorporated the amended Master Plan into the Town Comprehensive Plan.

Several major facilities have been proposed, have recently expanded or are under construction at Quonset Point/Davisville. Keifer Park, the technology center of Quonset Point Davisville, exemplifies the mixed industrial development that has characterized the growth of the Quonset Point Davisville Industrial Park. In this portion of Quonset Point / Davisville alone, there is extensive activity and construction. Dominion Diagnostics operates a 23,000 square foot office and medical testing laboratory and is now preparing for the construction of Phase II development. Goldline Controls, a high technology manufacturer, operates a 67,206 square foot facility. Seiferts MTM, an electronic manufacturing firm has received approval to construct a manufacturing operation in a new 56,900 square foot facility. Emissive Energy, an emerging leader in the use of LED technology, has constructed a 30,000 square foot addition to their Keifer Park facility. Vantage Point Properties has completed a 43,000 square foot industrial building and has received approval for another 30,000 square foot building from the Town and the RIEDC. Also in Keifer Park, the State of Rhode Island and Hexagon Metrology are in the beginning stages of construction for a 100,000 square foot manufacturing facility for Hexagon's Brown and Sharp Division, one of Rhode Island's oldest manufacturing firms.

Another area of the Park boasting significant current and anticipated growth is Commerce Park located at the heart of Quonset Point. Here existing park tenants and new arrivals continue to prosper. Among the expanded existing facilities are Ocean State Jobbers with a 104,000 square foot addition to their existing warehouse/distribution facility raising their total square footage to 978,188 square feet. General Dynamics/Electric Boat, with the recent addition of two new structures, 43,000 square foot materials processing plant and a 4,500 square foot paint application facility and submission of plans for a 14,000 square foot addition that will connect two of their existing buildings, continues to grow and remains the largest employer at Quonset Point/Davisville. SENESCO, a shipbuilder continues to grow and can be ranked as one of Quonset Point/Davisville's best success stories to date with contracts for large barges coming in at a sufficient rate as to drive both additional employment and the expansion of their facility. D.S. Nelson, a manufacturer of custom interior woodwork recently constructed a four-unit 22,000 square foot structure and has just started to house its expansion and act as an incubator for additional industrial growth. Also of note in Commerce Park is the Community College of Rhode Island Training Center, which provides trained employees for businesses in the industrial park and the region.

North Davisville and West Davisville are the final areas of the park slated for industrial development. Here, as elsewhere in the park, existing uses continue to expand and new tenants are ready to move in. NORAD, an automobile importer, continues to expand its activities at the Davisville piers. Meanwhile, as the QDC finalizes its development plan for this area of the park, Landmark Building, Delfino Construction and Quonset Trucking (an existing park tenant) have completed new facilities in North Davisville. Also in North Davisville, the new Town Public Works garage has been completed and is now open. North Davisville appears to be a high priority for the RIEDC and further redevelopment is anticipated in this area. In order to streamline port operations the QDC has begun the process of finding a port operations management firm to oversee the Davisville Port.

ECONOMIC DEVELOPMENT AND OUTLOOK (Continued)

Quonset Point/Davisville Port and Commerce Park (Continued)

In West Davisville, three existing businesses have completed expansion plans: All-American Meats and Seafoods has added 25,400 square feet to their existing 28,000 square foot facility; Trussco, a truss assembly company will be adding a 5,238 square foot addition; and BB and S has constructed a small addition to their current facility to incorporate new operational processes. West Davisville Realty acquired two 200,000 square foot former Navy buildings and has renovated them for reuse for warehousing and assembly purposes and to provide space for a number of smaller industrial operations; a number of new tenants are settled into the renovated buildings. Seafresh USA, a seafood packaging and distribution operation, completed construction of a 20,000 square foot facility. D.S. Nelson, also a tenant of Commerce Park, has begun construction of a three building multi-tenant industrial complex intended to serve as a business incubator by attracting small industrial operations. Finally, in West Davisville, Marrinan Realty LLC, a promotional materials distributor has filed plans for a 14,000 square feet office and warehousing structure to serve as a headquarters for its operations. Further development within West Davisville is anticipated with the completion of the relocation of Route 403 as a limited access highway with access ramps at West Davisville.

Other Industrial Development

Industrial activity is located in other parts of the community, particularly in the mill village of Lafayette and adjacent to the rail lines that cross through North Kingstown. These areas include Dry Bridge Road and Old Baptist Road. Atlantic Tree Service has located its operation on Dry Bridge Road and established a Tree Farm. Two developments for small unit, light industrial flexible spaces are currently under construction and will provide further growth capacity for the Town's industrial base and additional start-up space for local small businesses.

The Town also participates in several regional economic development initiatives. The Town along with other Rhode Island communities is a member of a regional economic development corporation focused on enhancing manufacturing activities in the region. The Corporation has a targeted manufacturer outreach program designed to assess business needs for management and workforce support and training and to assist the business community with meeting those needs. The corporation provides small grants for equipment and training. The success of the regional corporation is reflected in the recent addition of new member communities and the positive feedback from the local business community.

More recently as a component of the economic development strategy of the Washington County Regional Planning Council, of which North Kingstown is a member, the Town completed an Economic Development Plan for the Town. The recommendations of the plan include designating some areas for office uses and developing zoning ordinances to implement the strategies. The Plan also addressed protecting the community character through zoning regulations that address pedestrian scale and design.

ECONOMIC DEVELOPMENT AND OUTLOOK (Continued)

Commercial Development

Post Road (U.S. 1) and Routes 2/102 are the primary areas where the larger-scale commercial and shopping plaza uses have located. Many of the commercial establishments now located on Post Road were developed in response to the Navy base at Quonset Point and associated growth during the 1960's. Post Road development suffered following the closure of the Navy base during the 1970's and early 1980's. Since then, growth has begun anew with the addition of Wickford Commons and Hunt River Commons and the redevelopment of sites originally constructed in the 1950's and 1960's. Post Road has a mix of retail stores, offices, restaurants and services one would expect in a typical commercial corridor.

With a diminishing amount of commercially zoned land, it is anticipated that development will continue to focus on redevelopment of sites along Post Road. The gateway to the Quonset Davisville Industrial Park is located along Post Road and the Quonset Development Corporation is negotiating a development agreement for a large parcel adjacent to Post Road identified as the Quonset Point Davisville Business Park gateway in the QDC Master Plan for mixed-use commercial/ office development. Anticipated uses might include a hotel; retail that supports the industrial complex; and office uses.

Prime examples of recent development and redevelopment along Post Road are the U.S. Post Office's rehabilitation of a former supermarket; the construction of a Washington Trust Bank; Getty Petroleum demolished a former service station and completed construction of a gas station/convenience store; the redevelopment and construction of a "drive through" gas station/ convenience store on the site of a former Extramart; Brooks Drugs demolition of a former car dealer facility to make way for a modern pharmacy and convenience store; Bess Eaton Donuts (now Tim Hortons), rehabilitation of a former bank; and Kingstown Plaza, first constructed in 1961, investing \$500,000 in a clock tower, new signage and façade improvements. Additionally, Tarbox Motors completed substantial renovations of their facilities; Cingular Wireless has completed the development of a 5,000 square foot retail location on a long vacant lot; 7-11/ Citgo has constructed a convenience store and gas station on a previously undeveloped lot; and a former health and fitness facility acquired by the YMCA has received extensive renovations. The YMCA has also undertaken additional site improvements that will enhance the site through additional parking and enhanced landscaping. Three auto rental agencies have already located on Post Road; and Tire Pro, an automotive services facility, operates a 7560 square foot establishment and is investigating an expansion. Seven Moons and Bay Leaves restaurants recently redeveloped two long time restaurant sites with interior and exterior renovations as well as site improvements. Further south in the US 1 corridor Dave's Marketplace has begun construction of an 11,000 square foot expansion of an existing market that will include façade, landscaping, and septic system upgrades.

The importance of Post Road to the economic base of the Town is best reflected by the inclusion of a separate element within the Town Comprehensive Plan for the Post Road Corridor. This element addresses issues such as improving traffic conditions, updating design features of the commercial area, and the introduction of landscaping, pedestrian and bicycle enhancements. As development or redevelopment is occurring, the Planning Commission and Planning Department work to achieve these goals. The Town is also working with the Rhode Island Department of Transportation to insure that their projects work toward Town objectives. The Town has adopted a corridor plan for Post Road that will help guide development within the corridor in the future. The planning effort includes looking at ways to improve the aesthetics of the Post Road in North Kingstown, as well as exploring the potential for areas along Post Road to become growth centers.

ECONOMIC DEVELOPMENT AND OUTLOOK (Continued)

Commercial Development (Continued)

Post Road has a long history as a commercial center. Richard Smith's Castle located near Wickford village is a recognized historic dwelling in Rhode Island. Richard Smith was the first English settler in Narragansett County and opened his trading post at Cocumscussoc in 1637. With local, state, and federal assistance, the property was refurbished over a three-year period and received historic preservation awards from the State of Rhode Island and the National Trust for Historic Preservation. Smith's Castle, along with the Gilbert Stuart Birthplace; Casey Farm, the Quonset Air Museum together with passive recreation sites such as the John H. Chaffee Preserve at Rome Point form vital components of North Kingstown's stock of tourism attractions. Helping to better serve visitors to the Town is the recently expanded Hamilton Village Inn and new restaurants such as Bay Leaves and Seven Moons both of which redeveloped existing sites.

In addition to the commercial development along Post Road, there is considerable activity in each of the Town's villages. Seven villages are recognized for their historic prominence in the National Register of Historic Places. Most notable is the seaport of Wickford, a popular tourist attraction with many well-preserved historic buildings from the eighteenth and nineteenth century. The Town completed the first phase of plans for Wickford, which included significant improvements to the roads and right of way amenities without sacrificing the historic character of the village. This improvement process began with improvements to Library Park, a waterfront park linking the Brown Street commercial heart of the village with the waterfront and continued with the Brown Street reconstruction project; these improvements were funded by the Town, a grant from the Rhode Island Department of Environmental Management, and a grant from the Rhode Island Department of Transportation. The next phase will involve improvements to the infrastructure of Main Street, the heart of the local historic district. Currently the plans for this phase are being finalized with the project engineering and will include reconstruction of the roadway and sidewalks and installation of lighting and drainage improvements.

In Wickford village, redevelopment activity is underway in the business district. Brook's Drugs acquired a former pharmacy and completed extensive renovations designed to make the building more in keeping with the historic quality of the area. Centreville Bank constructed a new branch facility on a former location of a U.S. Post Office. The building was designed in coordination with the Town's historic district commission to ensure the new building's compatibility with the village. Another project just completed is the redevelopment of a property at the gateway to the village center; the design for the redeveloped building takes into account the protection of historic structure as well as the village character and was accomplished through a collaborative effort involving the property owner, the town historic district commission and Rhode Island Historic Preservation and Heritage Commission. The same property owner is also refurbishing another property located on Main Street for commercial and office use and is proposing to construct a pedestrian connection between Main Street and Brown Street. Renovations are now complete on a former diner and office building both recently acquired by the same local businessperson and another local businessperson has converted a long time restaurant to commercial space. The renovated space is quickly filling up with the relocation of some businesses already in the village or new businesses to the new space.

Wickford village is such an integral component of the Town's economic vitality and cultural center that the Town prepared a Wickford Village Plan (1998). A committee has been established by the Town Council to assist in the implementation of the Plan. The Town has been awarded \$575,000 in transportation enhancement monies for sidewalk and streetscape improvements and \$125,000 to design a bicycle connection between the village of Wickford and the Quonset Davisville Port and Commerce Park. Zoning designed to protect the character of Wickford village has been adopted.

ECONOMIC DEVELOPMENT AND OUTLOOK (Continued)

Commercial Development (Continued)

The Town expects that the commercial sector will continue to grow, particularly in response to development at Quonset Point/Davisville. Wickford Junction, a commercial project of nearly 300,000 square feet, includes a proposed commuter rail station near the village of Lafayette; Staples added a 25,000 square foot building in the complex and construction of the final phases of the commercial development are expected to coincide with the development of a train station on the site which will once more connect North Kingstown to points afar via rail. A 120,000 square foot Home Depot is now open on a site in the same vicinity with construction of a Dunkin Donuts and Washington Trust drive through automated teller on an adjacent parcel underway. Approval for a shopping complex across from Home Depot was granted and the property owner is in the process of securing tenants for the plaza. BankRI has constructed a branch facility in the immediate area. Dave's Marketplace is expanding their second North Kingstown market in a former supermarket building in Wickford. Additional small retail development is also located along Boston Neck Road, particularly in the villages of Hamilton and Saunderstown and along the Quaker Lane portion of Route 2. On the South County Trail portion of Route 2 redevelopment of a Bald Hill Nursery Garden Shop is expected to provide an opportunity for additional commercial development

Office Development

The Meadows, an office park located at the intersection of Routes 2, 4, and 102, is a 27-acre office park that opened in 1988; growth in the office market led to the construction of two additional buildings to the complex. The same developer has recently completed a 2 building office complex directly across the street from The Meadows. The Wickford Professional Building on Phillips Street is another 40,000 square foot office complex.

The Lafayette Mill is now a satellite office for the State Department of Children, Youth, and Families. The state office uses comprise more than 13,000 square feet. Office development along the Post Road corridor includes renovation of a former residence as an accountant's office (the first stage of a mixed use development that will ultimately include a mini-storage facility as well as a multi-tenant office building); reuse of a long vacant furniture store has been redeveloped for 30,000 square feet of office use; Koch Eye Associates renovation of a former restaurant into medical office space; and construction of a new 2700 square feet dental office by Dr. Thomas Vutech. Office development called for in the Executive Park area of the Quonset Point Davisville Industrial Park are expected to have a positive impact on the Town's stock of professional office stock in the future.

BUSINESS TAX EXEMPTIONS AND ECONOMIC DEVELOPMENT TAX INCENTIVE

The Town Council adopted an ordinance in April of 1997, which allows a phase-in over a period of six years of the assessment on property located at the Quonset Point Davisville Port and Commerce Park. The phase-in applies to any new buildings, new structures, or new additions to existing buildings used essentially for offices, manufacturing or commercial enterprises. The phase-in is intended to help any commercial concern that is willing to locate at the Quonset Point Davisville Industrial Park as a new business to Rhode Island or for any existing business who is expanding their facilities. This incentive program has played an important role in encouraging new businesses to locate their facilities at the Quonset Point Davisville Industrial Park.

MUNICIPAL PLANNING AND DEVELOPMENT

Planning

The North Kingstown Planning Commission was established in 1946. A full-time professional Planning Department assists this and other boards in the growth management of the town. The Town of North Kingstown adopted a Comprehensive Plan in 1992 that was prepared by a citizen's advisory committee under the review of the Planning Commission; the Comprehensive Plan received approval from the State Department of Administration in 1995. The State-required Five-Year Update to the North Kingstown Comprehensive Plan was approved by the State Department of Administration in June 2002. The Commission provides recommendations to the Town Council for its implementation.

Zoning and Subdivision Regulation

In May 1998, the town completed the zoning that implements the comprehensive community plan. The ordinance expanded the number of zones in North Kingstown and now includes a five-acre residential zone intended to direct growth into Town villages. The zoning ordinance also provides for business, industrial, public and open space zones. Certain types of uses within these districts are restricted by soils limitations and groundwater protection overlay regulation. Subdivision regulations first adopted by North Kingstown in 1946 have been amended a number of times, more recently to implement the comprehensive plan and respond to new State Enabling legislation.

Growth Management

In support of the North Kingstown Comprehensive Plan, the North Kingstown Town Council has focused on implementing the Plan through a set of growth management strategies. The Planning Department meets with the Town Council annually to discuss the activities of the Department and discuss those planned for the succeeding fiscal year. As a component of the Town budget process, Town departments are asked to document how proposed activities meet the vision of the Town and the Comprehensive Plan.

Over the past few years many of the growth management objectives have been achieved. These activities included the adoption of zoning ordinance amendments; subdivision and land development regulation amendments; the acquisition of farmland development rights; the preparation of cost of community services reports and the adoption of wastewater management and revised groundwater protection ordinances. The Town Council also adopted a Water Service Area, which helped recognize the limits of growth in the community.

One component of the Growth Management Program and the Action Plan is the acquisition of farmland development rights. The community electorate expressed their support for this activity in a June 1998 referendum where \$4.0 million was approved for continued acquisitions. The proceeds of the bond authorization, along with federal and state grants and in-kind charitable donations, has allowed for the permanent open space preservation of nearly 1,200 acres of land. An additional \$4.0 million bond referendum was approved by the voters in November 2000; funds remaining in the 2000 Bond authorization are targeted for additional development rights acquisitions. In addition, the North Kingstown Town Council established an Open Space Fund that is supported by the dedication of a portion of the real estate transfer tax to the fund.

MUNICIPAL SERVICES

Planning Department

The North Kingstown Department of Planning and Development is responsible for providing technical services to boards and commissions, the Town Manager, and the Town Council. The Planning Department reviews and prepares staff reports for commercial, industrial, and subdivision development. The Department serves as staff to advisory committees, as appropriate. For example the Department staffed the Wickford Village Plan Advisory Committee and prepared the plan report. The Department works with the Planning Commission in implementing the North Kingstown Comprehensive Plan. The Planning Department assists the Town Manager and Finance Department in the preparation of the Capital Improvement Plan.

In 1992, the Town adopted a comprehensive plan prepared by the Planning Department, Planning Commission and a 52 member Citizens Advisory Committee. This plan addressed issues related to land use, housing, natural resource protection, economic development and the provision of community services and facilities. A special component of the plan was one element devoted entirely to economic development and, where appropriate, revitalization of the commercial district along Post Road. The plan also included a detailed implementation program that serves as a guide to accomplishing the programs, policies and regulatory recommendations of the plan. The plan was approved by the State of Rhode Island in 1995. A Five-Year Update of the Comprehensive Plan was prepared and completed in June 2001; adopted by the Planning Commission in June 2001 and by the Town Council at their July 9, 2001 meeting; and approved by the State Department of Administration in June 2002. The Five-Year Update includes the results of surveys conducted by the Town of the residents and businesses and a visioning process that included 50 members of the community. The visioning process led to the inclusion of an additional special element in the Comprehensive Plan devoted solely to the future development of Quonset Point/Davisville.

The Planning Department prepares the Town's annual application for the State Community Development Block Grant program. The Department is and has been involved in Town environmental, economic development, and transportation programs. As an example, the Planning Department worked with the Conservation Commission in the development of a proposed wetland restoration program. In conjunction with the Groundwater Committee, the Planning Department prepared the Groundwater Protection Plan for the Town's aquifer areas. This plan was adopted by the Town Council and incorporated into the town's Comprehensive Plan by the Planning Commission. The delineation of the Annaquatucket Aquifer wellhead, one of three aquifers the town uses for its public water supply, was chosen by the Rhode Island Department of Environmental Management to serve as a demonstration project for a program funded by the United States Environmental Protection Agency. This study became a joint effort of the Rhode Island Department of Environmental Management, U.S. Environmental Protection Agency, and the Town. The study provided the basis for a zoning amendment to further protect the Town's drinking water supply.

The Planning Department is responsible for chairing the Town Technical Review Committee and coordinating the review of all subdivision, commercial, and industrial plans among Committee members. The Technical Review Committee also reviews proposed state highway projects and reports its recommendations to the Town Manager, Town Council or other Town boards as appropriate.

Public Works

The Administrative Division of public works is made up of the Department Director, Facilities Project manager and Secretary. This division is responsible for the overall operation of the department including policy and personnel decisions, purchasing, budgeting, research, supervision, record keeping, resident inquiries, and general overall department operations. In addition, the Facilities Project manager is responsible for the preparation, implementation and completion of major School and Town capital projects. The Director and Facilities Project manager offer staff support to the Asset Management Commission.

MUNICIPAL SERVICES (Continued)

Public Works (Continued)

The Highway Division is responsible for maintaining and improving the Town's infrastructure (roads, dams, drainage, bridges), responding to resident's inquiries, street sweeping, snow plowing, tree trimming and brush cutting, catch basin cleaning, sign making, and other responsibilities which involve heavy and light equipment. This division is comprised of 17 employees.

The Town Engineer heads the Engineering Division. The major responsibilities of this division are subdivision review, highway and drainage improvement design, resident responses, plat map updates, ACAD and GIS computer mapping, subdivision inspections, bid specification preparation and project management, deed and title research, and staff support to the Department Director. Other Division responsibilities include working with consulting engineers on the design of collector and secondary roads, updating the Highway Pavement Management Program, preparation of bid specifications for road resurfacing, aerial photos and bridge inspections. This division manages the Town's curbside recycling program. The Town Engineer provides staff support to the Planning Commission, and oversees, with the help of two Engineering Inspectors, construction of all new subdivisions and associated public improvements.

The Transfer Station Division is responsible for the day-to-day operations of the Town's solid waste transfer station and the town's curbside recycling program. Approximately half of the residents of North Kingstown use this facility. The transfer station will accept household garbage in plastic bags, metals, brush, demolition material, appliances, empty propane tanks, mattresses and box springs, waste oil, batteries, tires, mixed paper, recyclable containers, leaf and yard waste. Fees are established by ordinance.

The Facilities and Grounds Division is responsible for the maintenance and improvements to all Town buildings, grounds, athletic facilities and parks. The employees of this division are utilized in snow plowing operations during the winter. This Division is also involved with Town festivals and tournaments. Additional responsibilities include custodial coverage for the Town Hall, Town Hall Annex, Beechwood House and the Community Center. This division is comprised of 5 employees assigned to maintaining facilities and grounds and 3 employees, 1 full-time and 2 part-time, assigned to custodial coverage.

Police Department

The Police Department is staffed by fifty-one (51) sworn personnel – the Chief of Police and fifty (50) officers of various ranks. Support staff includes three full time dispatchers, three part time dispatchers (weekends), three secretaries, two full time records clerks, one part time clerk, two custodians and one mechanic. Animal Control and Harbormaster staffs include: one Animal Warden, two Assistant Animal Wardens, a full-time Harbormaster and two part-time Assistant Harbormasters. The Police Department operates from its headquarters building located at 8166 Post Road, the Animal Control Division from the Animal Pound located on Hamilton Allenton Road, and the Harbormaster from police headquarters and the patrol boat berth at the Town Dock located at the end of Main Street. The Department uses and maintains a fleet of twenty-one vehicles that log in excess of 500,000 patrol miles each year. Vehicle configuration consists of marked vehicles equipped with moving radar units, as well as unmarked vehicles including several undercover vehicles used for surveillance. There are two vans for use by the Animal Wardens, one van dedicated to crime scene analysis and a patrol boat for use by the Harbormaster. There is also a Ford Expedition four wheel drive SUV, which is useful in winter with the 4WD capability but primarily used by the commercial enforcement unit.

MUNICIPAL SERVICES (Continued)

Police Department (Continued)

The department strives to ensure that police services are delivered in an effective and efficient manner - providing a quality of life for all residents and visitors that is free from the threat or fear of crime impacting their lives. Our goal is to accomplish this mission by employing contemporary methods and techniques, while remaining ever vigilant of the need to operate with the utmost regard for customer service. The department handles on average 21,000 calls for service a year.

Water Department

The Department of Water Supply provides domestic water service and fire protection to the majority of residents and businesses in North Kingstown. Currently there are 9,363 active accounts. In addition, North Kingstown also provides water to the Town of Narragansett and has served as an emergency source of supply to the Town of Jamestown. Narragansett meters and bills for water under their own rate structure. North Kingstown Water owns and operates 10 gravel packed wells ranging in capacity from 180 to 2000 gallons per minute. The wells are located throughout three aquifers, the Hunt, Annaquatucket and Pettaquamscutt, which underlie the Town. North Kingstown wells produce just over one billion gallons of water per year. The average demand is just over three million gallons per day, with a peak summer demand of up to eight million gallons per day. The distribution system consists of 175 miles of water pipe, 994 fire hydrants, four standpipes, and one storage reservoir

Senior Services

The Department of Senior Services provides programs and services to older adults 55 and over, both at the North Kingstown Senior Center, and in the community. The senior center is nationally accredited by the National Council on Aging and serves as a "community focal point" for the following senior programs and services: nutrition (Seabreeze Dining and Meals on Wheels), transportation programs, social and recreational activities, health promotion and screenings, social services and case management, advisory groups, volunteer services, educational programming and information and referral services. The unduplicated number of individuals who utilized services in all divisions in 2004-2005 is 2,518, an increase of 25%. Programming at the senior center is divided into health wellness and general programming. Over the past year 2,093 individuals participated in programs at the Senior Center.

The high increase in participation is attributable to a number of factors: 1) the introduction of new programs which attracted a new group of older adults coming into the senior center 2) increased participation in existing programs and, 3) our Flu Clinic held in December 2004 was considerably higher than other years due to the lack of vaccinations throughout the state. A total of 959 people participated in two flu clinics; our normal clinics in previous years serviced approximately 450-500 adults. Social services and programming staff pre-registered every individual to minimize wait times. Transportation services made 7,314 calls, assisting 131 seniors. Transportation to adult day care and out of town medical appointments is currently provided by state transportation services. Volunteer organizations such as FISH and Seniors Helping Others assist with out of town medical needs when volunteers are available.

MUNICIPAL SERVICES (Continued)

Senior Services (Continued)

A total of 22,013 meals were served through our federal meals program. Meals on site at our Sea Breeze Dining room served 11,086 meals over last year to a total of 329 individuals served. Meals on Wheels served 77 homebound seniors with 10,927 meals. Social Services (Outreach) assisted 462 persons. Services offered through this division include caregiver's support, volunteer visiting, Meals on Wheels, Medicare counseling, prescription drug benefits, as well as information and referral and case management services.

School Department

The North Kingstown School Department is a state-mandated agency of the town, governed by a school committee that is elected to four-year terms every two years. The school department serves over 4600 students in ten schools – one high school, two middle schools, and seven elementary schools. 388 professionally certified personnel supported by over 259 non-certified staff provide these services. The mission of the North Kingstown School Department is, "Since education plays a vital role in the present and future success of all students, every school must provide for the maximum intellectual, social, aesthetic, moral, vocational, and physical development of each student towards challenging the student to achieve excellence". This mission is supported by twenty belief statements about student capabilities, conditions that enhance learning and student learning results. The district and each school develop yearly improvement plans to maximize student achievement in conjunction with these beliefs.

Code Enforcement

The Code Enforcement Department is staffed by a Building Official and an Assistant Building Official one full time clerk and two part time clerical employees. Three contracted, licensed inspectors provide mechanical, plumbing and electrical inspection services. The Department reviews plans and issuance of building permits, inspection of permitted projects, to achieve code compliance and enforcement of the State Building Code, the Minimum House Code and various local ordinances; inspections with regard to compliance for licensing of mobile home park, public and private school, day care facilities, laundries, purveyors of alcoholic beverages, bed & breakfasts, hotels, motels, rooming houses and second hand furniture dealers. The staff also provides assistance and information to the public concerning permit applications, inspection requirements, appeals, and the interpretation of flood maps, codes, regulations and ordinances.

Fire Department

The Fire Department has 3 manned Fire Stations, which provide Fire Suppression, Fire Prevention and Emergency Medical Service to 44 sq. miles of the Town and 12sq. miles at the Quonset Point/Davisville Industrial Park. The Department has 72 full time employees including the Chief, Fire Marshal, The Department Mechanic, Assistant Mechanic and the Department Secretary. The full time members staff 4 Engine Companies, 2 ALS Rescue Companies, and cross man 2 Brush Trucks, a Ladder Truck, Special Hazards Vehicle, a Decontamination Trailer and a Fire Boat. Their responsibilities include fire suppression, hazardous material response, confined space rescue, rope rescue, State wide decontamination response, marine fire suppression and rescue and Emergency Medical Services including Advanced and Basic Life Support service and transport. The Fire Marshal's office offers various programs to educate and serve the public. Some of the programs include residential and commercial plan review, smoke detector and carbon monoxide detector inspection, senior citizen fire safety, juvenile fire setter program and baby sitter fire safety. The Department Mechanics are responsible for the maintenance and repair of the Departments 25 vehicles. The Department also maintains a municipal fire alarm system for the Town and the Industrial Park. The Department responded to 5,038 requests for services in the past year.

MUNICIPAL SERVICES (Continued)

Information Services Department

The Information Services (IS) Department, under the Finance Department, consists of two (2) full time employees (IT Manager and GIS Manager). This department provides services to all departments in the Town Hall, Annex, Senior Center, Public Works, Police and Fire buildings as well as the School Administration Offices. These services include PC and peripheral installation, repair and maintenance, networking infrastructure development, database administration and development, installation and maintenance of Internet Protocol (IP) Telephony systems and assistance and upgrading of all software applications. The IS Department is responsible for maintaining the Town's networking infrastructure which consists of four (4) fiber optic connected sites (Annex Building, central Public Safety offices, North Kingstown Free Library and the North Kingstown School Administration offices), six (6) frame relay connections (North Kingstown Municipal Golf Course, two (2) remote Fire stations, Wilson Park Facility, Water Pump Station and North Kingstown Transfer Station) and two (2) Point-to-Point (PTP) connections for the DPW facility and the North Kingstown Senior Center. This department also has the responsibility of maintaining the Town's web site. The Geographic Information System (GIS) is also the responsibility of the IS department. The Town's GIS consist of aerial photography and digitized plat maps with a multitude of layers available.

Library

The North Kingstown Free Library has been a municipal service of the town of North Kingstown since August 31, 1897 when the Town Council appointed a Board of Trustees to carry out the plan suggested in the will of C. Allen Chadsey, a prominent North Kingstown resident, who gave the town \$10,000 and a plot of land for establishing a Free Public Library. The library is the symbolic center of the community. It is a permanent physical space that acts as a meeting place for the exchange of information and ideas, as a gateway to resources and services which are available to assist the citizens in living and enriching their daily lives, as a repository of the Town's collective culture and history, and as an embodiment of the democratic ideals that have shaped society: freedom, equality, and plurality. These words, taken from the library's first long range plan written in 1986, clearly describe the Library's mission to meet the changing and enduring cultural, educational, informational, recreational and research needs of users. Governed by a seven-member Board of Trustees appointed by the Town Council, the library is open 62 hours each week, Monday through Saturday, including evening hours Monday through Thursday. The Library Director, assisted by three administrative librarians, carries out the policies established by the Board of Trustees and is responsible for the entire program of library service to the community. A staff of two full-time librarians, six full-time paraprofessionals, four part-time paraprofessionals, one part-time clerical employee, two part-time custodians, four high school students work together to provide the high quality public service for which the North Kingstown Free Library has a statewide reputation. The collections of the North Kingstown Free Library number over 121,000 items including books, audio books, videos, music, computer software, magazines and newspapers, as well as a vast array of materials pertaining to local history and culture. As a member of the Cooperating Libraries Automated Network (CLAN), the statewide public library system, the North Kingstown Free Library provides patrons with access to over four million items in 49 public library systems throughout Rhode Island. North Kingstown cardholders can also search 17 online databases, they can request material from other CLAN libraries, check their library record, and renew books at the library or from their homes via the Internet. Throughout the year, with funds granted from the Friends of the North Kingstown Free Library and other sources, the library conducts many free public programs and events for all age groups on a variety of subjects.

MUNICIPAL SERVICES (Continued)

Leisure Activities Department

The Department oversees the Quonset/Davisville Enterprise Fund. The Fund is supported by the operation of the Municipal Golf Course and the Allen Harbor Marina. Both facilities were acquired from the Navy through the Department of the Interior Federal Land Disposal Program for the purpose of providing recreational opportunities for the Town. The Golf Course Originally built as a 9-hole course in the 1940's and expanded to 18 holes in the 1960's is a classic layout and is one of the most popular in the state with over 42,000 rounds played there each year. The Marina consists of a public boat ramp and 168 slips and moorings. The department also serves as the liaison for the North Kingstown Arts Council. Calf Pasture Point, 215 acres of property surrounding Allen Harbor acquired from the Department of Interior, is being developed as a passive recreation area.

MUNICIPAL INITIATIVES FOR THE YEAR

Planning Department

North Kingstown received \$125,710 in Community Development Block Grant funds for use in the 2005-2006 fiscal year. These funds will support a variety of activities including housing rehabilitation; and continued work on implementing the Davisville neighborhood revitalization plan. The grant award included \$84,345 dedicated to the Town's revitalization effort in the Davisville neighborhood; these funds will be used for housing rehabilitation; design and engineering for Saw Mill Pond improvements, additional implementation of the Yorktown Park Master Plan, pedestrian trails; assistance for a Town recreation program in the Davisville neighborhood; and a housing information program in the local school. The neighborhood revitalization funds represent year two of a second three-year commitment by the State CDBG program for activities in the Davisville neighborhood. The Planning Department has been working with a partnership that includes Rhode Island Housing, the Community Development Consortium, the Town Child Opportunity Zone, and Crossroads first in working with the neighborhood to develop a Revitalization Plan and now to implement that plan. The targeted assistance from the first three years began that process. Very quickly following the completion of the plan, a neighborhood organization was created that now serves as a link between the neighborhood and the Planning Department and other town agencies. The neighborhood group, the Concerned Citizens of Davisville (CCOD), has successfully applied for and has been awarded several grants that will be used to implement the plans for the neighborhood network. The Town and the neighborhood have also received a grant from Rhode Island Housing's Funders Collaborative to assist in the master planning for Yorktown Park. In addition to the funds set aside for the Davisville neighborhood, the Town received CDBG funds to support housing rehabilitation town wide, to provide assistance to two local social service agencies the Domestic Violence Resource Center and to reinstate programs at the Bayside Family Healthcare, Inc.

The Planning Department works to strengthen the Town's relationship with the Quonset Development Corporation (QDC), a component of the Rhode Island Economic Development Corporation (RIEDC), responsible for managing the business park. The Planning Department, along with the Town Manager, meets regularly with the staff of the QDC to address issues of mutual concern and to coordinate activities. The Planning Department attends meetings with prospective businesses and coordinates the review of development projects with other Town departments through the Town Technical Review Committee. A separate joint Technical Review Committee composed of staff from the Town and staff from the QDC meets monthly to discuss pending projects. Over the past year, the Planning Department has worked with the QDC staff and their consultants to amend the Quonset Master Plan to insure its consistency with the North Kingstown Comprehensive Plan.

MUNICIPAL INITIATIVES FOR THE YEAR (Continued)

Planning Department (Continued)

The Planning Department served as staff to the citizen's advisory committee that developed the Wickford Village Plan and is now working to implement the Plan. The Plan set out ideas and a vision for future infrastructure programs and design guidelines to enhance and protect the historic village character; the work of the committee was supported by a grant from the National Trust for Historic Preservation. A number of programs proposed in the village plan have been completed: a walkway along the harbor; improvements to Library Park; and additional transient dockage were part of a successful grant application to the Rhode Island Department of Environmental Management. Sidewalk and streetscape improvements are now complete. The Planning Department prepared successful applications to the Rhode Island Department of Transportation (RIDOT) Enhancement Program for funding for the sidewalk and streetscape improvements. Another grant from the RIDOT supported a conceptual design study for a bicycle connection between the village of Wickford and the Quonset Point Davisville Industrial Park; that study has been ongoing this year and included meetings with both residents and businesses within the proposed corridor.

During the past year the Planning Department worked with the Planning Commission on the preparation of a corridor plan for Post Road, which is a primary commercial area in North Kingstown. Accomplishing such a study is a specific recommendation of the North Kingstown Comprehensive Plan and it is providing an opportunity to examine the potential of using village center development techniques.

The Planning Department has been working with the Town Water Department and the University of Rhode Island Cooperative Extension on a program called Healthy Landscapes. The intent of the program is to educate landowners and promote landscape practices that minimize impacts to the environment as well as promote water conservation. The Planning Department with the assistance of a consultant prepared a Scenic Highways nomination for Route 4 and US 1, which the Town Council approved for submittal to the State Scenic Highways Board.

The Planning Department prepared an impact fee study that resulted in the adoption of impact fees by the town. Each year the Planning Department works with the Finance Department to update those fees to reflect current conditions. An application to the U.S. Department of Interior for a 200-acre site at the former Davisville Naval Base has been approved and the property has been conveyed to the Town; the site will be used for recreation, conservation, and public access to the water. The Cost of Community services prepared by the Planning Department is used to assess the impact of different land uses on the tax base and is a component of the Town's Growth Management Program.

The Planning Department completed an update of its Hazard Mitigation Plan for the Town in cooperation with other Town departments, the public, and the North Kingstown Chamber of Commerce; the update responds to changes in Emergency Management regulations regarding Hazard Mitigation Plans. The Planning Department also serves as the Town's Coordinator for the Federal Emergency Management Agency's Community Rating Service (CRS). The Town's CRS rating allows businesses and residents to take advantage of a five percent saving in the cost of flood insurance. In addition, in response to requirements for Homeland Security, the Planning Department worked with the Town Police and Fire Departments to update the Town Emergency Management Plan and prepare a separate chapter dedicated to responding to Weapons of Mass Destruction.

The Planning Department has been working with the Town Leisure Services Department to complete the design for the trail system at Calf Pasture Point. Calf Pasture Point is a 189-acre parcel that the Town acquired from the Department of Interior following the closure of the Davisville Naval Construction Battalion Center. In addition, the Planning Department was able to secure a grant from the RIDEM to support the development of an inline skating facility at McGinn Park.

MUNICIPAL INITIATIVES FOR THE YEAR (Continued)

Planning Department (Continued)

Protecting open space and farmland are among the goals and objectives of the North Kingstown Comprehensive Plan. To implement this vision, the Planning Department has been working with the Planning Commission, the Town Manager, and the Town Council to achieve the protection of important land in North Kingstown. A key approach to this task has been leveraging grants, tax incentives, and other techniques to minimize the cost to the Town. Over the past eight years over 1200 acres of land have been preserved through joint ventures with property owners and state and federal environmental agencies. The protection of 550 acres of farmland and 136 acres of forested land through the purchase of development rights and the acquisition by the Town of 36 acres for a future well site was accomplished. These farmland purchases were accomplished using grants and Town bond funds; grants from the Rhode Island Agriculture Preservation Commission and the U.S. Department of Agriculture to assist in the acquisition. During the past year, the Planning Department worked with the Planning Commission on the development of Conservation Development regulations, which will enhance the Town's ability to protect environmentally sensitive land.

In addition to other supporting Town policies, the Town's cost of community services studies documented the advantage to the Town to keeping land open. Working with the Rhode Island Department of Environmental Management, the North Kingstown Land Conservancy and Narragansett Electric, the Town was able to secure the protection of 230 acres of land along Narragansett Bay; the land protection opens access to the water for the public, provides protection for wildlife, and provides a viewing opportunity for the public of sea mammals. During the past year, the Town secured the preservation of additional forested and meadowlands.

The Planning Department participates in several regional-planning efforts. Washington Trust Bank has been a leader in encouraging a regional approach to planning in Washington County. The Planning Department attends meetings of the planners from the nine communities in southern Rhode Island. A Sustainability Grant from the US Environmental Protection Agency and funds from the Rhode Island Department of Environmental Management and the University of Rhode Island supported a program for the development of alternative land use regulations to manage growth, prevent urban sprawl, protect sensitive natural resources and promote balanced economic development; the nine Washington County communities are participating in the program. Additionally, the Planning Department participated with elected officials from the nine communities in the development of a regional vision for Washington County and a county greenway system and the preparation of a regional economic development initiative.

Affordable housing has been an important focus of the work of the Planning Department over the past year. State legislation mandating the preparation of municipal affordable housing strategies was adopted by the State General Assembly; each municipality was expected to re-examine its policies, regulations, and planning documents to insure consistency with the State Planning Program requirements for Comprehensive Plan Housing elements. During this past year, the Washington County Regional Planning Council was able to secure a grant that supported the development of a regional affordable housing strategy and partially supported the development of the affordable housing strategy for North Kingstown.

Public Works

Continuing its commitment to maintaining the town road infrastructure, Public Works has used the report from Vanasse Hangen Brustlin Inc., who was contracted by the Town to inspect the pavement condition of all town maintained roads, to assist in developing a schedule for resurfacing town maintained subdivision roadways. During the 2005 paving season fourteen streets were paved, with another 15 to 20 scheduled to be paved this upcoming year.

MUNICIPAL INITIATIVES FOR THE YEAR (Continued)

Public Works (Continued)

The Wickford Village Improvement Project, a cooperative effort between the Town of North Kingstown and the Rhode Island Department of Transportation is ongoing. Improvements to Brown Street are complete. Plans are currently at 30% design completion for improvements to Main Street. A public bid for repairs to the Bellville Pond Dam is anticipated in late fall of 2005. The Public Works Department continues to work with Lincoln Environmental, Inc. to obtain approval from the Department of Environmental Management for the closure plans for the former Hamilton Allenton and Oak Hill Landfills. The State DEM has approved the Site Investigation Work Plan on both landfill sites. Additional site testing will continue for approximately one year. This site investigation process is per the requirements of Section 5.0 of the RIDEM Closure Policy for Inactive or Abandoned Solid Waste Landfills.

The Facilities Division continues to successfully manage and maintain the increased number of town parks and playground facilities. Many organizations including the Wickford Little League and North Kingstown Youth Football utilize the fields at Wilson Park and McGinn Park, gaining statewide recognition for the quality of these facilities.

The Engineering Division continues to work with the I.S. Department in its implementation of the GIS system, including the digitizing of ortho-photo planimetrics, and the linking of various Town department databases. The division also manages the requests for removal/maintenance of street trees and works with the Tree Warden in following the Street Tree Ordinance. This office acts as a liaison between residents and the Tree Warden during this process.

The pay-as-you-throw program at the Transfer Station on Devils Foot Road continues to be successful in reducing the amount of Solid Waste generated in town. Over 32% of the waste generated in town is recycled, either through the town's curbside recycling program or at the Transfer Station where containers are available for the disposal of acceptable recyclables, at no cost. This diversion rate represents the ratio of recycling tonnage to garbage tonnage disposed of at RI Resource Recovery's landfill and recycling facilities in Johnston. The program saw an increase in tons of material recycled this past fiscal year, and for the first time, box springs and mattresses will be recycled, rather than buried in the Central Landfill in Johnston. The Transfer Station's composting operation continues to produce a high quality product, offered to residents at no cost, which is in demand throughout the year. The Town moved its Transfer Station operations this past June to the new site at 345 Devil's Foot Road.

Police Department

The Town of North Kingstown recently received a \$326,000 grant for Homeland Security through the Rhode Island Emergency Management Agency. This is a town wide grant, which will be used by the Police Department, the Fire Department, Public Works and the Water Department. The Police and Fire Departments will be going out to bid jointly for replacement electronics for their Centracom II dispatch systems. These identical systems housed at the Police Department and Fire Station #1 are almost 20 years old and in dire need of being replaced. This grant will be giving both departments' brand new communications equipment installed into the existing cabinetry at no cost to North Kingstown taxpayers. This represents the most vital communications link for both departments.

The Police Department will also be purchasing video surveillance equipment to better protect town assets. The Town Hall, the new Public Works facility, Allen Harbor, the rear parking lot of the Police Station and the new Transfer station will all be under constant video surveillance from the outside with the images being sent back to monitors at the police department. This system will also have recording capability. The Police Department will also be purchasing two additional Mobile Data Terminals. All of the aging laptop computers in the marked police units are scheduled to be replaced.

MUNICIPAL INITIATIVES FOR THE YEAR (Continued)

Police Department (Continued)

The police department will be starting a Police Chaplain program in which religious leaders from North Kingstown will be available to respond to assist the police in critical incidents or other situations where their assistance may be needed. Many religious leaders in North Kingstown have already signed on to this program from which they will be available on a rotating basis.

Water Department

Providing high quality and adequate quantity of drinking water is the paramount goal of the North Kingstown Department of Water Supply. The Department has installed a satellite replacement well for NK Well #5 that serves the Slocum pressure zone and also installed a new 750 gallon per minute well that will provide redundancy and flexibility in supplying water during times of high demand. The next phase of this project includes permitting and well station design and construction. The construction of an updated SCADA system has recently been completed. The updated SCADA system will control and/or coordinate the operation of North Kingstown Water's wells and storage facilities to meet existing demands with an emphasis on reducing the overall energy and operational costs. The system will also store and process data to provide unattended monitoring of the water system. A contract has been awarded for design and engineering services for the replacement of the Juniper Hill Standpipe and improvements to the Forge Road and Saunderstown standpipes. A Disinfection Pilot Study has been initiated to test the use of Sodium Hypochlorite as a means of controlling bacterial growth in the Low Service Area of the distribution system.

School Department

The curriculum office headed by director of curriculum, instruction and assessment worked extensively with teachers in a wide range of curriculum areas and initiatives throughout the school year. The district continued implementation of a comprehensive seven-year curriculum cycle for the district. The department continued development of a system of school level K-12 curriculum coordinators to oversee, lead and monitor curriculum development in specific curriculum areas. The district continued the process of construction of goals, objectives, scope and sequence as well as grade level expectations for the district in each subject area in grades kindergarten through twelve. Over the past seven years, the district has reviewed and renewed all of our curriculum areas as a result of our curriculum review cycle. This cycle has provided us with standards based goals and objectives as well as materials in Science, Social Studies, Guidance, Foreign Languages, English/Language Arts, Reading, Mathematics, Art, Music, Careers and Physical Education. This school year the district continued into the third phase of the second cycle. The Director of Curriculum, Instruction and Assessment has established and led a cadre of curriculum coordinators and classroom teachers in implementing an excellent system of curriculum renewal. Work has begun in the development of grade level standards in the areas of Mathematics, Language Arts and Reading.

The district developed, implemented and monitored a school level improvement process at each district school. The district continued to implement the district-wide school improvement process in each district school creating improvement plans and stating those plans in terms of student results. Schools utilize student performance assessment data, State Frameworks, National Standards and the 2000 SALT survey data (Information Works) in identifying areas for improvement. The district adopted and implemented a district wide assessment program that is congruent with the state assessment program and provides information at each grade level for curriculum development and improvement of student achievement. The department conducted extensive staff development with school improvement teams in techniques for utilizing data to develop action plans in terms of student results and in effective utilization of information in decision-making. A school level improvement process is functioning at each district school creating improvement plans and stating those plans in terms of student results. This process utilizes student performance assessment data, State Frameworks, National Standards and the SALT survey data (Information Works) in identifying areas for improvement.

MUNICIPAL INITIATIVES FOR THE YEAR (Continued)

School Department (Continued)

The school improvement process enables all schools and the district to respond effectively to state/federal requests for information in relation to Improving America's Schools Act, Article 31 and SALT. This improvement process has also been applied to educational support areas such as guidance, nursing and special education services. All schools except for Quidnessett have participated in very successful SALT visits. North Kingstown High School participated in a very successful accreditation visit by the Northeast Accreditation Association this past fall. A visit to the high school by a team of superintendents from the North East Superintendents Leadership Council brought high praise for the high school guidance and advisory programs.

In the area of educational improvement, the department continues the process of implementing a long-range strategic plan based on bringing the school departments Mission and Belief Statement closer to operational reality.

An instructional improvement process which provides the foundation for the development of the skills of all educational personnel to deliver instruction utilizing a variety of techniques matched to individual student needs continued with the training of new members of the teaching and administrative staff. All teachers in the district have participated in training using The Study of Teaching to continuously improve their skills in instruction and to foster a collegial approach for the improvement of instruction. A teacher evaluation program that emphasizes continuous growth and development has been implemented on an optional basis. A peer mentoring program has also been implemented for new teachers and teachers needing assistance. Partnerships with the University of Rhode Island and Rhode Island College for professional development and teacher preparation have been implemented throughout the district. Our professional development coordinator has been very successful in developing and delivering a broad range of professional development opportunities for professional staff.

Systems to improve parent and community involvement continued in this fiscal year. These systems provides for the continuation of school advisory councils at each of the schools in the district and implementation of the Parents as Teachers program for preschool parents. School Advisory Councils have been established at each district school along with training and follow-up support to each advisory council. Parent development and volunteer programs have been implemented through the local Parent Teacher Organizations, LINKS and the COZ. Our Parents as Teachers program begins working with parents when their children are born. PTO's and SAC's have been very active in addressing district-wide issues in the areas of growth management, technology, grading systems and new high school construction.

Over the past ten years, the technological capability of the school system has been expanded and modernized. All classrooms have computers and high speed Internet access in support of instruction. All teachers have e-mail accounts. Technology has become a common and integral part of our instructional program. North Kingstown students are becoming increasingly comfortable and sophisticated in their use of technology in support of their learning. North Kingstown operates one of three decision centers in the state. A new student information system has been adopted and implemented. This system is a part of a statewide technology initiative to establish a common integrated data system for all school functions.

MUNICIPAL INITIATIVES FOR THE YEAR (Continued)

School Department (Continued)

Our high school students are receiving their educational programs in a state of the art building and utilizing a top-notch athletic facility to participate in interscholastic competitions. Major additions have been constructed on Hamilton, Quidnessett and Stony Lane Elementary Schools. Parking lots, curbing, fire alarm systems, lighting improvement, networking systems, roof and numerous other improvements have been completed in all of our schools over the past ten years. The programmatic needs of all of our schools have been reviewed and a long-term plan developed to address these needs. A bond issue to correct life and safety issues was approved by the voters and is in the process of being implemented. While there is still more to do, these improvements of our infrastructure have resulted in a district with buildings and facilities that are among the best in the state. Parents and students take an active role in school beautification programs.

This past year, the School Department closed Wickford Elementary School and reconfigured the remaining elementary schools into four K-3 schools and two 4/5 schools. A pilot full day kindergarten program continues to be offered at Davisville Elementary School for the fourth year. The preschool special needs program operates at Davisville Elementary School. Fishing Cove continues to be used by the LINKS volunteer program and some district specialists.

Recreation

As always, North Kingstown Recreation made every effort to reach as many of its very diverse population as possible in the past year. The instructors and volunteers were the most important influence to the success of the Department.

The Busy Bodies Program is again at the level where parents are calling ahead for information. Two hundred two to five year olds attended during the fall, winter and spring and twenty-four participated in the week long camp during the summer.

During the winter eight hundred six to thirteen year olds participated in the Saturday Program and two hundred and forty of those played on tournament teams. Many of those enjoyed great success competing all over Rhode Island and Southern New England. Another two hundred children enjoyed the Gymnastics Program and another forty enjoyed our Dance Program. Over two hundred boys and girls attended the art programs, offered from October through April.

A new Summer Volleyball Program for twelve to fourteen year olds was introduced this year to answer the call for an opportunity to develop skills in that growing sport. About two hundred boys and girls enjoyed the Summer Basketball and Gymnastics and another one hundred and fifty took part in the Tennis Program for six to thirteen year olds. Another fifty adults and children competed in the Tennis League during the summer evenings. The Teen Extreme Program for Middle School Ages was again very successful, with the number bulging. Among the activities these boys and girls enjoyed were Deep Sea Fishing Trips, Six Flags Adventure Park, Adventure Isle in Buzzard's Bay, Para Sailing in Block Island, White Water Rafting in Maine and Water Country in New Hampshire. Two hundred girls played slow pitch softball and another eighty participated in our fast pitch program this summer.

This year's play, directed by the Missoula Children's Theatre was "The Wizard of Oz". Sixty-five children of all ages danced, sang and acted their way through two highly enjoyable and entertaining performances in the Auditorium at the High School.

Field Hockey, one hundred third to eighth graders, and Cross Country, eighty six to fifteen year olds, was very successful during the fall. The Middle School Field Hockey players enjoyed several games with other teams around Rhode Island and the highly successful Cross Country Team journeyed all over New England to compete.

MUNICIPAL INITIATIVES FOR THE YEAR (Continued)

Code Enforcement

This year the code Enforcement Department will continue to work on achieving code compliant buildings in the town of North Kingstown. Improvements have been made throughout the department. An important achievement during the fiscal year 05 is the starting of scanning over 95,000 pages of files and plans that consolidated our files. Also in fiscal year 05 the Department issued 2601 permits, Inspected 3842 buildings, and took in 314,807.06 in permit fees. Everything that we do follows a basic goal. Code compliance implies logical or planned land use, structurally sound and hazard-free buildings, safe and decent housing. Code compliance also promotes economic development. Buildings provide shelter for people to live, work, assemble, recreate and do all the things that society allows. A major part of our mission is working with people to achieve code compliance.

Information Services

During Fiscal Year 2005, the IS Department migrated the Town to a new Water billing system and Imaging system as well as roll out of GIS for desktop usage. The new Water billing system went live for the March 2005 billing. The IS Department, along with the Water and Finance departments, worked together to verify converted data, system functionality and compare parallel system processing before going live. This system was integrated with the existing financial system and provides greater functionality and flexibility.

2003 and 2004 land cuts and parcel adjustments were incorporated into the GIS geo-database. GIS was also deployed to departmental desktops. A new server was purchased and deployed with ArcGIS. Also purchased during fiscal year 2005 were ArcIMS, ArcPad, ArcView, a web interface for Internet mapping and a GPS unit for the Water Department. Most of these purchases will be realized during fiscal year 2006. Several departments and outside agencies requested customized maps. Data was acquired from state agencies, RIGIS and contractual vendors and integrated into the Town's GIS geo-database.

Library

Fiscal Year 2004-2005 was another successful and exciting year for library service in North Kingstown. The library served more than 180,000 patrons who visited the library and countless others who called on the telephone or accessed online resources through their home computers. The Library's usage statistics remain at a very high level, keeping us among the top ten busiest public libraries in Rhode Island. The Library checked out more than 317,000 books, videos, talking books, language tapes, compact discs, and magazines from the collections. The number of items checked out of the library is just one of the many ways to calculate the volume of use that the library enjoyed throughout the year. For instance, library staff responded to more than 51,000 patron questions at our three public service desks; 1,400 new patrons registered to use the library; 33,000 library users connected to our Web page where they were able to conduct more than 64,000 searches using the online databases which the library makes available. We took full advantage of sharing our resources with the other 48 public library systems in Rhode Island, borrowing more than 30,000 books and other materials from other RI public libraries for pick up here by North Kingstown library users and we loaned more than 52,000 items in our collections to cardholders of other RI libraries. The library arranged 436 public programs, which were attended by more than 10,000 adults, teens, and children.

The significant highlights of the year included accepting the Town Council's gift of a 1901-era voting machine with its ballots still intact listing William Gregory, a North Kingstown resident, as the candidate for governor. We received a grant of \$4,000 from the R.I. Foundation and additional funds were contributed by the library trustees and the Friends of the Library to pay for the restoration of the voting machine, which was restored to working order.

MUNICIPAL INITIATIVES FOR THE YEAR (Continued)

Library (Continued)

We also received a grant from The Champlin Foundations in the amount of \$10,232 to purchase a new telecommunications switch that connects all of our computers to CLAN and the Internet; replacement computers; and new laser printers for the public. One staff member completed a graduate degree in Library and Information Services from URI and seven staff members received American Red Cross first aid training in order to enhance the safety and security of all staff and library users. We continued our commitment to the ongoing care and maintenance of the building and grounds by beginning a long-anticipated project to improve the safety and security of the parking lot and by replacing the worn carpeting inside the front door and around the circulation desk. Sunday service was reduced from 33 Sundays to 10 Sundays in the 2004/05 Season because of budget constraints.

Leisure Activities Department

This year the Department continues to plan and implement improvements to the Golf Course. A new aeration core sweeper/utility vehicle was purchased; the preventative maintenance system was updated for all golf course equipment and new vehicles that will be purchased through Rolling Stock replacement program. At the Allen Harbor Marina, the Department is in the process of implementing Phase I Improvements for Allen Harbor Master Plan and has added 22 new slips, constructed the new sewer and is finishing the construction of the new restrooms. The implementation of the Calf Pasture Point Master Plan to convert the park into a passive recreation complex continued with the design of parking facilities and Phase I trails being the top priority.

The Arts Council has developed another outstanding program including events and concert series for the enjoyment of Town residents. Highlighting this year's Program, were an expanded Tuesday Night concert series in July and August and this year's "Shakespeare at the Beach" that featured Mixed Magic Theatre's innovative *Bard to the Bounce: A Hip Hop and Shakespeare Experience*. The Programming was enhanced by donations, sponsorships and financial support from the Rhode Island State Council on the Arts.

FOR THE FUTURE

Planning Department

The Planning Department led the Planning Commission and the Town Council through a Comprehensive Plan Five-Year Update process that culminated in the adoption of the document by the Planning Commission in June 2001 and July 2001 by the Town Council. State law mandates this process and North Kingstown was the first Rhode Island community to complete their Five-Year Update. The Five-Year Update to the Plan allowed the community an opportunity to assess progress in accomplishing the goals set out in the 1995 Plan and modify or retarget the Town's view for the future. As a part of the implementation program, the Planning Commission and Town Council will be reviewing the adoption of new regulations that will allow for Conservation Development.

The Planning Department will continue to work with the Wickford Plan Committee and other Town offices to implement the Wickford Village Plan. With the completion of the sidewalk, street, and streetscape improvements in the commercial areas of Wickford, the next focus will be in residential areas within the village; the Planning Department has been assisting the Public Works Department with the public participation component and the review process. The Planning Department will also be working with the Rhode Island Heritage and Historic Preservation Commission and the public in a discussion of a study of potential additional areas of Wickford village that should be incorporated into the National Register Historic District.

FOR THE FUTURE (Continued)

Planning Department (Continued)

To protect farmland from development, the Department is continuing to assess the costs of delivering services to different land use categories; information from studies indicates that residential land uses consume more tax dollars than are generated and that conversely farmland generates more tax dollars than are used to deliver services to agricultural uses. The Department is continuing its development rights acquisition efforts for farms using agriculture monies, state open space funds, the Town open space fund, and the funds authorized by the North Kingstown electorate. The Town through the Planning Department will continue to partner with organizations such as The Nature Conservancy, the North Kingstown Land Conservancy and the Narrow River Land Trust, and the Rhode Island Department of Environmental Management on these efforts. The Town anticipates closing during this next fiscal year on development rights acquisition for another 120 acres of farm, forest, and open space.

The Planning Department will continue to work with the RIEDC to coordinate review of services and facilitate business development. The Planning Department will also work with the RIEDC to assure the full implementation of the Base Re-use Plan adopted for Quonset Point/Davisville. The Quonset Master Plan and Post Road Corridor Plan have been adopted as part of the town's comprehensive plan.

Regional efforts will continue to be a component of the work of the North Kingstown Planning Department. The Planning Department will be participating with Washington Trust Bank's regional planning effort in implementing the vision plan. The Planning Department will also be taking part in a feasibility study examining the potential structure for a regional housing entity. With the Washington County Regional Planning Council, the Town will be working on an assessment of potential for Transit Oriented Development in Washington County; the study will be focused on North Kingstown and neighboring Exeter as prototypes for such development concepts.

Over the next year, the Planning Department will focus on completing the implementation strategies associated with a number of special projects: the Hazard Mitigation Plan; the Davisville Neighborhood Revitalization Plan and the various phases of the Allen Harbor Master Plan. In the Wickford harbor area, the Planning Department in conjunction with Save the Bay and the Department of Public Works will be developing the design for improved storm water management systems. The Planning Department will also be working on the grant from the Department of Transportation for the development of a bikeway from Wickford village to the Quonset Point/Davisville and the construction of sidewalks in the village of Wickford.

Public Works

The goals of Public Works remain constant and include: Refinement and effective use of a town-wide pavement management program, the first step toward pavement life cycle management; Town-wide Internet accessible GIS system, with integration of state and federal mapping; Continued public works fleet upgrade that will improve the efficiency of the infrastructure maintenance programs; Continued improvement to solid waste program, including household waste reduction and recycling tonnage increase; Implementation of the Town's tree management program; Improvements and Building Life Cycle management of all Town facilities; Implement an improved permit tracking system, allowing interdepartmental database sharing .

FOR THE FUTURE (Continued)

Police Department

The Police Department looks forward to a new addition between police headquarters and the fire department headquarters. This new building, scheduled to be started in 2005, will be the home of a new communications division, which will serve as the joint police/fire dispatching center. On the police side there will be civilian dispatchers on duty at all times. This will allow for more police officers to be on the road since they will no longer be dispatching. The new building will also have the records division, a new Emergency Operation Center (EOC) and a women's locker room. The EOC room will always be available for the Director of Public Safety and the town department heads to gather to coordinate a critical incident response. This new addition will also allow for much needed room in the already crowded existing police department. The Police Department has obtained a \$250,000 appropriation from the U.S Senate through Senator Jack Reed's office to purchase equipment for the EOC room.

Water Department

Maintaining distribution system infrastructure is an important Department initiative. The Water Department maintains four steel water towers and a concrete water storage reservoir. Design and engineering for necessary replacement and improvements will take place over the next year. It is also anticipated that design and engineering for a pumping station, treatment works and piping connections for new Well #11 will take place over the next year. The Water Department will be evaluating the continued use of sodium Hypochlorite as well as exploring other options to ensure the safety of distribution system water quality.

Maintenance of the Town's 10 municipal wells is also of vital importance. Wells are inspected and flow tested on a yearly basis. In addition the wells are on a schedule of redevelopment. This includes capacity testing, TV inspection and a combination of chemical treatment and mechanical surging and pumping to clean the well and maintain well yield.

Senior Services

We continue to implement as many of the program choices listed in our 2003 Interest Survey as possible. While interest in programs is increasing, our space constraints necessitate limiting offerings and/or the number of individuals participating in certain classes. Participants are sometimes turned away from special events because of limited space. The Town Council has designated the Senior Center as a priority for the Capital Improvement Program and a Feasibility Study is designated for 2005-2006 to consider expansion possibilities.

The North Kingstown Senior Association (NKSA) continues to subsidize the majority of our ongoing programs as well as support many new initiatives such as a Horticultural Therapy Program, which is scheduled to begin in the spring of 2006. Continued funding from a Community Development Block Grant, enables us to increase our outreach in the north end and Davisville neighborhoods of North Kingstown.

Planned improvements to Beechwood House include replacing worn carpet with funding from a legislative grant from Senator James Sheehan. In 2006 the Department of Senior Services will reapply for Senior Center Accreditation by the National Council on Aging.

FOR THE FUTURE (Continued)

School Department

The North Kingstown School Department will continue with the development of the systems it has in place. Greater emphasis will be placed on the development of higher expectations and higher achievement for students with special needs. The implementation of a full day kindergarten program for all students will be investigated. A program of modernization and upgrading of all facilities will be developed and implemented.

Fire Department

The Department will be busy identifying and implementing the recommendations of a recent ISO report including additional training, inspections and reduced response times. The Town has contracted the Matrix Consulting Group to conduct a needs analysis study of the Fire Department to address these concerns.

The Department is in the process of having all Engine and Ladder Companies Advanced Life Support licensed by the Rhode Island Department of Health. This will provide a much higher level of care for the patient until the arrival of the Rescue. The Department is working with its Computer Aided Dispatch Company to have the rescues equipped with the ability to electronically report State EMS reports directly to Hospitals for quicker patient information to increase the level of care to the patient.

The Department will continue with the Radio Master Box replacement program and to update the Computer Aided Dispatch and Records Management program to provide information more quickly and accurately.

Information Services

Fiscal year 2006 will bring many new projects. New servers will be implemented in the Annex building and Fire department. The Town hopes to have all servers on the Windows 2003 platform. The Imaging system will continue to be implemented in several departments.

At the end of fiscal year 2005, the Town purchased a software package named GeoTMS. Working with the Planning, Code Enforcement and Fire departments, the Town will utilize a new land use system to track various permits, zoning decisions and fire ordinances. This system will allow these departments to better control the flow of land development projects within the Town. As part of this system, field inspectors will be able to record data in handheld devices regarding inspections and violations to later sync with the internal system.

In the area of GIS, the IT department will begin the integration of Internet mapping first internally then eventually for public use. More departments will receive desktop access to GIS data. The IT department will continue to develop the Town's GIS into an enterprise level solution.

In conjunction with RI.gov, the IT department will redesign our web site. These changes will allow for site search capabilities, news feeds from state agencies and web standards compliance. The end product will have a more professional look with better tools and functionality.

FOR THE FUTURE (Continued)

Library

The North Kingstown Free Library will continue to solidify its role as the “symbolic center of the community.” The Library’s service plan addresses the established goals—to maintain the high quality of daily service that is responsive to the needs of our patrons; to build a collection in all formats that will assist our patrons in living and enriching their daily lives; to meet state minimum standards for public libraries so that we will continue to qualify to receive state grant-in-aid funding; to provide a safe, accessible, functional, and aesthetically pleasing environment for library service; to protect and make more widely accessible the special collections that act as a repository of our local culture and history; to act as a meeting place for the exchange of information and ideas; to solidify the role of the library as a “community gateway” to the technology resources that people need to live their lives in the 21st century; to staff the library with well-trained, capable employees who are committed to public service; to ensure the continued fiscal health of the library; and to administer library resources and services using sound management practices, a forward-looking vision, and a clear understanding of the democratic principles that guide public library service.

Leisure Activities Department

The development of a long-range plan to schedule improvements to the Municipal Golf Course will continue by focusing on numerous small projects that will be required to enhance the conditions of the Golf Course. Many of these projects have had initial evaluations and include additional cart paths, rebuilding of tees and greens as needed, rain shelters and replacement of drainage pipes.

Building docks for the new South-dock and G-dock networks at the Allen Harbor Marina continue Phase I Improvements. The South-dock will be installed in the spring of 2006. The Allen Harbor Master Plan will be updated to define the future phases of the Project.

The design of the Calf Pasture Point passive recreation complex continues with wetlands mitigation and Phase 2 trails being the top priorities. Construction for the 1st Phase of improvements is scheduled for spring of 2006.

The Arts Council continues to add more programs to their schedule including a third “Shakespeare at the Beach” Festival, the building of a model of the historic Wickford Light and Master Classes for artists and amateurs. They continue to explore ways to raise additional funds for Arts programming such as sponsorships.

ACCOMPLISHMENTS

Planning Department

The Planning Department prepared three successful grant applications for Transportation Enhancement program monies to the Rhode Island Department of Transportation. One grant for \$500,000 was awarded to improve the sidewalks in Wickford village. A second grant for \$75,000 dovetails with the previous; it has been awarded to provide streetscape improvements such as benches, lighting, and other amenities in Wickford village. A third grant for \$125,000 has been awarded to provide funds for designing a bicycle connection between Wickford village and the Quonset Davisville Port and Commerce Park which is approximately three miles away.

ACCOMPLISHMENTS (Continued)

Planning Department (Continued)

The Planning Department with Save the Bay and the North Kingstown Department of Public Works prepared a successful grant application to the Rhode Island Department of Transportation for funds to design and construct systems to mitigate storm water pollution flowing to Wickford Harbor. A grant from the USEPA allowed the Town to develop a wetlands inventory and plan while a grant from the State Division of Forestry allowed the Town to inventory the street trees on Town roads and develop a management plan for protecting this resource. Both of these plans are now completed and in use by the Town and the public.

The Planning Department prepared a successful grant to the State Department of Environmental Management for funds for an inline skating facility and for the development of trails and amenities at Calf Pasture Point. The Planning Department prepared a successful grant application to the US Department of Agriculture, Natural Resources Conservation Service for funds to provide education to landowners about the benefits of charitable donation of land or development rights. The funds awarded were used in a partnership with two adjacent communities, their respective land trusts, the State Department of Environmental Management, and The Nature Conservancy; while the grant has expired, the Town continues to make the service available through contracts with tax experts.

The Planning Department assisted the Planning Commission and Town Council in the development of the Five-Year Update to the North Kingstown Comprehensive Plan; a Comprehensive Plan Five-Year Update is a requirement of State law and North Kingstown was the first Rhode Island community to submit their Five-Year Update to the State Department of Administration. The Planning Department is now working on the next required update.

The Planning Department will prepare a grant application to the State Community Development Block grant program requesting \$400,000 for use in the community this upcoming year. In 2004 a three-year commitment of funds was secured for use in the Davisville neighborhood for housing affordability protection; community services; improving linkages between residential and commercial areas, and making aesthetic improvements to commercial areas.

The Planning Department prepared a successful application to the Rhode Island Economic Development Corporation for a small grant to be used to assist in the redevelopment of a Town-owned property; this property received approval by the voters to be sold for private business use.

Public Works

Public Works continues to successfully oversee and inspect the numerous subdivisions under construction and related public improvements required by the Town's growth. The Facilities division continues to manage and maintain the increased number of parks and playground facilities in Town, as well as all Town owned buildings, with only 5 full-time staff. Public Works continues to strive to promote maximum recycling and reduce the amount of solid waste generated in North Kingstown. To that end, the Town saw an increase in recycling tonnage disposed of at the Rhode Island Resource Recovery Municipal Recycling Facility over the past year. North Kingstown continues to shine with its Maximum Recycling Program, having the highest diversion rate (over 32%) of recyclables to solid waste in the state.

ACCOMPLISHMENTS (Continued)

Police Department

Our website, which can be found at www.nkpolice.org, has been upgraded, made more user friendly and is constantly updated. The public can now fill out security forms on line to give the police department up to date information on homes and businesses in case the need arises to contact people during emergencies. There is also hurricane preparedness information as well as "Slosh" maps, which outline areas of possible flooding.

The Police Department has begun installing new mobile data terminals in the marked police cars. These new laptops, which work in conjunction with Verizon and the Rhode Island State Police (for connectivity), allow for officers to obtain instant information in the cars, including suspect photographs, as well as allowing them to write their reports in the cars saving valuable man-hours and keeping officers on the road.

The Commercial Enforcement unit of the police department has two patrol officers certified to conduct traffic stops and inspections of commercial vehicles. To date the Commercial Enforcement Unit has been responsible for removing unsafe commercial vehicles from the roadway as well as working with the Department of Health to remove unsafe food from several trucks, which were operating illegally without the use of refrigeration for food transport.

Our Training division has been busy recertifying officers with their duty weapons, handcuffing techniques and the Emergency Vehicle Operations Course.

The Police Department has been able to provide almost the entire department with their own portable radio. This allows officers on their way to and from work to have contact with dispatch in case the need arises. This allows for additional "eyes and ears" on the road at shift change each day.

The Juvenile Hearing Board is now up and running. This board, selected by the North Kingstown Town Council, sits twice a month at the town hall, and hears juvenile cases which are referred to them by the Youth Services Bureau of the Police Department. Having this board in place allows many juvenile cases to be disposed without having to send families to the Family Court. It allows the juvenile one "bite at the apple" for a first offense.

We have our crime prevention groups up and running in many neighborhoods in North Kingstown. These seven (7) groups meet at various times with officers from the 2nd shift to discuss problems in their neighborhoods. The residents in the groups also learn to report suspicious activity to the police and to help each other by keeping an eye on their neighborhood collectively.

This year the Police Department started the T.E.A.R (Traffic Education and Accident Reduction) program. An officer is on the road for four hours specifically for traffic enforcement in either problematic areas or areas with a high rate of accidents. The program has been very successful. The goal is traffic safety and the method is to change bad driving habits through enforcement.

Water Department

The water department's water billing system has been updated and new meter reading program was instituted using radio read technology for water meter replacements. This will provide us with better data regarding water usage and allow for more efficient meter reading. The completion of the Well #5 replacement project and the new source permit for new Well #11 will help to ensure the dependability of the water supply and while controversial, the disinfection of the low service area will help the department of water supply maintain compliance with the Total Coliform Rule.

ACCOMPLISHMENTS (Continued)

Water Department (Continued)

North Kingstown Water continues to be an active participant in the Healthy Landscapes Program in partnership with the University of Rhode Island Cooperative Extension Service. This educational initiative provides information to homeowners on maintaining landscapes for clean water and encourages water conservation practices. The Water Department continues to make water quality data available through voluntary quarterly monitoring of wells and storage tanks and through the distribution and posting of the Department's Annual Drinking Water Quality Report. The Department continues to prepare a quarterly newsletter called *The Puddle* to keep customers informed about water issues.

Senior Citizens

Center programming continues to involve an increasing number of older adults from the community each year. New programs included Reiki, Reflexology, Creative Writing, Spanish and Floral Arranging. Special events included a Pasta Dinner hosted by the North Kingstown Police and Fire Union and a Senior Prom hosted by the North Kingstown High School Honor Society, and our Annual Picnic and Barbecue. AARP Tax Aide was held from February 1, 2005 to April 15, 2005 with three volunteers filing 220 tax returns.

Exercise programs offered through our department this year were: Tai Chi for Arthritis, PACE (People with Arthritis Can Exercise) Intermediate Fitness, Dancercise (at Beechwood and Essex), Yoga, Lo-Impact Aerobics, and Line Dancing. Evening programs such as Nite Owls continue to be popular, as are special events, dinners, ice cream socials, etc.

Trips organized through the senior center during this time period were: Newport Playhouse (three trips), Granite Theater, Log Cabin (two trips), Festival Ballet (two trips), Providence Performing Arts (two trips), Captain Jacks, West Valley Inn, and the Flower Show, to name a few.

The senior center also offers extensive volunteer opportunities both at the senior center and in the community through collaboration with Seniors Helping Others, a Retired and Senior Volunteer Program. At our Volunteer Recognition Program held last April 250 volunteers were appreciated for over 8,419 hours of volunteer service.

Health Wellness programming continues to expand with use of our Health Room for nursing and other health services. Kent County Hospital, South County Hospital and Visiting Nurse Services each offer monthly health clinics including individual health counseling, blood pressure checks, cholesterol and glucose screenings. Special health services are also provided on site by other agencies such as Visiting Nurse Services, which includes Fall Prevention, Balance Screening, Depression and Medication Education, and new this year, Reiki and Reflexology. In addition, this department purchased an Automated External Defibrillator (AED) with funding from a legislative grant sponsored by Representative Kenneth Carter.

Support groups play an important role in maintaining health and well being. A Caregiver Support group offers education and support for people caring for relatives, Life Strategies for Older Adults, enhances well-being and coping skills and Insight support group offers support for visually impaired older adults.

The senior center has ongoing intergenerational programs involving youth and seniors. The Special Friends Program involves students from Wickford Middle School who volunteer at the senior center and socialize with seniors through games and volunteer activities. We also invite students of all ages to perform musical programs throughout the year. Girl Scouts and Boy Scouts also help with many of our special events and projects.

ACCOMPLISHMENTS (Continued)

Senior Citizens (Continued)

This year the changes in Medicare and the introduction of the Medicare Drug Benefit starting in 2006 involved considerable staff time and training. Several community presentations on Medicare changes were held on this topic.

School Department

North Kingstown teachers and administrators have been selected for recognition at the state and national levels for their contributions to students and their profession. Kathy Mellor was recognized as National Teacher of the Year. The SmART (SPECTRA) program for the integration of the arts has been implemented in all of our elementary schools and extended into the middle and high school levels. In the past, Forest Park, Stony Lane and Quidnessett Elementary Schools were recognized in the past for the Kennedy Center Creative Ticket award in recognition for their contributions to art education. Forest Park has been recognized as one of 300 Blue Ribbon Schools by the U.S. Department of Education.

Davisville Middle School was named one of the top middle schools in the state in terms of student achievement. The New England Middle Level Education association selected Davisville as an exemplar for middle level education. Jane Kondon was selected as Rhode Island Middle School Principal of the Year. North Kingstown High School offers the highest number of advanced placement courses in the state and is one of the top schools in the state for the number of students receiving college credit for advanced placement courses. The high school was selected by the College Board for recognition as the top school in New England for the improvement of achievement in advanced placement test results in Math and Science. SAT scores are among the highest in the state. The high school followed up its successful implementation of the advisory program with the start of block scheduling last year in order to provide longer time periods to deliver instruction. All of our students achieve at high levels on state assessments. No school was found to be low achieving and all of our schools have met the No Child Left Behind standard for student achievement for 2011. A higher percentage of at risk students at the high school showed proficiency in the state assessments than students in the general population.

Fire Department

The Fire Department is making progress in the elimination of the town wide (including QPD) overhead fire alarm system, and implementing a system of Radio Fire Alarm Boxes. The Department continues delivery of its Fire Prevention Education program in the school system, the Juvenile Firesetter Program, and the inspections of high hazard occupancies. The Fire Marshal's office has been busy implementing the new State Fire Codes and Regulations including inspections of all businesses, schools and town buildings.

The Fire Department has received several homeland security grants which has provided the department with a Decontamination Trailer with associated equipment (250,000), a Special Hazards/Heavy Rescue with associated equipment (495,000) a air compressor to fill the departments self contained breathing apparatus (50,000) and many other smaller grants to provide much needed equipment. Finally the department responded to 5038 requests for service including 2499 requests for emergency medical services.

ACCOMPLISHMENTS (Continued)

Information Technology

During fiscal year 2005, the IT department implemented many new software applications. The goal of all new applications is to streamline workflow and increase productivity. One such success was the implementation of a Spam filtering application. The IT department deployed a package called IronMail. This package has stopped over 1500 pieces of spam and junk mail daily that would have reached the Town's email server and users. It also filters out mail with attachments that contain viruses; thus, further protecting the Town's network and preventing unwanted attacks that could mean many hours of work for the IT staff.

Two other successful projects were the new Tax and Water Billing systems. The Tax system went live in FY04 but the first billing preparation began in January 2005. The IT department, working in conjunction with Assessor's office, processed the 2005 Tax Roll through the new system. At the same time, the IT staff worked with the Water Department to implement the new Water billing system. This project helped to streamline the billing process.

GIS was delivered to desktops for departments to utilize. This tool allows users to query the GIS geo-database and customize their views and output. Planning, Water and Public Works currently has access to this application, which will be enhanced in FY06.

Leisure Activities Department

The North Kingstown Municipal Golf Course, completed another successful season generating revenues in excess of 1.34 million dollars with over 42,000 rounds of golf played there this year. At the golf course, the golf cart staging area was relocated, all ball washers were refurbished or replaced, club washers were added and over 120 tons of sand was used to improve the bunkers. In addition, signage was placed to improve the pace of play. Over 200 additional feet of existing docks at the Allen Harbor Marina have been replaced this year. One third of the moorings have been pulled on schedule, inspected and repaired as necessary.

The North Kingstown Arts Council has completed another successful year of programming. The Family Entertainment series and the Tuesday Evening Summer Concert Series at the Town Dock continue to grow. Sunday Musicals and Rhode Island Voices at the North Kingstown Free Library were well attended. The annual Tuba Fests and Bill Harley Concert were back by popular demand. The "Shakespeare at the Beach" series included Mixed Magic Theatre's innovative *Bard to the Bounce: A Hip Hop and Shakespeare Experience*. The Council also provided support to Smith's Castle's Strawberry Festival celebration and entertainment for the Senior Center. The Arts Council is grateful for the support from the RI State Council on the Arts for the award of two grants totaling \$5,500.00.

CASH MANAGEMENT

The intention of the cash management system is to limit the amount of funds placed in accounts where low or no interest is paid. Idle cash is invested in various instruments with various maturity dates, depending on the anticipated cash requirements during the period.

RISK MANAGEMENT

The Town joined the Rhode Island Interlocal Risk Management Trust (The Trust) in September 2001. Liability as well as collision coverage for all Town vehicles is insured through the Trust as well as coverage for general liability, public officials, law enforcement, employees' liability, flood and boiler. Coverage for worker's compensation is purchased from a separate carrier. The Trust and the Worker's Compensation carrier provide loss control services on a regular basis. They work closely with Department Heads in making loss prevention service visits to all Town facilities. An employee safety group meets monthly to monitor work related injury claims. The Town requires all vendors providing services to the Town to carry \$1,000,000 general liability insurance, workers' compensation according to law and \$1,000,000 automobile liability insurance. Certificates of insurance are required to list the Town as an additional insured on all vendor policies and require a waiver of subrogation in favor of the Town for vendor's workers' compensation coverage.

AWARDS

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 North Kingstown for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2004. 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.

ACKNOWLEDGEMENTS

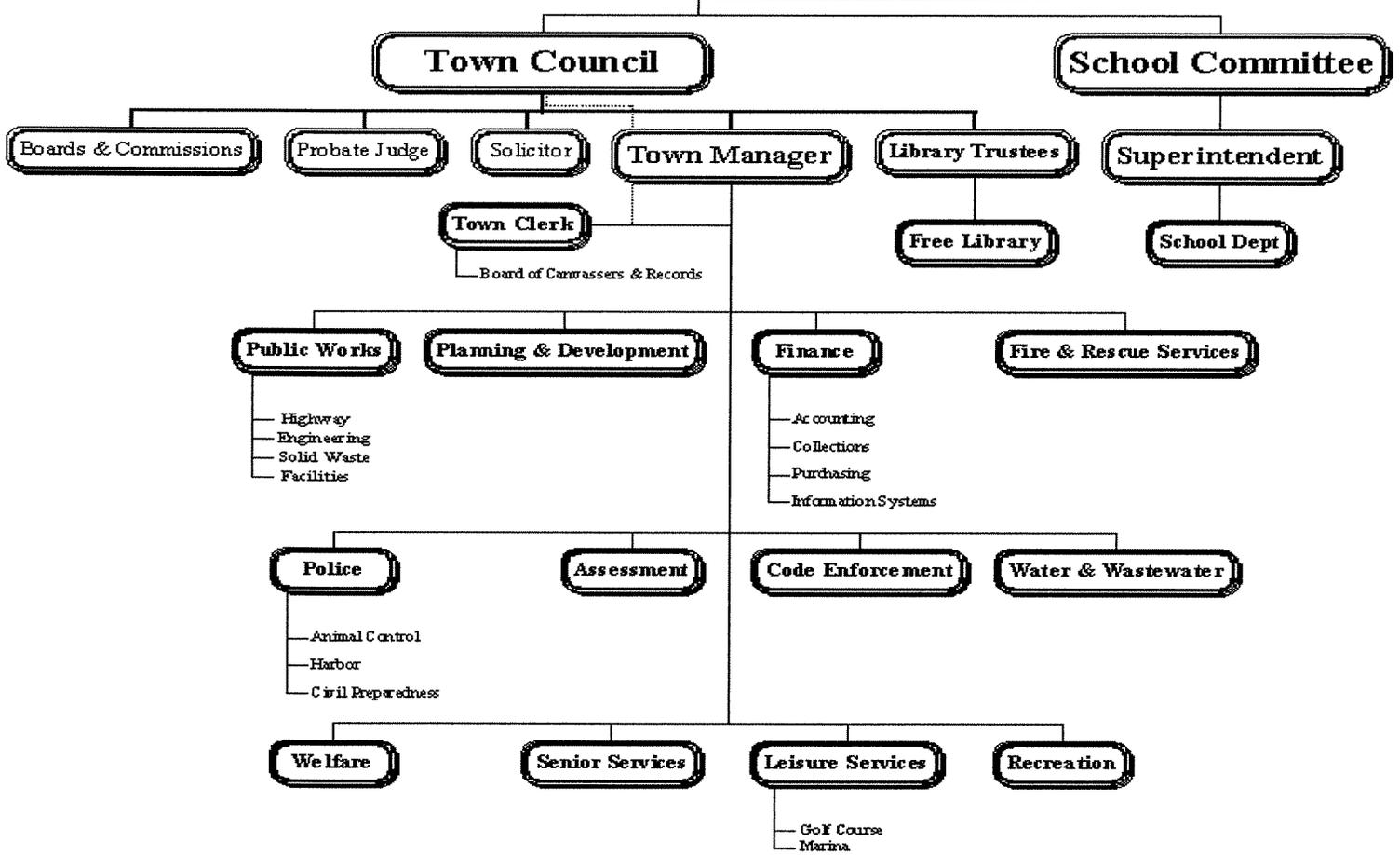
I would like to take this opportunity to thank the members of the Finance Department in the Division of Accounting Control, Treasury and Tax Collection, Information Services, Contract and Purchase for their diligence and cooperation on a daily basis in carrying out the duties and responsibilities of the Finance Department. The success of this department is due in large part to their efforts.

Sincerely,



Cynthia J. Olobri
Director of Finance

The People of the Town of North Kingstown



TOWN OF NORTH KINGSTOWN

TOWN COUNCIL

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SUZANNE M. HENSELER
JOHN A. PATTERSON
MARK S. ZACCARIA

SCHOOL COMMITTEE

DONALD DEFEDELE – CHAIRPERSON
MELVOID J. BENSON
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TOWN CLERK
ACTING TOWN CLERK/DEPUTY
ASSESSOR
DIRECTOR OF FINANCE
CONTROLLER
DIRECTOR OF PUBLIC WORKS
TOWN ENGINEER
DIRECTOR OF RECREATION
DIRECTOR OF LEISURE ACTIVITIES
DIRECTOR OF PLANNING
POLICE CHIEF
FIRE CHIEF
BUILDING OFFICIAL
DIRECTOR OF WATER SUPPLY
HIGHWAY SUPERINTENDENT
FACILITIES PROJECT MANAGER
WELFARE DIRECTOR
DIRECTOR/ SENIOR CITIZENS
ANIMAL WARDEN
HARBOR MASTER
TOWN SARGEANT
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Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of North Kingstown,
Rhode Island

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

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



Nancy L. Ziehl

President

Jeffrey R. Egan

Executive Director

THE TOWN OF
NORTH KINGSTOWN, RHODE ISLAND

FINANCIAL SECTION



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INDEPENDENT AUDITORS' REPORT

To the Honorable Town Council
North Kingstown, Rhode Island

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of North Kingstown, Rhode Island, as of and for the year ended June 30, 2005, which collectively comprises the Town's basic financial statements as listed in the accompanying table of contents. These basic financial statements are the responsibility of the Town of North Kingstown, Rhode Island's management. Our responsibility is to express opinions on these basic 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of North Kingstown, Rhode Island, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 1, 2005 on our consideration of the Town of North 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, historical pension information, and budgetary comparison information on Pages 3 through 11 and 61 through 64 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of North Kingstown, Rhode Island's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and statistical tables 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 and as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of Town of North Kingstown, Rhode Island. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Russell Chutelein Fountain & Wilkinson, LLP

December 1, 2005

Management Discussion and Analysis

The following discussion and analysis of the Town of North Kingstown's financial performance provides an overview of the Town's financial activities for the year ended June 30, 2005 and is intended to serve as an introduction to the Town's basic financial statements. Please read it in conjunction with the transmittal letter at the front of this report and the Town's financial statements, which follow this section.

Financial Highlights

- The Town of North Kingstown's combined total Net Assets (Government Wide) were changed by 13% from June 30, 2004 to June 30, 2005, increasing to approximately \$31.6 million.
- This year's total revenues for all Governmental Activities exceeded spending by approximately \$3.0 million and the prior year's spending was \$300,000 greater.
- Revenues for Business type activities exceeded spending by approximately \$475,000 for fiscal year 2005 and spending increased by approximately \$200,000 over fiscal year 2004.
- The General Fund reported a budgetary surplus this year of approximately \$870,000 because revenues exceeded estimates in all major revenue categories with the exception property tax.
- Fund balance had been appropriated to supplement the resources available for appropriation that were \$1,000,000 less than budgeted for the General Fund.

Below is a brief discussion of the basic financial statements, including the relationships of the statements to each other and the significant differences in the information they provide. The Town's basic financial statements comprise of three components:

- 1) Government-wide Financial Statements,
- 2) Fund Financial Statements and
- 3) Notes to the Financial Statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

The financial statements include two main basic financial statements in accordance with Statement No. 34 of the Governmental Accounting Standards Board (GASB), the Statement of Net Assets (Statement A-1, Page 12) and the Statement of Activities (Statement A-2, Page 13). These two statements consolidate much of the information contained in the fund based financial statements (Statements B-1, B-2, C-1 and C-2 found on Pages 14 through 21) into statements which facilitate in answering the question is the Town of North Kingstown better or worse off financially than it was in the previous year.

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances in a manner similar to a private-section business. These government-wide financial statements outline both the functions of the Town that are principally supported by property taxes and intergovernmental revenues

(Government Activities) and the business-type activities that are supported by fees to customers. The Government Activities of the Town include Police, Fire and Rescue, Public Works, Education, Recreation, Library, Senior Services, Welfare and General Administration and the Business-type Activities of the Town include the operations of the Department of Water Supply and the Quonset/Davisville Recreation Fund including the North Kingstown Municipal Golf Course and the Allen Harbor Marina Facility. The Government-wide Financial Statements can be found on Pages 12 and 13 (Statements A-1 and A-2) of this report.

The Statement of Net Assets presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. Other non-financial factors need to be considered as well such as changes in the Town's property tax base and the condition of the Town's infrastructure to assess the overall health of the Town.

Table 1

		Net Assets						
		Governmental Activities		Business-Type Activities		Total		Total Percent Change
		2004	2005	2004	2005	2004	2005	2004-2005
Current Assets		\$27,263,182	\$27,813,149	\$5,692,470	\$5,895,416	\$32,955,652	\$33,708,565	
Non-current Assets		46,042,492	46,894,082	5,225,974	5,373,287	51,268,466	52,267,369	
Total Assets		73,305,674	74,707,231	10,918,444	11,268,703	84,224,118	85,975,934	2%
Current Liabilities (payable from current assets)		8,163,924	8,563,145	728,654	735,351	8,892,578	9,298,496	
Non-current Liabilities		46,610,385	44,443,383	733,730	602,707	47,344,115	45,046,090	
Total Liabilities		54,774,309	53,006,528	1,462,384	1,338,058	56,236,693	54,344,586	-3%
Net Assets invested in capital assets, net of related debt		(1,861,551)	(1,469,025)	4,440,572	4,136,408	2,579,021	2,667,383	
Net Assets restricted		87,654	86,537	-	-	87,654	86,537	
Net Assets unrestricted		20,305,262	23,083,191	5,015,488	5,794,237	25,320,750	28,877,428	
Total Net Assets		\$18,531,365	\$21,700,703	\$9,456,060	\$9,930,645	\$27,987,425	\$31,631,348	13%

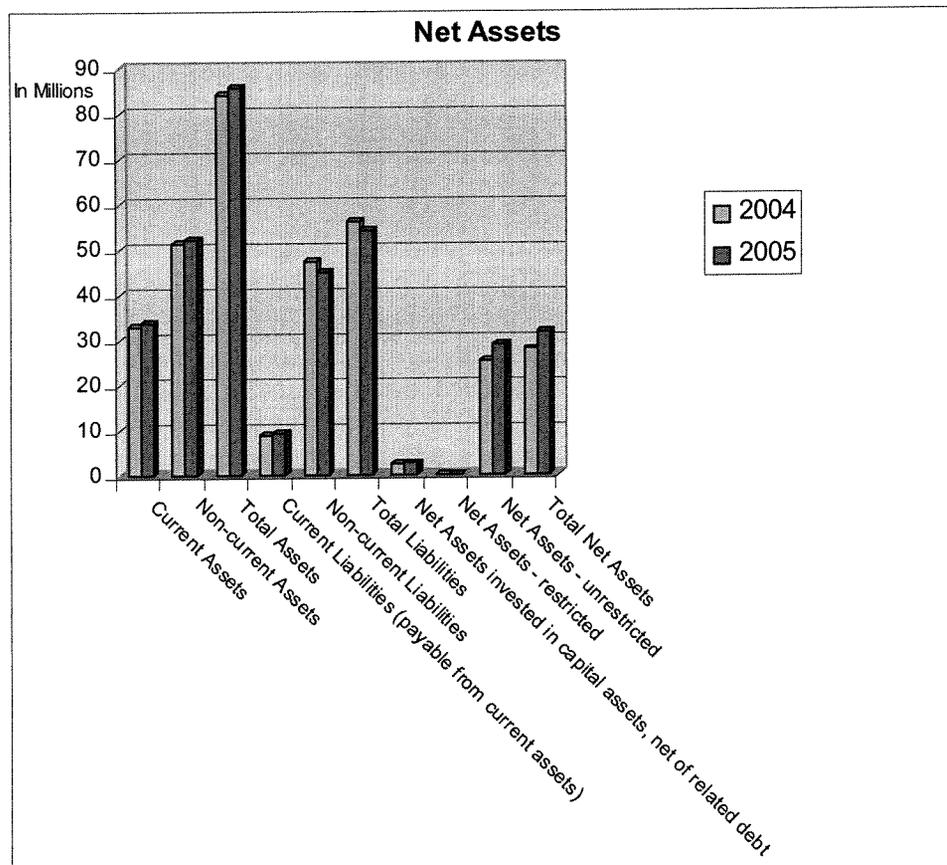
The Statement of Net Assets provides the perspective of the Town as a whole. The Town's combined total net assets increased by 13% between fiscal years 2004 and 2005 increasing to approximately \$31.6 million. (See Table 1).

When looked at separately, the net assets of the Town's Governmental Activities increased by \$2.7 million overall. A \$400,000 reduction in the 2004 to 2005 deficit balance in investments in capital assets, net of related debt, results mainly from the paying down of debt during 2005 and the savings from the bonds refunded during 2005. The investments in Capital Assets, net of related debt, balances for both 2004 and 2005 are negative amounts because the Town is not yet reporting its infrastructure assets. Under GASB 34, this will not be mandatory for North Kingstown until fiscal year 2006/2007. The increase in the Current Assets by \$400,000 from fiscal year 2004 to 2005 resulted from an increase in the amounts due from Federal and State for grants for the fiscal year 2005.

The Net Assets of the Town's business type activities increased by approximately \$475,000 with unrestricted net assets contributing to the increase while offsetting a reduction in capital assets, net of related debt. With the Water System's usage rates generating operating revenue that exceed expenses, the financial condition of the business type activities is sound. The Town continued to invest in our Water system with the encumbrance of approximately \$500,000 for storage tank design and standpipe improvements and new well #11. The Town's Municipal Golf Course and Marina operations unrestricted net assets decreased by approximately \$60,000 due to operational expenses and transfers to the General Fund, Recreation program that exceeded revenues.

The chart below provides a summary of the Town's net assets for fiscal year ended June 30, 2005 compared to June 30, 2004.

Chart 1



Because the Town of North Kingstown is not yet reporting its infrastructure assets, the Town's Net Assets reflected show a lower than actual investment in capital assets. The Town's roads, sidewalks, drainage, bridges, park and recreation improvements and development rights acquisitions are not yet reported but the debt associated with improvements to this unreported infrastructure is booked thereby reducing the total assets. The Town has engaged the services of an engineering firm to inventory its infrastructure assets and that process will be completed in Fall 2005 and will be reported in the fiscal year 2006. The Town of North Kingstown uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. The resources needed to repay this debt must be provided from other sources such as tax dollars and impact fees, since the capital assets themselves cannot be used to liquidate these liabilities. Unrestricted net assets may be used to meet the Town's ongoing obligations to its creditors.

The Statement of Activities presents information showing how the Town's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods such as uncollected taxes and earned, but unused, compensated absences.

As shown on Table 2, below, the total revenues and transfers increased by \$3.0 million between 2004 to 2005 for governmental activities. That increase includes increases in Program revenues or Charges for Services due to increases in Departmental Revenues for Town Clerk land evidence activity that remained high due to continued refinancing and property transfers in 2005. Public Safety Revenues for Emergency Medical Services fees, Fire Inspection fees and Police Fines increased over 2004 due to a program to improve neighborhood safety through traffic fines and increased demand and fees for Fire Department services. The \$700,000 increase in Operating grants and contributions is due to increased intergovernmental state aid and grant funded activities for education. The increase in General Revenues also related to increased in investment earnings due to higher rates of return paid for investments in 2005 and for increases in tax revenue that were raised for increased spending for Town and School employee pay and benefits in the School and General Fund. However due to strict enforcement of a budgetary cap, spending was down by \$300,000 overall. The business type activities faced the same increases for employee pay and benefits with spending for FY2005 up by \$200,000 but revenues also increased by \$400,000. Overall there was an increase in Net Assets of \$3.5 million in FY2005.

Table 2
Changes in Net Assets (in millions)

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change 2004-2005
	2004	2005	2004	2005	2004	2005	
Revenues							
Program Revenues	\$ 6.3	\$ 6.8	\$ 5.1	\$ 5.3	\$ 11.3	\$ 12.1	7%
Operating Grants and Contributions	16.3	17.0			16.3	17.0	4%
General Revenues	59.3	61.2	0.2	0.2	59.4	61.4	3%
Transfers	0.3	0.1	(0.3)	(0.1)			
Total Revenues and Transfers	82.1	85.2	5.0	5.4	87.1	90.6	4%

Program Expenses and Transfers

Program Expenses	82.4	82.1	4.8	5.0	87.2	87.1	0%
Transfers							
Total Expenses and Transfers	82.4	82.1	4.8	5.0	87.2	87.1	0%
Increase (Decrease) in Net Assets	\$ (0.3)	\$ 3.0	\$ 0.2	\$ 0.5	\$ (0.0)	\$ 3.5	7241%

Governmental Activities

The Statement of Activities in Chart 3, below, shows the total cost and the net cost of services. The Net Cost identifies the cost of these services supported by tax revenue and unrestricted state aid after deducting for departmental revenues. Spending for education and interest on long-term debt decreased while spending for other government activities increased. The net cost of services decreased by \$1.5 million. General Government, Public Works and Public Safety costs included increases for elections, legal expenses pay and benefits for employees, fire equipment and increased contributions to reserve funds. The total cost of Educational services decreased from 2004 to 2005 by \$.2 million while the net cost decreased by \$1.1 million due mainly to operating grants and contributions for education increasing by \$.7 million.

Table 3
Cost of Governmental Activities (in millions of dollars)

	Total Cost of Services			Net Cost of Services		
	2004	2005	% Change	2004	2005	% Change
Education	\$ 54.9	\$ 54.7	0%	\$ 37.4	\$ 36.3	-3%
General Government	5.4	6.2	15%	2.2	2.9	32%
Public Works	4.2	4.7	12%	3.3	3.9	18%
Public Safety	11.1	11.7	5%	10.4	10.6	2%
Public Libraries	1.2	1.2	0%	1.2	1.2	0%
Interest on long-term debt	2.6	2.1	-19%	2.7	2.1	-22%
Other	2.9	1.5	-48%	2.6	1.3	-50%
Total Expenses	\$ 82.4	\$ 82.1	0%	\$ 59.8	\$ 58.3	-3%

The presentation of the Town's major funds begins on Page 14. Fund Financial reports provide detailed information about the Town's major funds based on the restrictions on the use of monies. The Town has established many funds, which account for the multitude of services, facilities and infrastructure provided to our residents. However, these fund financial statements focus on the Town's most significant funds. In the case of the Town of North Kingstown, the major funds are the General Fund and the School Unrestricted Fund. Shown below is the change in the total fund balance for those two funds. Portions of the fund balance of the General Fund and the School Unrestricted Fund are reserved for encumbrances and designated for fiscal year 2006 leaving an unreserved undesignated fund balance of \$7,437,409 in the General Fund and \$77,930 in the School Unrestricted Fund. The General Fund remained at approximately the same level. The major change in the School Unrestricted Fund is that 2005 ended with reservations for encumbrances of \$883,289 compared to only \$139,962 being reserved for encumbrances on June 30, 2004. The fund balance of the non-major, governmental funds, increased mainly due to additional contributions the Health Insurance Reserve fund and the building up of Capital Reserve funds in reserve for future spending for capital "pay-as-we-go" projects.

Governmental	Beg Fund Balance 2005	Ending Fund Balance 2005	Change\$	Change %
General Fund	9,588,276	9,726,697	138,421	1%
School Unrestricted Fund	<u>912,893</u>	<u>1,186,753</u>	<u>273,860</u>	<u>30%</u>
Total Major Funds	10,501,169	10,913,450	412,281	4%
Non-Major Funds Governmental	7,494,291	8,085,268	590,977	8%

The proprietary Funds of the Town of North Kingstown report the same functions presented as business-type activities in the Government-wide Financial Statements, only in more detail. The Proprietary Fund Financial Statements provide separate information for the Department of Water Supply and the Quonset/Davisville Recreation Fund including the North Kingstown Municipal Golf Course and the Allen Harbor Marina Facility, both of which are considered to be major funds of the Town of North Kingstown. Enterprise Fund Financial Statements are designed to provide readers with a broad overview of both the Water Fund and the Quonset/Davisville Fund's finances, in a manner similar to a private-section business. For the Non-Major Proprietary Funds in 2005, the School Cafeteria Fund experienced an operating loss reducing its net assets from \$155,923 at the end of 2004 to \$26,495 at June 30, 2005.

Proprietary	Beg Net Assets 2005	Ending Net Assets 2005	Change\$	Change %
Water Fund	7,501,197	8,163,905	662,708	9%
Q/D Recreation Fund	<u>1,772,988</u>	<u>1,713,752</u>	<u>(59,236)</u>	<u>-3%</u>
Total Major Funds Proprietary	9,274,185	9,877,657	603,472	7%
Non-Major Funds Proprietary	181,875	52,988	(128,887)	-71%

Below is an analysis showing variations for expenditures between original and final budget amounts and between final budget amounts and actual budget results for the Town's General Fund.

General Fund Expenditures and Transfers Out	Originally Adopted Budget	Final Approved Budget	Actual (Budgetary Basis)	Difference
General Government	\$ 4,419,503	\$ 4,277,722	\$ 4,144,117	\$ 133,605
Public Safety	11,745,320	11,788,320	11,708,950	79,370
Public Works	4,337,714	4,362,712	4,311,481	51,231
Recreation	394,787	394,787	388,859	5,928
Senior Citizens	291,816	286,816	286,814	2
Other	175,752	175,752	175,646	106
Total Expenditures	<u>21,364,892</u>	<u>21,286,109</u>	<u>21,015,867</u>	<u>270,242</u>
Transfers Out	40,681,949	40,836,949	40,836,949	0
Grand Total	<u>\$ 62,046,841</u>	<u>\$ 62,123,058</u>	<u>\$ 61,852,816</u>	<u>\$ 270,242</u>

The following is an analysis showing variations for revenues between final budget amounts and actual budget results for the General Fund. In total the revenues exceeded estimates by \$600,620. Tax collections were under estimate \$328,000 due to a reduction in the amounts received for payments in lieu of taxes for commercial and industrial property. All other revenue categories exceeded budget. The sale of the Old Fire Station on West Main Street added \$300,000 to Other Revenues.

General Fund Revenues and Transfers In	Originally Adopted Budget	Final Approved Budget	Actual (Budgetary Basis)	Difference
Property Tax	\$ 53,981,758	\$ 53,981,758	\$ 53,653,354	\$ (328,404)
Intergovernmental	3,659,023	3,659,023	3,877,460	218,437
Licenses & Permits	415,615	415,615	442,178	26,563
Investment Income	300,000	300,000	428,548	128,548
Departmental	1,899,162	1,899,162	2,130,318	231,156
Other	20,000	20,000	344,320	324,320
Total Revenues	60,275,558	60,275,558	60,876,178	600,620
Transfers from fund balance	1,000,000	1,000,000	1,000,000	-
Transfers in	771,283	847,500	847,500	-
Total General Fund	\$ 62,046,841	\$ 62,123,058	\$ 62,723,678	\$ 600,620

The FY2005 budgeted tax revenues were based upon estimates that included a revaluation of all town property. Town uses a conservative approach when estimating tax dollar revenue to be generated. The collection rate was estimated at 97% while the actual collections achieved were just fewer than 98% of the total levy. This surplus was offset by the estimate of \$127,000 for abatement based upon the prior year's experience and what was known to be potential abatements at the time. The actual abatement of taxes was over \$257,000. The Town collects supplemental taxes during the course of the year for real estate construction that receives a certificate of occupancy after the assessment date. The amount generated from this is recorded as tax revenue but has not historically been used in the calculation of the tax rate because it is uncertain as to what may occur. Supplemental taxes received for the Fiscal Year were \$98,911 a decrease of approximately \$100,000 from the previous year. The property revaluation resulted increases in taxable values of residential properties and reductions in taxable values of commercial and industrial property. With his budget recommendations, the Town Manager had proposed the classification of the tax roll. It was estimated that would have generated approximately \$600,000 more in payments in lieu of taxes. Because the tax roll was not classified, the estimate for revenues from payments in lieu of taxes was not achieved and there was a shortfall of \$522,000. This was mitigated by other tax payments received over estimate for \$275,000.

The balance of the tax revenue generated that exceeded budget was due to the higher than anticipated tax collection rate as explained above. In general over the past few years, taxpayers have been keeping more current with taxes. It is believed that this is due to the Town's interest rate for delinquent taxes being 12% per annum, which is higher than may be available from banks and some credit cards. Also there continued to be a widespread refinancing of mortgages on homes due to lower than usual mortgage rates and that has helped taxpayers to keep tax payments up to date. This mortgage refinancing has also impacted the revenues classified as Departmental revenues by generating \$133,000 higher than anticipated fees for recording of documents such as new mortgages in land evidence. Also impacted by the numbers of real estate

transactions recorded in land evidence were Realty Conveyance Stamp revenues that were received over budget by \$28,000. These are classified as State Revenues because a portion is kept as Town revenue, a portion is reserved for Farmland/Open Space/Development Rights purchases and a portion is sent to the State.

The State Aid for Meal and Beverage Tax exceeded budget by \$250,000. This amount was in excess of State provided projections received during the budget process and is a result of final increased amounts being provided in the State budget. Rental revenue exceeded budget by \$30,000 for communication tower rental fees. Departmental revenues for the Transfer Station fees exceeded estimates by \$39,000 and the Code Enforcement permits exceeded estimates by \$27,000. \$300,000 was unbudgeted and received as Miscellaneous Revenue for sale of property on West Main Street.

The Town of North Kingstown had \$46,184,849 in bonds outstanding at fiscal year-end, compared to \$47,904,043 last year, a decrease of 1.7%. General Obligation Refunding Bonds were issued in April 2005 in the amount of \$30.36 million with savings of approximately \$1.5 million dollars through 2026. Please refer to Pages 41 to 44 in the Notes for further information regarding outstanding debt. The Town of North Kingstown continued to carry a Moody's rating of "Aa3" and a Standard & Poor's rating of "AA-." As of June 30, 2005, the Town has \$13,480,000 in unused bonding authority. Under state law, the Town may not, without special statutory authorization, incur any debt that would increase its aggregate indebtedness to an amount greater than 3% of the taxable property of the Town. The Town's debt limit calculation is shown on Page 37 in the Notes and Page 121 of this report.

Historically, infrastructure (roads, sidewalks, drainage and capital improvements other than buildings) has not been reported nor depreciated in Governmental Financial Statements. Infrastructure represents a significant portion of the Town's assets. Similarly, the outflow of resources expended by the Town to maintain infrastructure also represents a sizable portion of its operations. GASB 34 requires that the infrastructure assets be valued and reported within the Governmental column of the Government-wide statements. The Town will defer implementing the infrastructure portion of the Statement. When the Town implements the Infrastructure portion of GASB34, the Town plans to utilize the modified approach to address a majority of its infrastructure assets. GASB 34 requires the Town to have completed this implementation by the end of fiscal year 2007 but the Town intends to implement for fiscal year ending 2006.

The fiscal year 2005 Budget was adopted to include a tax rate increase of .05 cents per thousand of assessed valuation (using a restated 2004 tax rate due to revaluation in 2005). The Levy increased by just under \$800,000 or a 1.56% percent increase. This increase was required to cover projected increases in spending for personnel related expenses including salaries and significant increases in the cost of health insurance and retirement contributions for personnel.

For fiscal year 2006, the budget was adopted to include a tax rate decrease from \$14.38 per thousand of assessed value to \$14.85 per thousand. The levy increased by approximately \$2.4 million or 4.57%. As in the previous year, this increase was required to cover increased spending for personnel salaries and benefits. The fiscal year 2006 General Fund budget includes an increase of the appropriation from fund balance from \$1,000,000 for fiscal year 2005 to \$870,000 in fiscal year 2006 to help reduce the tax rate increase.

The fiscal year 2005 rate of collection of current taxes was 97.95%. It is anticipated that the fiscal year 2006 rate of collection will be 96.5% while the rate used in the calculation of the tax rate allowed for 97.4%. Based upon this, the current projection is that tax collections will be under estimates by approximately \$375,000 for fiscal 2006. However, It is projected that there will be revenues over estimate for FY2006 of \$440,000 for state revenues, \$100,000 in departmental revenues and \$175,000 in investment earnings. The current estimate is that revenues will exceed budget in the General Fund by approximately \$500,000. However if that does not occur, spending for fiscal year 2006 will be reduced to offset any revenue shortfalls.

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the Government-wide and Fund Financial Statements. The Notes to the Financial Statements can be found on Pages 26 to 60 of this report.

The Combining Statements referred to earlier in connection with non-major Governmental Funds are presented immediately following the Required Supplementary Information on Infrastructure Combining and Individual Fund Statements and Schedule can be found on pages 65 to 98 of this report.

This financial report is designed to provide a general overview of the Town of North Kingstown's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director's Office, Town of North Kingstown, Town Hall, 80 Boston Neck Road, North Kingstown, RI 02852.

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TOWN OF NORTH KINGSTOWN**Statement of Net Assets
June 30, 2005**

	Governmental Activities	Business-type Activities	Total	Component Unit North Kingstown Free Library
ASSETS:				
Current Assets:				
Cash and cash equivalents	\$ 24,067,825	\$ 5,072,668	\$ 29,140,493	\$ 203,756
Taxes receivable	1,133,405		1,133,405	
User charges receivables		585,426	585,426	
Other receivables	742,303	41,672	783,975	
Inventory		195,650	195,650	
Due from federal and state governments	1,869,616		1,869,616	
Noncurrent Assets:				
Deferred Charges on bond refunding, net of amortization	1,874,037		1,874,037	
Bond issuance costs, net of amortization	304,221		304,221	
Capital assets:				
Non-depreciable	8,284,542	584,470	8,869,012	
Depreciable, net	36,431,282	4,788,817	41,220,099	
TOTAL ASSETS	74,707,231	11,268,703	85,975,934	203,756
LIABILITIES:				
Current Liabilities:				
Accounts payable	1,676,458	331,374	2,007,832	
Claims payable	120,168		120,168	
Accrued liabilities	230,967		230,967	
Compensated absences payable	100,000	15,620	115,620	
Serial bonds payable	3,624,191	138,873	3,763,064	
Bond Premium, net of amortization	601,934		601,934	
Unearned revenue	1,131,625	211,631	1,343,256	
Other payables	512,297		512,297	
Other liabilities		37,853	37,853	
Escrow deposits	565,505		565,505	
Total Current Liabilities	8,563,145	735,351	9,298,496	-
Noncurrent Liabilities:				
Serial bonds payable	42,560,658	513,536	43,074,194	
Compensated absences payable	1,882,725	89,171	1,971,896	
Total Noncurrent Liabilities	44,443,383	602,707	45,046,090	-
TOTAL LIABILITIES	53,006,528	1,338,058	54,344,586	-
NET ASSETS:				
Invested in Capital Assets, net of related debt	(1,469,025)	4,720,878	3,251,853	
Restricted for:				
Permanent funds	86,537		86,537	
Unrestricted	23,083,191	5,209,767	28,292,958	203,756
TOTAL NET ASSETS	\$ 21,700,703	\$ 9,930,645	\$ 31,631,348	\$ 203,756

(CONCLUDED)

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF NORTH KINGSTOWN

**Statement of Activities
Year Ended June 30, 2005**

Functions/Programs:	Program Revenues		Net (Expense) Revenue and Changes in Net Assets			Component Unit North Kingstown Free Library
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities:						
General government	\$ 6,207,401	\$ 2,615,797	\$ 686,781	\$ (2,904,823)	\$ 198,096	\$ (2,904,823)
Public safety	11,719,377	1,137,570	26,758	(10,555,049)	301,059	(10,555,049)
Public works	4,696,321	571,815	206,205	(3,918,301)	(129,464)	(3,918,301)
Education	54,738,498	2,329,670	16,087,635	(36,321,193)	369,691	(36,321,193)
Public libraries	1,186,589			(1,186,589)		(1,186,589)
Other	1,485,870	165,423		(1,320,447)		(1,320,447)
Interest on long-term debt	2,083,706			(2,083,706)		(2,083,706)
Total governmental activities	82,117,762	6,820,275	17,007,379	(58,290,108)	369,691	(58,290,108)
Business-type activities:						
Water	2,259,774	2,457,870		\$ 198,096	\$ 198,096	198,096
Quonset/Davisville Recreation	1,282,294	1,583,353		301,059	301,059	301,059
Non-major enterprise funds	1,416,646	1,287,182		(129,464)	(129,464)	(129,464)
Total business-type activities (See Note 2)	4,958,714	5,328,405	-	-	369,691	369,691
Total	\$ 87,076,476	\$ 12,148,680	\$ 17,007,379	(58,290,108)	369,691	(57,920,417)
Component Unit:						
North Kingstown Free Library	\$ 7,736		\$ 15,333			\$ 7,597
	\$ 7,736		\$ 15,333			\$ 7,597
General revenues:						
Property taxes				53,530,984		53,530,984
Unrestricted investment earnings				864,875	95,499	960,374
Unrestricted intergovernmental revenue				6,237,179	144,257	6,237,179
Miscellaneous				446,473		590,730
Proceeds of Refunding Debt				30,360,000		30,360,000
Refunding Debt Escrow Agent				(30,660,215)		(30,660,215)
Bond Premium				606,993		606,993
Bond issuance costs				(188,635)		(188,635)
Transfers				134,862	(134,862)	-
Total general revenues and transfers				61,332,516	104,894	61,437,410
Change in Net Assets				3,042,408	474,585	3,516,993
Net Assets - beginning, as restated				18,658,295	9,456,060	28,114,355
Net Assets - ending				\$ 21,700,703	\$ 9,930,645	\$ 31,631,348

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF NORTH KINGSTOWN

**Balance Sheet
Governmental Funds
June 30, 2005**

	General Fund	School Unrestricted Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash and cash equivalents	\$ 14,954,301	\$ 2,695	\$ 7,120,140	\$ 22,077,136
Taxes receivable	1,133,405			1,133,405
Other receivables	172,037	45,446	524,820	742,303
Due from federal and state governments	668,649	1,222	1,199,745	1,869,616
Due from other funds	672,323	2,693,717	1,605,539	4,971,579
TOTAL ASSETS	\$ 17,600,715	\$ 2,743,080	\$ 10,450,244	\$ 30,794,039
LIABILITIES AND FUND BALANCES:				
LIABILITIES:				
Accounts payable	\$ 821,420	\$ 700,716	\$ 154,233	\$ 1,676,369
Due to other funds	3,549,147	855,611	1,079,118	5,483,876
Unearned revenue	2,937,946		1,131,625	4,069,571
Escrow deposits	565,505			565,505
TOTAL LIABILITIES	7,874,018	1,556,327	2,364,976	11,795,321
FUND BALANCES:				
Reserved for debt service			1,138,700	1,138,700
Reserved for encumbrances	1,332,414	883,289		2,215,703
Reserved for Cops grant	86,874	45,534		132,408
Unreserved:				
Designated for subsequent year's expenditures	870,000	180,000		1,050,000
Undesignated	7,437,409	77,930		7,515,339
Unreserved, reported in nonmajor:				
Special revenue funds			2,776,413	2,776,413
Capital project funds			4,083,618	4,083,618
Permanent funds			86,537	86,537
TOTAL FUND BALANCES	9,726,697	1,186,753	8,085,268	18,998,718
TOTAL LIABILITIES AND FUND BALANCES	\$ 17,600,715	\$ 2,743,080	\$ 10,450,244	\$ 30,794,039

(CONTINUED)

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF NORTH KINGSTOWN

*Balance Sheet
Governmental Funds
June 30, 2005*

Amounts reported for governmental activities in the statement of net assets differ because:

Total Fund Balances (B-1)	\$ 18,998,718
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	44,715,824
Deferred charges, deferred bond issuance costs, and bond premium resulting from issuance of advanced refunding bonds. These charges have been included in the governmental activities in the Statement of net Assets	1,576,324
Long-term liabilities and related items are not due and payable in the current period and therefore are not reported in the funds.	(48,167,574)
Deferred revenues (net of an allowance for uncollectible) are recorded in the funds, but are not deferred under the measurement focus employed in the Statement of Net Assets.	2,937,946
Internal Service funds are recorded as proprietary funds in the fund financial statements but are recorded as governmental activities on the government-wide financial statements.	1,870,432
Accrued interest payable is recorded in government activities, but is not recorded in the funds.	(230,967)
Total Net Assets (A-1)	<u>\$ 21,700,703</u>

(CONCLUDED)

TOWN OF NORTH KINGSTOWN

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2005**

	General Fund	School Unrestricted Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:				
General property taxes	\$ 53,653,354			\$ 53,653,354
Intergovernmental	3,877,232	\$ 11,093,579	\$ 6,515,623	21,486,434
Departmental	2,130,545			2,130,545
Licenses and permits	442,178			442,178
Investment income	428,548	5,993	382,491	817,032
Other	344,320	3,685,310	2,422,519	6,452,149
TOTAL REVENUES	60,876,177	14,784,882	9,320,633	84,981,692
EXPENDITURES:				
Current:				
General government	4,089,378		3,220,745	7,310,123
Public safety	11,537,311		14,606	11,551,917
Public works	4,238,446		291,843	4,530,289
Parks and recreation	585,699			585,699
Senior services	297,474			297,474
Education		49,994,980	3,570,345	53,565,325
Per trust agreements			173,407	173,407
Human resources			35,730	35,730
Debt Service:				
Principal			3,309,194	3,309,194
Interest and other costs			2,409,259	2,409,259
Capital:				
Capital expenditures			673,545	673,545
TOTAL EXPENDITURES	20,748,308	49,994,980	13,698,674	84,441,962

(CONTINUED)

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

TOWN OF NORTH KINGSTOWN

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2005**

	General Fund	School Unrestricted Fund	Other Governmental Funds	Total Governmental Funds
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	40,127,869	(35,210,098)	(4,378,041)	539,730
OTHER FINANCING SOURCES (USES)				
Proceeds of Refunding Debt	30,360,000			30,360,000
Refunding Debt Escrow Agent	(30,660,215)			(30,660,215)
Bond premium	606,993			606,993
Bond issuance costs	(188,635)			(188,635)
Transfers in	847,500	35,803,958	6,963,786	43,615,244
Transfers out	(40,955,091)	(320,000)	(1,994,768)	(43,269,859)
NET OTHER FINANCING SOURCES (USES)	(39,989,448)	35,483,958	4,969,018	463,528
NET CHANGE IN FUND BALANCE	138,421	273,860	590,977	1,003,258
FUND BALANCE AT BEGINNING OF YEAR	9,588,276	912,893	7,494,291	17,995,460
FUND BALANCE AT END OF YEAR	\$ 9,726,697	\$ 1,186,753	\$ 8,085,268	\$ 18,998,718

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

(CONCLUDED)

TOWN OF NORTH KINGSTOWN

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds (B-2) to the Statement of Activities (A-2)
Year Ended June 30, 2005**

Net Change in Fund Balances - Total Governmental Funds (B-2):	\$ 1,003,258
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(1,326,668)
Proceeds from issuance of long - term debt	(30,360,000)
Deferred charges, bond premium, cost of issuance and change in accrued interest	1,901,877
Decrease in liability for compensated absences	68,879
Principle payments made on long - term debt	32,079,194
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds.	(122,370)
Excess of internal service funds' expenses over revenues, reported as governmental fund activity.	(201,762)
	<hr/>
Change in Net Assets of Governmental Activities in the Statement of Activities (A-2)	<u><u>\$ 3,042,408</u></u>

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF NORTH KINGSTOWN

**Statement of Net Assets
Proprietary Funds
June 30, 2005**

	Enterprise Funds				Internal Service Funds
	Water	Quonset/ Davisville Recreation	Non-major Enterprise Funds	Totals	
ASSETS:					
Current Assets:					
Cash and cash equivalents	\$ 4,130,177	\$ 914,763	\$ 27,728	\$ 5,072,668	\$ 1,990,689
Water and sewer assessments and user fees, net	585,426			585,426	
Other receivables	111,897	6,722	34,950	41,672	
Inventory	4,827,500	36,826	46,927	195,650	
Total Current Assets		958,311	109,605	5,895,416	1,990,689
Net Capital Assets	3,784,021	1,584,787	4,479	5,373,287	
TOTAL ASSETS	8,611,521	2,543,098	114,084	11,268,703	1,990,689
LIABILITIES:					
Current Liabilities:					
Accounts payable	167,544	102,734	46,321	316,599	89
Claims payable					120,168
Due to other funds			14,775	14,775	-
Deferred revenue	9,941	211,631		211,631	
Other liabilities	40,686	27,912		37,853	
Current portion of compensated absences payable	108,063	48,485		89,171	
Current portion of long term debt	326,234	30,810		138,873	
Total Current Liabilities		421,572	61,096	808,902	120,257
Noncurrent Liabilities:					
Compensated absences payable	7,185	8,435		15,620	
Long-term debt, net	114,197	399,339		513,536	
Total Noncurrent Liabilities	121,382	407,774	-	529,156	-
TOTAL LIABILITIES	447,616	829,346	61,096	1,338,058	120,257
NET ASSETS:					
Unrestricted	8,163,905	1,713,752	52,988	9,930,645	1,870,432
TOTAL NET ASSETS	\$ 8,163,905	\$ 1,713,752	\$ 52,988	\$ 9,930,645	\$ 1,870,432

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF NORTH KINGSTOWN

C-2

**Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
Year Ended June 30, 2005**

	Enterprise Funds				Totals	Internal Service Funds
	Water	Quonset/ Davisville Recreation	Non-major Enterprise Funds			
OPERATING REVENUES:						
Charges for usage and service	\$ 2,457,870	\$ 1,583,353	\$ 1,010,897	\$	5,052,120	
Sundry sales and rentals	76,184				76,184	
Miscellaneous	68,073				68,073	
Total Operating Revenues	2,602,127	1,583,353	1,010,897	\$	5,196,377	\$ 0
OPERATING EXPENSES:						
Operations	2,013,216				2,013,216	39,082
Golf course		433,772			433,772	
Pro shop		412,456			412,456	
Allen's Harbor		185,300			185,300	
School cafeteria			1,402,651		1,402,651	
Bad debts			12,267		12,267	
Depreciation	227,903	231,611	1,728		461,242	
Total Operating Expenses	2,241,119	1,263,139	1,416,646		4,920,904	39,082
OPERATING INCOME (LOSS)	361,008	320,214	(405,749)		275,473	(39,082)
NONOPERATING REVENUES (EXPENSES):						
Investment income	80,217	14,705	577		95,499	47,843
Federal grants			261,741		261,741	
State matching funds			14,544		14,544	
Interest expense	(18,655)	(19,155)			(37,810)	
Net Nonoperating Revenues (Expenses)	61,562	(4,450)	276,862		333,974	47,843
INCOME (LOSS) BEFORE TRANSFERS	422,570	315,764	(128,887)		609,447	8,761

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

(CONTINUED)

TOWN OF NORTH KINGSTOWN

C-2

**Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
Year Ended June 30, 2005**

	Enterprise Funds				Internal Service Funds
	Water	Quonset/ Davisville Recreation	Non-major Enterprise Funds	Totals	
Transfers:					
Transfers In	240,138			240,138	
Transfers (Out)		(375,000)		(375,000)	(210,523)
Total Transfers	<u>240,138</u>	<u>(375,000)</u>	<u>-</u>	<u>(134,862)</u>	<u>(210,523)</u>
CHANGE IN NET ASSETS	662,708	(59,236)	(128,887)	474,585	(201,762)
TOTAL NET ASSETS - BEGINNING	7,501,197	1,772,988	181,875	9,456,060	2,072,194
TOTAL NET ASSETS - ENDING	<u>\$ 8,163,905</u>	<u>\$ 1,713,752</u>	<u>\$ 52,988</u>	<u>\$ 9,930,645</u>	<u>\$ 1,870,432</u>

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

(CONCLUDED)

Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2005

	Enterprise Funds				Internal Service Funds
	Water	Quonset/ Davisville Recreation	Non-major Enterprise Funds	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers	\$ 2,452,123	\$ 1,579,871	\$ 1,068,007	\$ 5,100,001	
Cash paid to suppliers	(1,183,127)	(340,210)	(1,401,987)	(2,925,324)	
Cash paid to employees	(891,738)	(675,313)		(1,567,051)	
Cash paid for claims					\$ (119,234)
Cash paid for other operating expenses					(49,124)
Net cash provided by (used for) operating activities	377,258	564,348	(333,980)	607,626	(168,358)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition of capital assets	(375,763)	(232,791)		(608,554)	
Principal paid on bonds	(102,187)	(30,812)		(132,999)	
Interest paid on bonds	(18,655)	(19,155)		(37,810)	
Net cash used for capital and related financing activities	(496,605)	(282,758)	-	(779,363)	-
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Federal grant receipts			261,741		
State matching funds receipts			14,544		
Transfer from other funds	240,138	-			
Transfer to general fund	-	(375,000)		(375,000)	(210,523)
Net cash provided by (used for) noncapital financing activities	240,138	(375,000)	276,285	141,423	(210,523)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest on investments	80,217	14,705	577	95,499	47,843
Net cash provided by investing activities	80,217	14,705	577	95,499	47,843

(CONTINUED)

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF NORTH KINGSTOWN

C - 3

**Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2005**

	Enterprise Funds					Internal Service Funds
	Water	Quonset/ Davisville Recreation	Non-major Enterprise Funds		Totals	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	201,008	(78,705)	(57,118)	65,185	(331,038)	
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,929,169	993,468	84,846	5,007,483	2,321,727	
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 4,130,177	\$ 914,763	\$ 27,728	\$ 5,072,668	\$ 1,990,689	
Reconciliation of operating loss to net cash provided by (used for) operating activities:						
Operating income (loss)	\$ 361,008	\$ 320,214	\$ (405,749)	\$ 275,473	\$ (39,082)	
Adjustments to reconcile:						
Depreciation	227,903	231,611	1,728	461,242		
(Increase) decrease in accounts receivable	(150,004)	(3,481)	57,110	(96,375)		
(Increase) decrease in inventory	(40,883)	772	(1,273)	(41,384)		
Increase (decrease) in accounts payable	(25,511)	(8,137)	(571)	(34,219)	(10,042)	
Decrease in claims payable	-	-			(119,234)	
Increase in deferred revenue	-	18,140		18,140		
Increase (decrease) in compensated absences payable	4,745	3,107		7,852		
Increase (decrease) in other liabilities		2,122	14,775	16,897		
Net cash provided by (used for) operating activities	\$ 377,258	\$ 564,348	\$ (333,980)	\$ 607,626	\$ (168,358)	

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

(CONCLUDED)

TOWN OF NORTH KINGSTOWN

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2005

	<u>Police Pension Trust</u>	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
ASSETS:			
Cash and cash equivalents	\$ 80,694	\$ 30,651	\$ 495,551
Investments	3,725,783		
Due from other funds			527,072
Total assets	<u>\$ 3,806,477</u>	<u>\$ 30,651</u>	<u>\$ 1,022,623</u>
LIABILITIES:			
Due to student groups			\$ 257,101
Payroll withholdings			615,718
Deposits held in custody for others			149,804
Total liabilities	<u>\$ 0</u>	<u>\$ 0</u>	<u>1,022,623</u>
NET ASSETS:			
Reserved for principal		30,651	
Reserved for employee retirement	3,806,477		
Total net assets	<u>\$ 3,806,477</u>	<u>\$ 30,651</u>	<u>\$ 0</u>

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF NORTH KINGSTOWN

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended June 30, 2005

	Police Pension Trust	Private Purpose Trust Funds
ADDITIONS:		
Investment income:		
Interest, dividends and gains	\$ 162,281	\$ 221
Net increase (decrease) in fair value of investment	115,518	
Total investment earnings	277,799	221
Less investment expense	19,373	
Net investment earnings	258,426	221
Total additions	258,426	221
DEDUCTIONS:		
Benefits paid	253,133	
Administrative expenses	3,391	
Per trust agreements		1,225
Total deductions	256,524	1,225
CHANGE IN NET ASSETS	1,902	(1,004)
Net Assets - beginning	3,804,575	31,655
Net Assets - ending	\$ 3,806,477	\$ 30,651

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF NORTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting methods and procedures adopted by the Town of North Kingstown, Rhode Island conform to generally accepted accounting principles (GAAP) as applied to governmental entities. The following notes to the basic financial statements are an integral part of the Town's Comprehensive Annual Financial Report.

REPORTING ENTITY

The Town of North Kingstown was incorporated in 1674. The Town is governed largely under the 1954 North Kingstown Home Rule Charter. In some matters, including the issuance of short and long-term debt, the Town is governed by the general laws of the State of Rhode Island. The Town operates under a Town Council form of Government and provides the following services as authorized by its charter: Public Safety (police, fire, civil preparedness, animal control and harbors and wharfs), Public Works (engineering, highways and facilities maintenance), Water Supply, Code Enforcement, Library, Education, Social Services and General Administration Services.

The Town complies with generally accepted accounting principles (GAAP). Generally accepted accounting principles (GAAP) include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide Statement of Net Assets and Statement of Activities, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Enterprise funds also apply the same principles. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 14. Under GASB Statement No. 14, the financial reporting entity includes both the primary government and all of its component units. Component units are legally separate entities that meet any one of the following three tests:

Test 1 - The primary government appoints the voting majority of the board of the potential component unit and

- * is able to impose its will on the potential component unit and/or
- * is in a relationship of financial benefit or burden with the potential component unit;

Test 2 - The potential component unit is fiscally dependent upon the primary government; or

Test 3 - The financial statements would be misleading if data from the potential component unit were not included.

(CONTINUED)

TOWN OF NORTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following entities were considered for classification as component units for fiscal year 2005:

- * North Kingstown School Department
- * North Kingstown Public Library

Although the North Kingstown School Department met certain criteria of the tests listed above, it is not deemed to have separate legal status apart from the Town. As a result, the financial data of the North Kingstown School Department has been included as a major special revenue fund within the Town's financial statements.

The North Kingstown Free Library Corporation, a not for profit agency was formed in July of 1993. The library supports the charitable, scientific and educational purposes of the North Kingstown Library a non-major fund of the Town of North Kingstown. Accordingly, the Library is included as discretely presented component unit in the financial statements of the Town. The North Kingstown Free Library Corporation issued a separate financial statement dated April 20, 2005, for their fiscal year ended December 31, 2004. A copy of this report can be obtained by contacting the North Kingstown Free Library Corporation, 80 Boston Neck Road, North Kingstown, RI, 02852.

Recently Issued Accounting Standards

The Town has implemented GASB Statement No. 40 – Deposits and Investment Risk Disclosures.

The Town will adopt the following new accounting pronouncements in future years:

- ✓ GASB Statement No. 42 – Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries, effective for the Town's fiscal year ending June 30, 2006.
- ✓ GASB Statement No. 45 – Accounting and Financial Reporting by Employees for Post-employment Benefits Other Than Pensions, effective for the Town's fiscal year ending June 30, 2009.
- ✓ GASB Statement No. 46 – Net Assets Restricted by Enabling Legislation an amendment of GASB Statement No. 34, effective for the Town's year ending June 30, 2006.
- ✓ GASB Statement No. 47 – Accounting for Termination Benefits effective for the Town's year ending June 30, 2006.

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

Basis of Presentation

Government-Wide Financial Statements

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

(CONTINUED)

TOWN OF NORTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Fund Financial Statements

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

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

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

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

Special Revenue Funds

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

Capital Project Funds

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

Permanent Funds

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

(CONTINUED)

TOWN OF NORTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds (Continued)

Proprietary Funds

Proprietary funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. Operating revenues of the Proprietary Funds consist of customer/taxpayer charges for uses and services and certain other miscellaneous revenues. All other revenues of the Proprietary Funds are considered non-operating sources of revenue. Operating expenses for the enterprise funds includes costs of providing services, including administration and depreciation on capital assets. All other expense items not meeting the above criteria is reported as non operating expenses. The Town has two internal service funds which are used to pay insurance expenses relating to workers and non workers compensation claims.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest, other than those payable from Enterprise Funds.

Fiduciary Funds (Not included in government-wide statements)

Agency Funds

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

- Student Activity Funds
- Payroll Fund
- Perkins Vocational Ed
- School Payroll Fund
- Developer Surety Escrow

Major and Non-Major Funds

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

<u>Fund</u>	<u>Brief Description</u>
Major:	
General Fund:	See above for description
Special Revenue:	
School Unrestricted Fund	this fund is used to report all financial transactions of the North Kingstown School Department, which are not legally required to be accounted for separately.

(CONTINUED)

TOWN OF NORTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Major and Non-Major Funds (Continued)

Proprietary:

Water Fund	Accounts for the supply of water to the Town
Quonset/Davisville Recreation Fund	Accounts for the golf course operations

<u>Fund</u>	<u>Brief Description</u>
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Non-Major:

Special Revenue:	Beachwood House Senior Center Equipment Escrow, Miscellaneous Federal Grants, State Council on the Arts Grant, Non Civic Detail Escrow Fund, Governor's Justice Commission, Special Purpose Donations, Miscellaneous Senior Citizens Grant, CDBG Grants, Land Dedication Escrow, Fire Alarm Cable, State Elderly Affairs Grant, State Grants – Police Department, Seized and Forfeited Property Escrow, Local Law Enforcement Block Grant, Groundwater Education Donation, RI Resource Protection Project, School Department Substance Abuse Donations, Infrastructure Replacement, URI Septic Loan Program, Community Center Maintenance, Heritage Committee, Senior Center Legislative Grant, Impact Fees, Emergency Medical Services, Welfare Emergency Fund, RIDEM Potowomut Pond Clean-up, Fire Department Legislative Grant, Tax Revaluation Reserve Fund, Miscellaneous State Water Department Grants, Miscellaneous State Grants, Davisville Library Fund, Champlin Foundation Fund, Library Fund, Willet Library Fund, RI Emergency Management, Miscellaneous Library Donations, Wilson Park, Retirement Allowance Reserve Fund, Health Insurance Reserve, Anne Ward Wallou Memorial Garden, Surplus Property Escrow, Old Library Park, Senior Citizens Center, Senior Citizens Bus Gasoline Escrow, Arts Council, Senior Outreach Escrow, Project D.A.R.E., Leisure Services Brochure, Recreation Escrow, Parade Committee, School Public Law 94-142, School Title I, School Title V, School Title II, Drug Free Schools, School Title II Technology, School Preschool Services, School Perkins Vocational Ed, School-Comprehensive School Reform, School Davisville Family Center, School Child Opportunity Zone Family Center, School Substance Abuse, School Literacy Set-Aside, School COZ Miscellaneous Donations, School Even Start Family Literacy, School NKHS Living Democracy School, School Consortium Student Info System, CDBG, School Parent Information Network, School COZ Miscellaneous Donations, School Adult Education Fund, School Summer School Fund, School Sports Camp, School Champlin, School Medicaid, School Support System IDEA, School LCI Enhancing Education through Technology, School SAELP Demonstration Site.
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(CONTINUED)

TOWN OF NORTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Major and Non-Major Funds (Continued)

<u>Fund</u>	<u>Brief Description</u>
Debt Service Fund:	Debt Service Fund, FY 2005 Refunding
Capital Projects:	Capital Reserve, School Capital Reserve Fund, 6.5 School Additions Bond, 6M Public Facilities Plan Bond, Farmland & Open Space Reserve, 2.3M Athletic Facilities Bond Fund, High School Bond Fund
Permanent Funds:	Tri-Centennial Park, 400 th Anniversary, School Updike Fund, School Gardiner Fund, School Library Fund, School Tennis Fund, Henry Reynolds Indigent Care, Henry Reynolds Outside Poor Fund, John J. Spink Outside Poor Fund, Thomas Casey Outside Poor Fund, Elizabeth Miller Library Fund, William D. Davis Library Fund, Veterans Memorial Scholarship, John B. Spink Outside Poor Fund.
Private Purpose Trust Funds:	Hall, Vaughn, Young, Rebecca Hammond, W.H. Welling, George C. Hall, B.H. Davis, Updike, Mary Carpenter, Smith-Lawton, Old Baptist Cemetery, Smith, Lawton, Weeks, E. Rogers/C.Levalley, Cogan, Jones.
Enterprise Funds:	Quonset/Dasiville Reserve Fund, School Lunch Fund

Measurement Focus

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

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

- (a) All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period. The Town considers property taxes as available if they are collected within 60 days after year end.
- (b) All proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.
- (c) Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

(CONTINUED)

TOWN OF NORTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

Basis of Accounting

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

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

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

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

Cash Equivalents

For purposes of the cash flow statement, the proprietary funds consider all investments with original maturities of three months or less when purchased to be cash equivalents.

Accounts Receivable

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include property taxes, other receivables and intergovernmental receivables. Business-type activities report service fees as its major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as property taxes and grants and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivables are based upon historical trends and the periodic aging of accounts receivable. The allowance for uncollectible accounts receivable amounted to \$490,000 at June 30, 2005. Major receivable balances for the governmental activities include property taxes and intergovernmental receivables (30% and 50%, respectively of total governmental receivables). Business-type activities report service fees as its major receivables.

(CONTINUED)

TOWN OF NORTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes

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

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in governmental funds. Open encumbrances at year-end are reported as reservations of fund balance since they do not constitute expenditures or liabilities.

Certain unexpended and unencumbered appropriations for incomplete projects are carried over to succeeding years. Such continuing appropriations are accounted for similar to encumbrances. Other unencumbered appropriations lapse at year end.

Investments

In accordance with GASB No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments are reported at fair value. For fiscal year June 30, 2005, investments are recorded in accordance with GASB No. 40, *Deposits and Investment Risk Disclosures*.

Compensated Absences

Under the terms of various contracts and policies, Town employees are granted vacation and sick leave based on length of service. The Town's policy is to recognize the cost of vacation and sick leave in governmental funds when paid and on the accrual basis in proprietary funds. The amount of earned but unpaid vacation and sick leave relating to governmental fund employees is recorded as long-term debt in the government-wide financial statements.

Judgments and Claims

Liabilities for legal cases and other claims against governmental funds are recorded when the ultimate liability can be estimated and such cases are expected to be liquidated with expendable available financial resources. Proprietary fund types record these liabilities using the accrual basis of accounting.

Inventory

Proprietary fund inventory is stated at cost (first-in, first-out). Inventory consists primarily of materials and supplies. Inventory maintained in governmental funds is recorded as expenditures at the time of purchase.

(CONTINUED)

TOWN OF NORTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, Plant and Equipment

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

Government-Wide Financial Statements

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

As of June 30, 2005, the Town's infrastructure assets placed in service prior to July 1, 2002 have not been capitalized and reported within the financial statements. The Town is in the process of developing the information necessary to report all pre-existing infrastructure assets (including roads) within its future financial statements.

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

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

Buildings	10 – 50 years
Equipment.....	3 – 20 years
Property and leasehold improvements	5 – 10 years
Furniture.....	5 – 10 years
Vehicles and golf carts.....	3 – 4 years

Fund Financial Statements

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

Bond Issuance Costs

Bond issuance costs are amortized on a straight-line basis over 20 years. The total bond issuance costs as of June 30, 2005 were \$306,777. The accumulated amortization through June 30, 2005 was \$2,556.

Deferred Charge on Bond Refunding

The deferred charge on refunding is amortized on a straight-line basis over 20 years. The total deferred charge on refunding as of June 30, 2005 was \$1,890,215. The accumulated amortization as of June 30, 2005 was \$16,178 in accordance with GASB Statement 23.

(CONTINUED)

TOWN OF NORTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unearned Revenue

In the government-wide financial statements, unearned revenue represents funds received in advance of being earned/owed or receivables which will be collected and included in revenues of future fiscal years. In the General Fund, (of the financial statements), unearned revenue include property tax receivables which are assessed on December 31, 2003 and prior and are not collected within 60 days of June 30, 2005. Net unearned taxes included in the fund financial statements were \$2,937,946.

Interfund Transactions

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

- Reciprocal interfund activities:
 - Interfund loans are reported as interfund receivables in the lending fund and interfund payables in borrower funds.
 - Interfund services are reported as revenues in the seller fund and as expenditures on expenses in the purchasing fund.
- Non-reciprocal interfund activities:
 - Interfund transfers are reported in governmental funds as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers. In proprietary funds, transfers are reported after nonoperating revenues and expenses.
 - Interfund reimbursements are repayments from the fund responsible for particular expenditures or expenses to other funds that initially paid for them. Reimbursements are not displayed separately within the financial statements.
 - Interfund transactions are accounted for as expenditures/expenses when they constitute reimbursements from one fund to another. These transactions are recorded as expenditures/expenses in the reimbursing fund and are recorded as reductions of expenditures/expenses in the fund receiving the reimbursement. All other interfund transactions are reported as transfers.

Self-Insurance

The Town's self-insurance costs for health and general liabilities are accounted for in the Town's internal service funds. Claims incurred but not paid, including those which have not been reported, are accounted for as expenses and accrued claims in those funds when a liability has been incurred.

(CONTINUED)

TOWN OF NORTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity Classifications

Government-Wide Statements

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

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

Fund Financial Statements

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

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense." The details of this \$(1,326,668) difference are as follows:

Capital outlays (net of disposals).....	\$ 392,646
Depreciation expense	<u>(1,719,314)</u>
Net adjustment.....	<u>\$(1,326,668)</u>

(CONTINUED)

TOWN OF NORTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Another element of that reconciliation states that "the issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net assets." The details of this \$1,901,877 difference are as follows:

Decrease in accrued interest.....	\$ 325,553
Cost of issuance	306,777
Deferred charges	1,890,215
Refunding premium.....	(606,992)
Amortization expense	<u>(13,676)</u>
Net adjustment.....	<u>\$ 1,901,877</u>

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Legal Debt Margin

The Town's legal debt margin as set forth by State Statute is limited to three percent of total assessed value which approximates \$54,000,000. As of June 30, 2005, the Town had \$652,411 of debt outstanding subject to the Maximum Aggregate Indebtedness provision (3% Debt Limit) of the Rhode Island General Laws 45-12-2. All other Town debt has been incurred through special statutory authority which consists of approval by the legislature and voter referendum.

3. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2005 was as follows:

	<u>PRIMARY GOVERNMENT</u>			
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<i>Governmental activities:</i>				
<i>Capital assets not being depreciated:</i>				
Library collections	\$ 2,912,429			\$ 2,912,429
Land	5,372,113			5,372,113
<i>Total capital assets not being depreciated</i>	<u>\$ 8,284,542</u>			<u>\$ 8,284,542</u>
<i>Other capital assets:</i>				
Buildings	\$46,646,205	\$ 187,942	\$ 0	\$46,834,147
Equipment.....	9,007,924	204,704	70,458	9,142,170
<i>Total other capital assets at historical cost</i>	<u>55,654,129</u>	<u>392,646</u>	<u>70,458</u>	<u>55,976,317</u>
Less: accumulated depreciation for:				
Buildings	(12,173,988)	(1,100,266)		(13,274,254)
Equipment.....	(5,722,191)	(619,048)	70,458	(6,270,781)
<i>Total accumulated depreciation</i>	<u>(17,896,179)</u>	<u>(1,719,314)</u>	<u>70,458</u>	<u>(19,545,035)</u>

(CONTINUED)

TOWN OF NORTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

3. CAPITAL ASSETS (Continued)

	PRIMARY GOVERNMENT			
	Beginning Balance	Increases	Decreases	Ending Balance
Other capital assets, net	37,757,950	(1,326,668)	(0)	36,431,282
Governmental activities capital assets, net	\$46,042,492	\$(1,326,668)	\$(0)	\$44,715,824
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 584,470			\$ 584,470
Total capital assets not being depreciated	<u>\$ 584,470</u>			<u>\$ 584,470</u>
Other capital assets:				
Buildings	\$ 8,696,355			\$ 8,696,355
Property and leasehold improvements	525,672	\$67,542		593,214
Furniture and equipment.....	1,992,759	107,350		2,100,109
Vehicles and golf carts.....	739,863	165,250	\$(189,804)	715,309
Construction in progress.....		268,413		268,413
Total other capital assets at historical cost	<u>11,954,649</u>	<u>608,555</u>	<u>(189,804)</u>	<u>12,373,400</u>
Less: accumulated depreciation for:				
Buildings	(4,752,401)	(255,485)		(5,007,886)
Property and leasehold improvements	(573,665)	(28,995)		(602,660)
Furniture and equipment.....	(1,332,131)	(72,434)		(1,404,565)
Vehicles and golf carts.....	(654,948)	(104,328)	189,804	(569,472)
Total accumulated depreciation	<u>(7,313,145)</u>	<u>(461,242)</u>	<u>189,804</u>	<u>(7,584,583)</u>
Other capital assets, net	<u>4,641,504</u>	<u>147,313</u>	<u>0</u>	<u>4,788,817</u>
Business-type activities capital assets, net	<u>\$ 5,225,974</u>	<u>\$ 147,313</u>	<u>\$ 0</u>	<u>\$ 5,373,287</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 54,448
Public safety	233,852
Public works	162,201
Education	1,177,232
Parks and recreation.....	13,883
Public libraries.....	71,922
Senior services	5,776
Total governmental activities depreciation expense	<u>\$1,719,314</u>
Business-type activities:	
Major Funds:	
Water	\$ 227,903
Quonset/Davisville Recreation.....	231,611
Non-major enterprise funds	1,728
Total business-type activities depreciation expense	<u>\$ 461,242</u>

(CONTINUED)

TOWN OF NORTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

4. PROPERTY TAXES

The Town is responsible for assessing, collecting, and distributing property taxes in accordance with enabling state legislation.

Net property taxes levied for the fiscal year 2005 were based on a net assessed value of approximately \$3,526,000,000 at December 31, 2003 and amounted to \$51,486,719. Collections through June 30, 2005 amounted to \$50,430,577, which represents approximately 97.95% of the total tax levy.

The Town recognizes property tax revenues in accordance with Section P70, "Property Taxes" of the Codification of Governmental Accounting and Financial Reporting Standards on the Fund statements. Unpaid property taxes as of June 30, 2005 (\$1,133,405) are recorded as a receivable, net of an allowance for uncollectible property taxes of \$490,000. Those net property taxes receivable which were not collected within the 60 days immediately following June 30, 2005 are recorded as deferred revenue and amounted to \$758,884 at June 30, 2005. Property taxes recognized as revenue on the Fund statements for the fiscal year ended June 30, 2005 (due to their collection within the 60 days immediately following June 30, 2005) amounted to \$376,514.

On June 30, 2005, the Town levied property taxes for its next fiscal year based on the December 31, 2004 assessment as follows (unaudited):

	<u>Taxable Assessment</u>	<u>Exemptions</u>	<u>Net Taxable Assessments</u>	<u>Rate Per \$1,000</u>	<u>Net Levy</u>
Real property	\$3,401,172,700	\$ 63,005,302	\$3,338,167,398	\$14.85	\$49,600,195
Motor vehicle	250,051,917	105,470,908	144,581,009	22.04	3,141,134
Tangible property.....	86,288,720	553,466	85,735,254	14.85	1,274,109
Total.....	<u>\$3,737,513,337</u>	<u>\$169,029,676</u>	<u>\$3,568,483,661</u>		<u>\$54,015,438</u>

Taxes are due in equal quarterly installments on July 1, October 1, January 1, and April 1 during the fiscal year.

5. DEPOSITS

CASH AND INVESTMENTS

The State of Rhode Island requires, that certain uninsured deposits be collateralized. Section 35-10.1-7 of the General Laws of the State of Rhode Island, dealing with the collateralization of public deposits, requires that all time deposits with maturities of greater than 60 days and all deposits in institutions that do not meet the minimum capital requirements of its Federal regulator must be collateralized.

At June 30, 2005, the carrying amount of the Town's deposits was \$29,747,389, (including Fiduciary Funds) while the bank balance was \$29,740,629. Of the balance, \$500,000 was covered by federal depository insurance and \$29,240,629 was uninsured. The Town has entered into collateralization agreements with various financial institutions and as a result, \$22,727,728 of the uninsured balance at June 30, 2005 was collateralized by securities held by the financial institutions and/or third parties in the name of the Town. The remaining uninsured balance of \$6,512,901 was held in other accounts that were not covered by collateralization agreements.

(CONTINUED)

TOWN OF NORTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

5. DEPOSITS (Continued)

Reconciliation to Government-wide Statement of Net Assets:

Unrestricted cash, including time deposits	\$29,747,389
Less: Fiduciary funds cash, including time deposits (not included in the government-wide statement)	(606,896)
Total cash and cash equivalents on A-1	<u>\$29,140,493</u>

6. INVESTMENTS

At June 30, 2005 the Town's investments totaled \$3,725,783 (including those held in Fiduciary Funds) and consisted of the following:

	<u>Fair Value</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Rating</u>
Mutual Funds	\$ 456,614	n/a	n/a	not rated
Asset Backed Securities	357,988	2.54 – 5.41%	2/9/2009 - 7/10/2039	AAA
Foreign Bonds	47,176	3.96 - 5.27%	4/20/2006 - 2/27/2012	A2
Foreign Bonds	55,722	5.38%	9/15/2029	A1
Foreign Bonds	25,960	8.78%	1/30/2008	A3
Corporate Bonds.....	71,606	4.88%	9/15/2014	AA1
Corporate Bonds.....	41,775	5.74%	called	na
Corporate Bonds.....	143,997	2.11 – 6.00%	4/15/2006 - 9/30/2015	AA3
Corporate Bonds.....	114,624	2.12 - 5.47%	5/1/2008 - 3/15/2032	AAA
Corporate Bonds.....	342,744	1.86 – 6.31%	8/25/2009 – 11/1/2032	A2
Corporate Bonds.....	10,822	5.54%	7/1/2012	BAA1
Corporate Bonds.....	279,280	3.54 – 6.81%	11/1/2008 - 4/1/2033	A1
Corporate Bonds.....	226,798	2.34 - 6.71%	9/10/2007 – 1/18/2031	A3
Corporate Bonds.....	10,378	5.42%	8/15/2014	BAA2
Corporate Bonds.....	14,612	7.57%	2/1/2011	BAA3
Federal National Mortgage Assoc.	9,772	3.33%	2/15/2009	AAA
Federal Home Loan Mtge Corp.	189,024	3.90 - 4.95%	1/12/2009 - 11/13/2004	AAA
United States Treasury Notes	1,084,991	1.88 – 4.15%	8/31/2005 - 2/15/2015	AAA
United States Treasury Bonds	241,900	4.55%	2/15/2031	AAA
Total investments	<u>\$ 3,725,783</u>			

Interest Rate Risk

As noted above, approximately 88% of the Town's investments are in long-term Corporate and Government Bonds which have interest rates that are fixed for long periods and are subject to more variability in their fair value as a result of future changes in interest rates. The remaining 12% of the investments are held in common stock and mutual funds. These investments do not specify an interest rate rather the rate of return is dependent on operating results and economic conditions.

(CONTINUED)

TOWN OF NORTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

6. INVESTMENTS (Continued)

Concentration of Credit Risk

At June 30, 2005 the Town had a diversified portfolio and was not deemed to be concentrated in any one investment category. Although 12% of the investments were held in common stock and mutual funds, these investments were in a wide range of companies and various industries enabling the Town to minimize its risk.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of financial institution failure, the Town's deposits and/or investments may not be returned. The Town does not believe that it has a significant custodial credit risk as substantially all investments securities are registered and held in the name of the Town. The Town also ensures that all deposits greater than \$100,000 are collateralized.

7. LONG-TERM LIABILITIES

(a) Long-Term Liability Activity

Long-term liability activity for the year ended June 30, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Long-term debt:					
General obligation debt.....	\$47,904,043	\$30,360,000	\$(32,079,194)	\$46,184,849	\$3,624,191
Total long-term debt	<u>47,904,043</u>	<u>30,360,000</u>	<u>(32,079,194)</u>	<u>46,184,849</u>	<u>3,624,191</u>
Other long-term liabilities:					
Compensated absences, as restated.....	<u>2,051,604</u>	\$ 1,134,790	(1,203,669)	1,982,725	100,000
Total other long-term Liabilities, as restated	<u>2,051,604</u>	<u>1,134,790</u>	<u>(1,203,669)</u>	<u>1,982,725</u>	<u>100,000</u>
Governmental activities:					
Long-term liabilities.....	<u>\$49,955,647</u>	<u>\$31,494,790</u>	<u>\$(33,282,863)</u>	<u>\$48,167,574</u>	<u>\$3,724,191</u>

(CONTINUED)

TOWN OF NORTH KINGSTOWN, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

7. LONG-TERM LIABILITIES (Continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Business-type Activities:					
Long-term debt:					
General obligation debt	\$ 785,402		\$(132,993)	\$652,409	\$138,873
Total long-term debt	<u>785,402</u>		<u>(132,993)</u>	<u>652,409</u>	<u>138,873</u>
Other long-term liabilities:					
Compensated absences	96,939	\$78,921	(71,069)	104,791	15,620
Total other long-term liabilities....	<u>96,939</u>	<u>78,921</u>	<u>(71,069)</u>	<u>104,791</u>	<u>15,620</u>
Business-type activities:					
Long-term liabilities	\$ 882,341	\$78,921	\$(204,062)	\$757,200	\$154,493

Payments on all long-term debt and other long-term liabilities that pertain to the Town's governmental activities are made by the Debt Service Fund and General Fund.

(b) Debt Maturity

Debt service requirements at June 30, 2005 were as follows:

GOVERNMENTAL ACTIVITIES

General Obligation Debt

Year Ended June 30,	Principal	Interest
2006	\$ 3,624,191	\$ 1,802,837
2007	3,219,192	1,732,804
2008	3,109,191	1,623,457
2009	2,999,192	1,516,654
2010	2,974,191	1,409,279
2011 - 2015	12,670,958	5,455,149
2016 - 2020	9,807,934	2,962,400
2021 - 2025	6,555,000	1,073,306
2026	1,225,000	30,626
Total	<u>\$46,184,849</u>	<u>\$17,606,512</u>

(CONTINUED)

TOWN OF NORTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

7. LONG-TERM LIABILITIES (Continued)

BUSINESS-TYPE ACTIVITIES

Year Ended June 30,	General Obligation Debt	
	Principal	Interest
2006	\$ 138,873	\$ 31,934
2007	145,006	24,542
2008	30,808	16,782
2009	30,808	15,565
2010	30,808	14,332
2010 - 2014	154,043	52,380
2015 - 2019	122,063	17,910
Total	<u>\$652,409</u>	<u>\$173,445</u>

(CONTINUED)

TOWN OF NORTH KINGSTOWN, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

7. LONG-TERM LIABILITIES (Continued)

General long-term liabilities consists of the long-term liabilities that are not recorded as fund liabilities (i.e., debt of the proprietary fund). Amounts are as follows:

	Date of Issue	Amount Issued	Interest Rate	Maturity Date	Balance Outstanding 6/30/04	Additions	Retirements	Balance Outstanding 6/30/05
General obligation debt:								
\$7.885M GOB 1998 Series A	12/15/98	\$ 7,885,000	3.7 – 6%	12/15/99 – 18	\$ 5,910,000		\$ 395,000	\$ 5,515,000
Less: Q/D recreation portion of bond					(460,957)		(30,806)	(430,151)
\$3.3M GOB 1998 Series B								
Refunding Bond	12/15/98	3,300,000	3.0 – 5.5%	7/15/99 – 07	1,005,000		440,000	565,000
\$800,000 Bond	12/15/92	800,000	6.3 – 8.5%	12/15/92 – 06	225,000		65,000	160,000
\$5.95 M GOB	5/15/96	5,950,000	5.0 – 6.0%	8/01/97 – 11	3,160,000		2,765,000	395,000
\$1.505 M GOB	6/15/99	1,505,000	4.8 – 7.0%	6/15/00 – 19	1,255,000		55,000	1,200,000
\$33M GOB	12/1/99	33,000,000	5.25 – 5.875%	10/01/01 – 25	29,040,000		27,720,000	1,320,000
\$3.835 M GOB	9/15/00	3,835,000	4.75 – 6.5%	9/15/01 – 21	3,250,000		195,000	3,055,000
\$3.845 M GOB	6/15/01	3,845,000	3.75 – 5.5%	6/15/02 – 16	3,020,000		275,000	2,745,000
\$1.9 M GOB	12/15/01	1,900,000	3.5 – 4.35%	12/15/02 – 11	1,500,000		200,000	1,300,000
\$30.360 M Refunding bond	4/21/05	30,360,000	3 – 5%	10/1/05 – 26	0	\$30,360,000	0	30,360,000
Total general obligation debt.....		<u>92,380,000</u>			47,904,043	30,360,000	32,079,194	46,184,849
Other long-term liabilities:								
Compensated absences					2,051,604	1,134,790	1,203,669	1,982,725
Total long-term liabilities ..		<u>\$92,380,000</u>			\$49,955,647	\$31,494,790	\$33,282,863	\$48,167,574

Total interest expense paid on general long-term liabilities for the year ended June 30, 2005 was approximately \$2,564,590.

(CONTINUED)

TOWN OF NORTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

7. LONG TERM LIABILITIES (Continued)

(c) Advance and Current Refundings

During the fiscal year the Town issued \$30,360,000 of general obligation bonds for the advance refunding of \$28,770,000 of two public improvement and school improvement bonds. The proceeds of the refunding bonds were deposited into an irrevocable escrow trust. The trust is held by an independent trustee and is invested in obligations of the United States Government which mature and bear interest in such amounts and at such times as will be sufficient to pay the principal and interest of the defeased bonds upon maturity. Accordingly, the escrow trust fund, as well as the defeased bonds, are not reflected in the financial statements of the Town of North Kingstown, Rhode Island. The advance refundings resulted in a reduction of total debt service payments of \$2,200,000 and a present value economic gain of \$1,453,000.

As of June 30, 2005, the in-substance defeased bonds outstanding were as follows. This debt as well as the escrow trust fund assets are not reflected in the financial statements of the Town.

General Obligation bond - 12/1/99	\$26,400,000
General Obligation bond - 5/15/96	<u>2,370,000</u>
Total defeased bonds	<u>\$28,770,000</u>

8. INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances at June 30, 2005 are as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 672,323	<u>\$3,549,147</u>
Special Revenue Funds:		
Community Development Block Grants		18,635
State Elderly Affairs Grant		4,600
Library Fund	99,136	
School Unrestricted Fund	2,693,717	855,611
Noncivic Detail Escrow Fund		100,182
RI Resource Protection Project		5,711
Miscellaneous State Water Dept. Grants		7,625
Miscellaneous Federal Grants		368,602
Title I		150,027
School Public law 94-142		142,431
School Preschool Services		12,914
Perkins vocational Ed		11,225
Davisville Family Center		7,227
RI Parent Info Network		1,934
Even Start Family Literacy		7,456
NKHS Lvinging Democracy		4,436
Coz Family Center		10,167
RI Emergency Management		76,069
Comprehensive School Reform		3,049
Title II		26,828
Title V		1,368
Title II Technology		<u>27,732</u>
Total special revenue funds	<u>2,792,853</u>	<u>1,843,829</u>

(CONTINUED)

TOWN OF NORTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

8. INTERFUND RECEIVABLES AND PAYABLES (Continued)

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Debt service fund	937,508	
Enterprise funds – Non-major		14,775
Fiduciary Funds:		
Payroll Fund.....		8,539
School Payroll Fund.....	535,611	
Total fiduciary funds	535,611	8,539
Capital Projects:		
Farmland Preservation bond		90,900
School Capital Reserve Fund	568,895	
Total capital projects	568,895	90,900
TOTALS	<u>\$5,507,190</u>	<u>\$5,507,190</u>

9. FUND EQUITY

(a) Reserves and Designations

Reservations and designations of fund balances at June 30, 2005 were as follows:

General Fund:	
Reserved for encumbrances.....	\$1,332,414
Reserved for COPS Grant	86,874
Designated for future expenditures.....	870,000
School Unrestricted Fund:	
Reserved for COPS grant.....	45,534
Reserved for encumbrances.....	883,289
Designated for future expenditures.....	180,000
Debt Service Fund:	
Reserved for debt service	1,138,700
Fiduciary Fund Types:	
Reserved for trust principal.....	30,651
Reserved for employee retirement system	3,806,477
Total reservations and designations of fund balances	<u>\$8,373,939</u>

(CONTINUED)

TOWN OF NORTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

9. FUND EQUITY (Continued)

(b) Operating Transfers In and Out

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds:		
General fund	\$ 847,500	\$40,955,091
School unrestricted fund	35,803,958	320,000
Quonset/Davisville Recreation Fund		375,000
Water	240,138	
Non-major Funds:		
Special revenue funds	1,289,357	960,877
Debt service fund	4,182,418	617,011
School capital reserve.....	1,117,011	416,880
Capital reserve	375,000	
Internal service.....		210,523
Totals	<u>\$43,855,382</u>	<u>\$43,855,382</u>

10. BONDS AUTHORIZED BUT UNISSUED

Bonds authorized but unissued at June 30, 2005 are as follows:

Open Space/Farmland Bonds	\$ 2,840,000
Public Facilities Plan Bonds.....	1,290,000
Library	350,000
2004	<u>9,000,000</u>
Total	<u>\$13,480,000</u>

11. DEFINED BENEFIT PENSION PLANS

(a) General Municipal Employees' Pension Plan

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

The payroll for employees covered by the System for the year ended June 30, 2005 was approximately \$11,000,000 and the Town wide payroll was approximately \$43,100,000.

(CONTINUED)

TOWN OF NORTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

11. DEFINED BENEFIT PENSION PLANS (Continued)

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

Plan Description

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

Contributions Required and Contributions Made

General employees were required by State Statute to contribute 7% of their annual earnings until the maximum benefit (75 percent of final average salary) is accrued. The Town is required to contribute based on an actuarially computed amount and as provided by State Statute for each participating municipality. The actuarial method used is the entry age normal cost with part of each municipality's unfunded actuarial liability funded over a closed thirty year amortization period and the balance funded over the projected future payroll of active members. Due to large fluctuations in the contribution rates of certain municipalities, the plan has adopted a procedure which would allow a unit the option of paying a smoothed contribution rate. The smoothed contribution rate equals the previous fiscal year's contribution rate plus the greater of 2 percent or one eighth of the increase in contribution rate plus the cost of any benefit improvements. The actuarially determined contribution amount for the Town was determined as described above and was based on an actuarial valuation as of June 30, 2002.

The annual required contribution for the Town which equals the annual pension cost for the year ended June 30, 2005 was approximately \$642,000 for general employees. This contribution represents 5.99% of covered payroll. General municipal employees were required to contribute approximately \$765,000. This contribution represents 7% of covered payroll.

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

Trend Information

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2003	\$ 0	100%	\$0
2004	\$200,425	100%	\$0
2005	\$642,000	100%	\$0

(CONTINUED)

TOWN OF NORTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

11. DEFINED BENEFIT PENSION PLANS (Continued)

Trend Information

Trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the State of Rhode Island's Employee Retirement System's June 30, 2004 annual financial report, which may be obtained from the administrative offices of the State of Rhode Island Retirement Board, 40 Fountain Street, Providence, Rhode Island. This report is the most recent report available from the State who administers the Plan.

(b) Police and Fire Pension Plans

Town of North Kingstown Police Pension Fund Plan Description

All retired police department personnel as of June 30, 1996 are covered by the Town of North Kingstown PERS. The Police Pension Fund is a single-employer defined benefit pension plan that was established by the Town in accordance with state statutes. Included in the plan are only 11 retired, 4 disabled and 4 beneficiaries. All active participants as of July 1, 1996 were transferred into the Employee's Retirement System of the State of Rhode Island.

As of June 30, 2005 employee membership data related to the pension plan is as follows:

Retirees and beneficiaries	19
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The following eligibility and benefit provisions are established or amended by the Administrator of the Plan, the Town of North Kingstown. The publicly available financial report may be obtained by writing to the Town of North Kingstown, 80 Boston Neck Road, North Kingstown, RI 02852-5767.

The pension plan provides pension benefits, disability and survivorship benefits. A member may retire the first day of the month following the attainment of age 55 or completion of 20 years of service, if earlier. Benefits vest 100% after 10 years of service.

Compensation averaged over the 3 consecutive years out of the last 10 years producing the highest average prior to termination of employment or normal retirement date is used in determining pension benefits.

Upon the death of any regular and permanent police official or officer, 67.5% of the benefits paid to such policeman shall be paid to his dependent widow for her lifetime until she remarries or, if there is no widow or the widow remarries, then to his dependent children until they attain the age of eighteen.

The Police Pension Fund is presented on the accrual basis of accounting. Investment income is recognized as earned by the pension plan. Investments are valued at fair value. Neither the Town nor any individual employee is contributing to this plan.

(CONTINUED)

TOWN OF NORTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

11. DEFINED BENEFIT PENSION PLANS (Continued)

(b) Police and Fire Pension Plans (Continued)

Town of North Kingstown Police Pension Fund Plan Description (Continued)

The actuarial method used is the Entry Age Normal Actuarial Cost Method.

The net pension obligation was determined as part of an actuarial valuation at July 1, 2003. Significant actuarial assumptions used include:

- a) Rate of return on investment of present and future assets compounded annually 7.5%
 - b) Projected salary increases attributable to inflation N/A
 - c) Pre and post mortality tables 1994 Group Annuity Mortality Table.
 - d) Assumed retirement age Later of attainment of age 50 or the completion of 20 years of service. Participants who are past this age are assumed to retire immediately.
 - e) Disability N/A
 - f) Cost of living increase None
- No changes in actuarial assumptions have occurred since the prior valuation.

Required Supplementary Information

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/03	\$0	N/A	\$0
6/30/04	\$0	N/A	\$0
6/30/05	\$0	N/A	\$0

Ten-year historical trend information is disclosed in the supplemental section of this report.

(CONTINUED)

TOWN OF NORTH KINGSTOWN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

11. DEFINED BENEFIT PENSION PLANS (Continued)

(b) Police and Fire Pension Plans (Continued)

Municipal Police and Fire Pension Fund Plans

The Town of North Kingstown participates in the Municipal Employees' Retirement System of the State of Rhode Island ("System"), an agent multiple employer defined benefit plan. The System includes a normal plan for general employees and both a normal and optional plan for police and fire personnel. All active participants as of July 1, 1996 were transferred into the Employee's Retirement System of the State of Rhode Island. All full-time police and fire personnel participate in the System.

The payroll for police and fire personnel covered by the System for the year ended June 30, 2005 was approximately \$2,417,000 and \$3,279,000, respectively. The Town wide payroll was approximately \$43,100,000.

Basis of Accounting

The financial statements of the MERS are prepared in accordance with generally accepted accounting principles using the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when incurred. Dividend income is recorded on the ex-dividend date. Interest income is accrued daily.

Plan Description

The following eligibility and benefit provisions are established by State Statute. The System provides the following retirement benefits to employees at or after age 55 with 10 years of service or after 25 years of service with no restriction on age:

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

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

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

(CONTINUED)

TOWN OF NORTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

11. DEFINED BENEFIT PENSION PLANS (Continued)

(b) Municipal Police and Fire Pension Plans (Continued)

Contributions Required and Contributions Made

Police and fire personnel are required by State Statute to contribute 9% until the maximum benefit (75 percent of final average salary) is accrued. The Town is required to contribute based on an actuarially computed amount and as provided by State Statute for each participating municipality. The actuarial method used is the entry age normal cost with part of each municipality's unfunded actuarial liability funded over a closed thirty year amortization period and the balance funded over the projected future payroll of active members. Due to large fluctuations in the contribution rates of certain municipalities, the plan has adopted a procedure which would allow a unit the option of paying a smoothed contribution rate. The smoothed contribution rate equals the previous fiscal year's contribution rate plus the greater of 2 percent or one eighth of the increase in contribution rate plus the cost of any benefit improvements. The actuarially determined contribution amount for the Town was determined as described above and was based on an actuarial valuation as of June 30, 2002.

The annual required contribution for police and fire personnel for the Town which equals the annual pension cost for the year ended June 30, 2005 was approximately \$858,500. These contributions represent 14.46% of covered payroll for fire personnel and 15.90% for police personnel. Police and fire personnel were required to contribute approximately \$217,600 and \$295,100, respectively. This contribution represents 9% of covered payroll.

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

Trend Information

Municipal Police Pension Plan:

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2003	\$ 7,375	100%	\$0
2004	\$187,158	100%	\$0
2005	\$384,360	100%	\$0

Municipal Fire Pension Plan:

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2003	\$204,137	100%	\$0
2004	\$339,240	100%	\$0
2005	\$474,140	100%	\$0

Trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the State of Rhode Island's Employee Retirement System's June 30, 2004 annual financial report, which may be obtained from the administrative offices of the State of Rhode Island Retirement Board, 40 Fountain Street, Providence, Rhode Island. This report is the most recent report available from the State, who administers the Plan.

(CONTINUED)

TOWN OF NORTH KINGSTOWN, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

11. DEFINED BENEFIT PENSION PLANS (Continued)

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

	General Municipal Employees <u>Pension Plan</u>	Municipal Police and Fire <u>Pension Plan</u>
Valuation Date	6/30/04	6/30/04
Actuarial Cost Method.....	Entry Age Normal Cost	Entry Age Normal Cost
Amortization Method.....	Level Percent Closed	Level Percent Closed
Remaining Amortization Period	27 years	27 years
Asset Valuation Method	5-year Smoothed Market Value	5-Year Smoothed Market Value
Actuarial assumptions:		
Investment rate of return.....	8.25%, compounded annually	8.25%, compounded annually
Projected Salary Increases	4.50% - 9.00%, compounded annually	5.0% - 15.5%, compounded annually
Cost-of-living Adjustments	3.0% not compounded	3%, not compounded, beginning on the January 1 following participant's retirement
Inflation Adjustments.....	3.0%	3.0%
Participant Information	Active Employees 395	Active Employees 129
	Retirees and beneficiaries 131	Retirees and beneficiaries 64
	<u>526</u>	<u>193</u>

Note: COLA C was put into place for General Municipal Employees.
 Fire and Police have adopted COLA Plan C and 20 year optional Police and Fire Plan.

(CONTINUED)

TOWN OF NORTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

11. DEFINED BENEFIT PENSION PLANS (Continued)

(c) Teacher's Pension Plan

All North Kingstown School Department certified school personnel participate in the Employees' Retirement System of the State of Rhode Island ("System"), a cost-sharing multiple-employer defined benefit plan. The payroll for employees covered by the System for the year ended June 30, 2005 was approximately \$23,861,500, which consisted of approximately \$542,000 for employees charged to federal programs and approximately \$23,319,500 for all other employees. The School Department's total payroll was approximately \$32,539,000. The Town wide payroll for the year ended June 30, 2005 was approximately \$43,100,000

Plan Description

The following eligibility and benefit provisions are established by State Statute. All North Kingstown School Department certified school personnel are eligible to participate in the System if they are certified by the Board of Regents, engaged in teaching as principal occupation, and are regularly employed on at least a half time basis. Employees who retire at or after age 60 with 10 years of credited service or after 28 years of credited service regardless of age are entitled to a retirement benefit. The retirement benefit is equal to 1.7 percent of their final average salary for each year of credited service up to 10 years, plus 1.9 percent of their final average salary in excess of 10 years through 20 years, plus 3.0 percent of their final average salary in excess of 20 years up to the 34th year of service, plus 2.0 percent of their final average salary for the 35th year, up to a maximum benefit of 80 percent of their final average salary. Final average salary is the three highest consecutive years of earned salary exclusive of overtime, bonuses, or severance pay. Employees are vested in their retirement benefits on completion of 10 years of service. Retirees' benefits are adjusted annually by 3 percent compounded to allow for increases in cost of living. Cost of living adjustments begin on the January 1st following the third anniversary of an employee's retirement. There were no changes in the method, and assumptions in the June 30, 2004 actuarial valuation to determine plan cost. The System also provides death and disability benefits. The System also provides pre-retirement benefits at a minimum of 17% of salary for non-occupational disabilities after 5 years of service and at 67% of salary for occupational disabilities regardless of service. Surviving spouses are also eligible for both pre and post-retirement benefits with minimum amounts established under varying circumstances.

Funding Policy

Rhode Island general laws set the contribution rates for participating plan employees at 9.5% of salary. Annual contributions by both employers and the State on behalf of those employees are determined by actuaries and assessed as a percentage of participants' payroll. The School Department was required to contribute 8.72%, 7.99%, and 6.93% for all full-time employees for fiscal years 2005, 2004, and 2003, respectively. The required contributions include (a) normal costs; (b) payments to amortize the unfunded frozen actuarial accrued liability as of July 1, 1985 over 30 years; and (c) interest on the unfunded frozen actuarial liability. Normal cost is determined using the entry age normal cost method with frozen initial liability. A variety of significant actuarial assumptions are used and these assumptions are summarized below:

- (a) **Mortality** – 1994 Uninsured Pensioner mortality tables.
- (b) **Investment return** – 8.25 percent, compounded annually.
- (c) **Salary increase** - Salaries will increase at a rate of 4.25 – 16.75 percent, compounded annually.
- (d) **Retirement age** - Teachers are assumed to retire at the later of age 61 or completion of the service requirements.
- (e) **Cost of living adjustments** – 3.0 percent compounded annually beginning on the January 1st following a participant's third anniversary of retirement.
- (f) **Inflation rate** – 3.0 percent

(CONTINUED)

TOWN OF NORTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

11. DEFINED BENEFIT PENSION PLANS (Continued)

(c) Teacher's Pension Plan (Continued)

Funding Policy (Continued)

As prescribed by Rhode Island general law, the State pays the entire portion of the annual required contribution attributable to the costs of contributions deferred by the State in prior years plus 40% of contributions assessed to employers on payroll not reimbursable through Federal programs. For fiscal year 2005, actuarial required contributions were 8.72% of the participant's salary. This resulted in a contribution paid by the State on behalf of the School Department totaling \$1,482,057 for the fiscal year ended June 30, 2005.

The School Department does not have any investments or related party investments with the State Plan. The School Department's contribution represented 2.70 percent of total contributions required of all participating entities.

The amounts contributed to the plan are as follows:

<u>Years Ending June 30,</u>	<u>Employee</u>	<u>Town's Portion of Annual Required Contributions</u>	<u>Percentage Contributed</u>
2005	\$2,266,850	\$2,032,960	100%
2004	\$2,182,010	\$1,795,320	100%
2003	\$2,080,241	\$1,486,295	100%

In accordance with GASB 27, "Accounting for Pensions by State and Local Governmental Employers," the School Department has determined that there is no net pension obligation relating to the funding requirements of the plan.

Trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the State of Rhode Island's Employee Retirement System's June 30, 2004 annual financial report, which may be obtained from the administrative offices of the State of Rhode Island Retirement Board, 40 Fountain Street, Providence, Rhode Island. This report is the most recent report available from the State who administers the Plan.

12. POST RETIREMENT BENEFITS

In addition to the pension benefits described in Note 11, the Town provides post employment benefits (health insurance) in accordance with union contracts and Town personnel policies. These benefits, by employee group, are described below.

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.

(CONTINUED)

TOWN OF NORTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

12. POST RETIREMENT BENEFITS (Continued)

Other Municipal Employees

The Town is obligated to provide health insurance coverage for certain retirees until the retiree or spouse obtains an alternative health insurance plan.

Fire Department 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.

The expenditures for these post retirement benefits are recognized on a pay-as-you-go basis as the monthly premiums for the benefits become due. During the year ended June 30, 2005, expenditures of \$732,739 were recognized for post retirement benefits. Of this amount, \$317,406 was paid for health insurance for 27 fire department retirees, \$174,977 was paid for health insurance for 43 municipal retirees and their spouses, and \$240,356 was paid for health insurance for 24 police retirees.

13. COMMUNICATION TOWER RENTALS

The Town leases several structures to four unrelated parties under separate operating leases.

The minimum future rentals for these leases were determined using the rates in effect at June 30, 2005. Minimum rentals on the leases for the next five years are as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Amount</u>
2006	\$288,906
2007	285,607
2008	126,060
2009	<u>24,000</u>
Total	<u>\$724,573</u>

(CONTINUED)

TOWN OF NORTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

14. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES AND COMMITMENTS

Litigation

During the ordinary course of its operations, the Town is a party to various claims, legal actions and complaints. In the opinion of the Town's management and legal counsel, these matters are not anticipated to have a material financial impact on the Town.

Commitments

The Town had a \$300,000 available line of credit from the Rhode Island Clean Water Finance Agency for the Community Septic System Loan Program. The balance on the line of credit was \$0 at June 30, 2005.

The Town of North Kingstown had several outstanding construction and technology projects as of June 30, 2005. These projects are evidenced by contractual commitments with contractors and include:

<u>Fund/Project</u>	<u>Spent-to-Date</u>	<u>Commitment Remaining</u>	<u>Funding Source(s)</u>
Overlaying Services	\$ 283,495	\$ 342,008	General Fund, Operating Budget
		42,402	Donations (Library)
Yorktown Park Master Plan	1,109	496	General Fund, Operating Budget
	10,366	4,634	State Grant Funds
Health Insurance Consulting.....		12,000	General Fund, Operating Budget
Comprehensive Plan Update.....		50,000	General Fund, Operating Budget
Impact Fee Study.....		14,000	General Fund, Operating Budget
Design Impreovemnts Public Safety Bldg.	7,980	98,420	General Obligation Bonds
Wickford Improvements	105,864	86,792	General Fund, Operating Budget
	575,000		Federal Grant Funds
	132,400	26,443	State Grant Funds
	231,734	114,989	General Obligation Funds
	6,513	887	Donations
Allen Harbor, Restrooms.....	3,914	165,398	Q/D Recreation Fund, Operating Budget
Allen Harbor, Calf Pasture Improve	16,518	13,482	State Grant Funds
	15,467	10,033	Payment in Lieu of LanDeceptionon
	18,303	1,907	Q/D Recreation Fund, Operating Budget
	24,997	503	General Fund Operating Budget
Water System Upgrades for Highway/Bridge Construction.....	243,906	112,742	Water Fund, Operating Budget
Disinfection Study Engineering Work....	175,533	43,246	Water Fund, Operating Budget
SCADA System.....	424,134	37,272	Water Fund, Operating Budget
New Well #5.....	166,611	225,331	Water Fund, Operating Budget
Total.....	<u>\$2,443,844</u>	<u>\$1,402,985</u>	

(CONTINUED)

TOWN OF NORTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

15. DEFERRED COMPENSATION PLAN

The Town offers its municipal employees a deferred compensation plan established in accordance with the provisions of Internal Revenue Code Section 457. The Plan, available to certain municipal employees, permits the deferral of a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

During the year ended June 30, 2000, the Town implemented the Governmental Accounting Standards Board, Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plan*. All assets and income of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries. As a result, deferred compensation investments and the respective liability have been removed from the Town's financial statements.

16. SELF-INSURANCE ACTIVITIES

The Town, on July 1, 1992, adopted the provisions of the Governmental Accounting Standards Board Statement 10 (GASB 10) and has classified its self-insurance activities as Internal Service Funds. These activities (subject to the stop/loss insurance provisions explained below) have included the financing of workers' compensation and property damage losses on behalf of all Town departments. The Town's Finance Department oversees the self-insurance program, and a consultant is used to administer the claims of the workers' compensation fund.

Effective January 1, 1999, the Town switched to a premium-basis insurance coverage plan for workers' compensation. Effective September 1, 2001, the Town switched to a premium-basis insurance coverage for property damage.

For self-insured worker's compensation activities, individual Town funds/departments were charged a "premium" based on actuarial studies considering historical claims experience, projected payroll levels, administration costs, and projected insurance industry inflation rates. Assessments for property damage were based upon estimates of liability for uninsured losses to be incurred by the Town as a whole, apportioned to individual funds based on historical experience. Billings from the Workers' Compensation and Property Damage funds for the fiscal year ended June 30, 2005 were \$0.

There have been no reductions in insurance coverage from coverage in the previous year and settlements have not exceeded insurance coverage since 2001.

(CONTINUED)

TOWN OF NORTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

16. SELF-INSURANCE ACTIVITIES (Continued)

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of pay-outs and other economic and social factors. Changes in the balances of claims liabilities during the past two fiscal years are as follows:

	<u>June 30, 2005</u>			<u>June 30, 2004</u>		
	Workers' Compensation Fund	Property Damage Fund	Total	Workers' Compensation Fund	Property Damage Fund	Total
Unpaid claims, beginning of fiscal year	\$50,000	\$189,402	\$239,402	\$50,000	\$291,806	\$341,806
Incurring claims (including IBNR's).....		119,235	119,235		153,384	153,384
Claim payments		(238,469)	(238,469)		(255,788)	(255,788)
Unpaid claims, end of fiscal year	<u>\$50,000</u>	<u>\$70,168</u>	<u>\$ 120,168</u>	<u>\$50,000</u>	<u>\$ 189,402</u>	<u>\$239,402</u>

Other types of insurance coverage purchased through the Rhode Island Interlocal Risk Management Trust and private insurers are as follows: Property including blanket Buildings and Contents, Flood and Earthquake, Business Interruptions, Auto Physical Damage, Valuable papers, EDP Media and Equipment, Crime and Employee Dishonesty, Comprehensive General Liability, Automotive Liability, Uninsured Motorist, Medical Payments, Police Professional Liability, Medical Service Providers' Liability, Employee Benefit Liability, Public Officials' Liability, School Board Liability, Marina Operators, and Accidental Death Police and Fire including volunteers and community service personnel.

There have been no significant reductions in insurance coverage during the year ended June 30, 2005 as compared to the previous year. The claims incurred did not exceed insurance coverage in any of the last three years.

17. ANNUAL APPROPRIATED BUDGETS

The following governmental funds have annual appropriated budgets:

- ✓ General fund
- ✓ School Unrestricted fund
- ✓ Library fund
- ✓ Debt Service fund
- ✓ School Capital Reserve fund.

(CONTINUED)

TOWN OF NORTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

18. SUBSEQUENT EVENT

The Town signed a purchase agreement for open space from Campanelli Development Corporation on July 14, 2005 for \$1,818,000. During the year ended June 30, 2005, the Town had paid a deposit on the property in the amount of \$90,900.

19. RESTATEMENT

The beginning government – wide net assets have been restated by \$126,930, to increase beginning net assets for compensated absences in the governmental activities.

(CONCLUDED)

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TOWN OF NORTH KINGSTOWN, RHODE ISLAND

REQUIRED SUPPLEMENTARY INFORMATION

This section presents the Schedule of Funding Progress for Pension Plan. This schedule is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

This section also presents budgetary comparison schedules for the Town's major funds. These schedules are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board.

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TOWN OF NORTH KINGSTOWN, RHODE ISLAND

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR PENSION PLAN
JUNE 30, 2005**

	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liability (AAL) Entry Age	AAL (UAAL) Funding Excess (deficit)	Funded Ratio	Covered Payroll	AAL (UAAL) Funding Excess (deficit) as a Percentage of Covered Payroll
General municipal employees pension plan	6/30/02	28,506,420	30,754,335	(2,247,915)	92.7%	9,940,187	(22.6%)
	6/30/03	27,651,706	32,946,121	(5,294,415)	83.9%	9,517,449	(55.6%)
	6/30/04	27,567,463	35,288,291	(7,720,829)	78.1%	10,791,847	(71.5%)
Municipal police pension plan	6/30/02	12,568,807	12,913,813	(345,006)	97.3%	1,951,474	(17.7%)
	6/30/03	12,085,034	13,454,686	(1,369,652)	89.8%	2,067,633	(66.2%)
	6/30/04	11,972,027	15,081,134	(3,109,106)	79.4%	2,257,865	(137.7%)
Municipal firemen pension plan	6/30/02	19,873,191	20,244,577	(371,386)	98.2%	3,173,051	(11.7%)
	6/30/03	19,276,926	22,508,273	(3,231,347)	85.6%	3,291,128	(98.2%)
	6/30/04	19,017,109	23,585,108	(4,568,000)	80.6%	3,431,941	(133.1%)

(1) The information included in the schedule of funding progress was obtained from the annual actuarial valuation at the date indicated.

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TOWN OF NORTH KINGSTOWN**Schedule of Revenues and Expenditures (Non-GAAP Budgetary Basis)
Budget and Actual
(Unaudited)****General Fund
Year Ended June 30, 2005**

	Originally Adopted Budget	Final Approved Budget	Actual (Budgetary Basis)	Variance Positive (Negative)
Revenues:				
Property Tax	\$ 53,981,758	\$ 53,981,758	\$ 53,653,354	\$ (328,404)
Intergovernmental	3,659,023	3,659,023	3,877,460	218,437
Licenses & Permits	415,615	415,615	442,178	26,563
Investment Income	300,000	300,000	428,548	128,548
Departmental	1,899,162	1,899,162	2,130,318	231,156
Other	20,000	20,000	344,320	324,320
Total Revenues	60,275,558	60,275,558	60,876,178	600,620
Expenditures:				
Town Council	145,041	45,041	44,664	377
Town Manager	205,525	205,525	203,315	2,210
Town Clerk & Elections	515,311	490,311	468,379	21,932
Town Solicitor	201,000	186,000	175,993	10,007
Finance and Information Systems	655,016	655,016	654,568	448
Assessor	224,022	220,022	219,502	520
Planning	386,691	436,690	434,643	2,047
General Operating	2,086,897	2,039,117	1,943,053	96,064
Code Enforcement	270,994	264,994	264,986	8
Fire	6,267,185	6,436,185	6,431,860	4,325
Police, Harbor & Animal Control	5,207,141	5,087,141	5,012,104	75,037
Public Works	4,337,714	4,362,712	4,311,481	51,231
Recreation	394,787	394,787	388,859	5,928
Senior Citizens	291,816	286,816	286,814	2
Contributions	121,699	121,699	121,699	-
Welfare	54,053	54,053	53,947	106
Total Expenditures	21,364,892	21,286,109	21,015,867	270,242
Excess of revenues over expenditures	38,910,666	38,989,449	39,860,311	870,862
Other financing sources (uses):				
Transfers from fund balance	1,000,000	1,000,000	1,000,000	-
Transfers in	771,283	847,500	847,500	-
Transfers out	(40,681,949)	(40,836,949)	(40,836,949)	-
Net other financing sources (uses)	(38,910,666)	(38,989,449)	(38,989,449)	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 870,862	\$ 870,862

TOWN OF NORTH KINGSTOWN

**Schedule of Revenues and Expenditures (Non-GAAP Budgetary Basis)
Budget and Actual
(Unaudited)**

**North Kingstown School Unrestricted Fund
Year Ended June 30, 2005**

	Originally Adopted Budget	Final Approved Adopted Budget	Actual (Budgetary Basis)	Variance Positive (Negative)
Revenues:				
State Aid	\$ 10,918,370	\$ 11,093,578	\$ 11,093,579	\$ 1
Tuition	2,050,000	2,050,000	2,062,796	12,796
Miscellaneous	110,500	110,500	156,296	45,796
Total Revenues	13,078,870	13,254,078	13,312,671	58,593
Expenditures:				
Education	48,331,642	49,238,038	49,229,674	8,364
Total Expenditures	48,331,642	49,238,038	49,229,674	8,364
Excess of expenditures over revenues	(35,252,772)	(35,983,960)	(35,917,003)	66,957
Other financing sources:				
Operating transfer from Town	35,252,772	35,983,960	35,983,960	-
Excess (deficiency) of revenues and other sources over expenditures	\$ -	\$ -	\$ 66,957	\$ 66,957

TOWN OF NORTH KINGSTOWN, RHODE ISLAND**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2005*****Budgetary to GAAP Basis Reconciliation***

The following reconciliation summarizes the difference for the Town's General Fund between budgetary and GAAP basis accounting principles for the year ended June 30, 2005:

Excess revenues and other sources over expenditures and other uses (Non-GAAP Budgetary Basis)	\$ 870,862
Use of accumulated fund balance	(1,000,000)
Use of accumulated fund balance – self insurance	(76,217)
Use of accumulated fund balance – cops grant	(88,125)
Net change in encumbrances	<u>431,901</u>
Excess of revenues and other sources over expenditures and other uses (GAAP).....	<u>\$ 138,421</u>

The following reconciliation summarizes the difference for the School's Unrestricted Fund between budgetary and GAAP basis accounting principles for the year ended June 30, 2005:

Excess of revenues and other sources over expenditures and other uses (Non-GAAP Budgetary Basis)	\$ 66,957
Net change in encumbrances	751,369
Use of accumulated – cops grant	(44,466)
Use of accumulated fund balance	<u>(500,000)</u>
Excess of expenditures and other sources over revenues (GAAP)	<u>\$273,860</u>

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TOWN OF NORTH KINGSTOWN, RHODE ISLAND

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS:

Special Revenue Funds are used to account for revenues from specific taxes or other earmarked revenue sources which by law are designated to finance particular functions or activities of government, and which therefore cannot be diverted to other uses.

Beechwood House Senior Center Equipment Escrow - To account for reimbursements to the Town for possible major equipment replacement expenses provided at the Beechwood House Senior Center for the operation of the Elderly Lunch Program.

Miscellaneous Federal Grants – To account for monies received from the Federal Government for miscellaneous purposes.

State Council on the Arts Grant – To account for monies received from the State Council on the Arts to support the advancement of arts in North Kingstown.

Non Civic Detail Escrow Fund - To account for police detail revenues and expenditures.

Governor's Justice Commission – To account for funds received from the Governor's Justice Commission to assist the Police Department.

Special Purpose Donations - To account for any minor miscellaneous monies received by the Town for various special purposes.

Miscellaneous Senior Citizens Grant – To account for monies received, to be used by the Senior Citizens Department.

Community Development Block Grants - To account for Federal Community Development Block Grants.

Land Dedication Escrow - To account for monies received from local land developers in lieu of open space which is proportioned between education, recreation and general improvements to the community.

Fire Alarm Cable - To account for fees charged for fire alarm cable installations provided by the Fire Department to the general business community.

State Elderly Affairs Grant - To account for State Department of Elderly Affairs Grant used for the purpose of providing Senior Citizens with special elderly programs.

State Grants - Police Department - To account for money received from the State for miscellaneous purposes.

Seized & Forfeited Property Escrow - To account for money received as the result of drug related criminal seizures and forfeitures.

(CONTINUED)

TOWN OF NORTH KINGSTOWN, RHODE ISLAND

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS (CONTINUED):

Local Law Enforcement Block Grant – To account for funds received from the State that allows the Police Department to provide certain stated additional services.

Groundwater Education Donation – To account for donations received by the Town to be used for Groundwater Education.

RI Resource Protection Project – To account for monies received from the State to aid in the preservation of farmland and open space.

School Department Substance Abuse Donations - To account for donations received to be used by Working Together for Wellness, formerly the Substance Abuse Task Force.

Infrastructure Replacement – To account for monies received to be used for the replacement of the Water System Infrastructure.

URI Septic Loan Program – To account for a grant from URI funded by URI's EPA fine funds.

Community Center Maintenance - To account for monies received for the use of the Community Center.

Heritage Committee - To account for funds raised by the Heritage Committee to be used for North Kingstown Community functions.

Senior Center Legislative Grant - To account for money received from the State for the Senior Citizens Center.

Impact Fees - To account for funds received from anyone obtaining a new building permit to offset the impact of increased population on education, recreation, and library use.

Emergency Medical Services - To account for funds received for payment for services provided by Fire Department Rescue Division.

RIDEM Potowomut Pond Clean-up - To account for funds received from the State to be used for the clean up of Potowomut Pond.

Fire Department Legislative Grant – To account for money received from the State to be used by the Fire Department.

Tax Revaluation Reserve Fund – To account for monies set aside for the 2004 townwide revaluation project.

Miscellaneous State Water Department Grants – To account for monies received from the State for miscellaneous water department related purposes.

Miscellaneous State Grants – To account for monies received from the State for miscellaneous purposes.

Rhode Island Emergency Management – To account for monies received from the State to fund State sponsored Homeland Security efforts.

Wilson Park - To account for monies received as donations for the upkeep and improvement of Wilson Park.

(CONTINUED)

TOWN OF NORTH KINGSTOWN, RHODE ISLAND

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS (CONTINUED):

Retirement Allowance Reserve Fund - To account for monies set aside to pay accrued sick and vacation due upon retirement

Health Insurance Reserve – To account for monies set aside to pay health insurance due upon retirement.

Anne Ward Wallou Memorial Garden - An account established as bequested to the Town of North Kingstown to be used to plant and preserve a garden, in memory of Anne Ward Wallou, in Updike Park.

Surplus Property Escrow – To account for funds received from surplus property activities.

Old Library Park – To account for donations received for the renovation and upkeep of Old Library Park.

Senior Citizens Center - To account for monies received as donations for the Senior Citizens Center.

Senior Citizens Bus Gasoline Escrow – To account for funds received to pay for special purpose transportation.

Arts Council - To account for monies received as donations for the Arts Council.

Senior Outreach Escrow - To account for donations received by the Town of North Kingstown to be used to assist elderly in need.

Project D.A.R.E. - To account for donations received by the Town of North Kingstown to be used for Drug Abuse Resistance Education.

Leisure Services Brochure – To account for monies received to offset the expense of printing a Leisure Services brochure.

Recreation Escrow – To account for funds collected for Recreation activities and used to pay for those activities.

Parade Committee – To account for donations received to aid in defraying the expense of providing the Veteran's and Memorial Day parades.

Library Funds - Funds established to account for State grants and operational activities of the North Kingstown Free Library. The following is a list of the Library Funds included in this section.

Davisville Library Fund
Champlin Foundation Fund
Library Fund
Willet Library Fund
Miscellaneous Library Donations

(CONTINUED)

TOWN OF NORTH KINGSTOWN, RHODE ISLAND

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS (CONTINUED):

School Department - Funds established to account for federal, state, and private grant monies used for the benefit of the North Kingstown School Department. The following is a list of the School funds included in this section:

Public Law 94-142	Substance Abuse
Title I	Literacy Set-Aside
Title V	Title II Technology
Title II	Preschool Services
Drug-Free Schools	Perkins Vocational
Even Start Family Literacy	Comprehensive School Reform
Parent Information Network	Davisville Family Center
LCI Enhancing Education Through Technology	School Child Opportunity Zone Family Center
COZ Miscellaneous Donations	NKHS Living Democracy
SAELP Demonstration Site	Consortium Student Info system
Sports Camp	Adult Education Fund
Champlin	Summer School Fund
Medicaid	

DEBT SERVICE FUNDS:

The Debt Service Funds are used to account for the payment of interest and principal on all general long-term debt other than that payable from the Enterprise Funds.

CAPITAL PROJECT FUNDS:

The Capital Project Funds account for all resources used for the acquisition and/or construction of capital facilities by the Town, except those financed by the Enterprise Funds.

Capital Reserve – To account for Town capital projects.

School Capital Reserve Fund - To account for school capital projects.

6.5 School Additions Bond – To account for the construction and renovations of various school buildings.

6M Public Facilities Plan Bond - To account for the construction and renovations of various municipal facilities.

Farmland and Open Space Reserve – To account for that portion of the realty conveyance fee set aside for preservation of farmland, undeveloped land, or open space.

2.3M Athletic Facilities Bond Fund - To account for the improvements of various athletic and physical education facilities at the middle schools and high school.

Farmland Preservation Bond – To account for bond monies used to finance the acquisition of development rights to farmland, undeveloped land and/or open spaces.

High School Bond Fund – To account for monies used to build a new high school.

(CONTINUED)

TOWN OF NORTH KINGSTOWN, RHODE ISLAND

NON-MAJOR GOVERNMENTAL FUNDS

PERMANENT FUNDS:

Permanent funds are resources that are legally restricted to the extent that only earnings and not principal may be used for purposes that support the reporting government's programs – that is, for the benefit of the government or its citizenry.

Tri-Centennial Park - To account for monies received in 1974 for upkeep of the Tri-Centennial Park and monument.

400th Anniversary - To account for monies set aside to be used in the year 2074 to fund North Kingstown's 400th Anniversary Celebration.

School Funds - To account for monies bequested to the North Kingstown School Department to be used for various activities. The following is a list of the School Funds included in this Section:

- Updike
- Gardiner
- Library
- Tennis

Henry Reynolds Indigent Care - An account established to benefit the poor and needy of North Kingstown and is authorized to be used as required by the Welfare Director.

Poor Funds - To account for monies left in the wills of various Town citizens to be used for aid to the poor of North Kingstown. The following is a list of Poor Funds included in this section:

Henry Reynolds Outside
John J. Spink Outside
John B. Spink Outside
Thomas Casey Outside

Library Funds - To account for the transfer of interest earned in these funds to the Library Fund to offset expenses. The following is a list of Library Funds included in this section:

Elizabeth Miller
William D. Davis

Veterans Memorial Scholarship - Fund established to allow the expenditure of interest earned to be used for scholarships as determined by the North Kingstown Veterans Memorial Scholarship Committee.

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TOWN OF NORTH KINGSTOWN
 Combining Balance Sheet
 Non-Major Governmental Funds
 June 30, 2005

SPECIAL REVENUE FUNDS						
	Beachwood House Senior Center Equipment Escrow	Miscellaneous Federal Grants	State Council on the Arts Grant	Non Civic Detail Escrow Fund	Governor's Justice Commission	
ASSETS:						
Cash and cash equivalents	\$ 709	\$ 376,186	\$ 3,542		\$ 6,161	
Due from other governments						
Due from other funds				\$ 100,182		
Other receivables		-		\$ 100,182		
TOTAL ASSETS	\$ 709	\$ 376,186	\$ 3,542	\$ 100,182	\$ 6,161	
LIABILITIES:						
Accounts payable		\$ 7,584				
Due to other funds		368,602		\$ 100,182		
Deferred revenue						
TOTAL LIABILITIES	\$ -	\$ 376,186	\$ -	\$ 100,182	\$ -	
FUND BALANCES:						
Capital Projects						
Special Revenue	709	-	3,542		6,161	
Permanent Fund						
Debt Service						
TOTAL FUND BALANCES	709	-	3,542	-	6,161	
TOTAL LIABILITIES AND FUND BALANCES	\$ 709	\$ 376,186	\$ 3,542	\$ 100,182	\$ 6,161	

TOWN OF NORTH KINGSTOWN
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2005

		SPECIAL REVENUE FUNDS					
	Special Purpose Donations	Miscellaneous Senior Citizens Grant	CDBG Grants	Land Dedication Escrow	Fire Alarm Cable	State Elderly Affairs Grant	
ASSETS:							
Cash and cash equivalents	\$ 17,347	\$ 711	\$ 46,143	\$ 79,827		\$ 5,400	
Due from other governments			253,813				
Due from other funds			315,224				
Other receivables			615,180	79,827	-	-	
TOTAL ASSETS	\$ 17,347	\$ 711	\$ 615,180	\$ 79,827	\$ -	\$ 5,400	
LIABILITIES:							
Accounts payable	\$ 557		\$ 18,635			\$ 800	
Due to other funds			596,545			4,600	
Deferred revenue			615,180	-	-	5,400	
TOTAL LIABILITIES	\$ 557	\$ -	\$ 615,180	\$ -	\$ -	\$ 5,400	
FUND BALANCES:							
Capital Projects							
Special Revenue	16,790	711	-	79,827		-	
Permanent Fund							
Debt Service							
TOTAL FUND BALANCES	16,790	711	-	79,827	-	-	
TOTAL LIABILITIES AND FUND BALANCES	\$ 17,347	\$ 711	\$ 615,180	\$ 79,827	\$ -	\$ 5,400	

TOWN OF NORTH KINGSTOWN
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2005

		SPECIAL REVENUE FUNDS						
		State Grants - Police Department	Seized and Forfeited Property Escrow	Local Law Enforcement Block Grant	Groundwater Education Donation	RI Resource Protection Project	School Department Substance Abuse Donations	
ASSETS:								
Cash and cash equivalents	\$	5,969	\$ 12,622	\$ 2,553	\$ 680	\$ 5,711	\$ 5,411	
Due from other governments								
Due from other funds								
Other receivables								
TOTAL ASSETS	\$	5,969	\$ 12,622	\$ 2,553	\$ 680	\$ 5,711	\$ 5,411	
LIABILITIES:								
Accounts payable								
Due to other funds						\$ 5,711		
Deferred revenue								
TOTAL LIABILITIES	\$	-	\$ -	\$ -	\$ -	\$ 5,711	\$ -	
FUND BALANCES:								
Capital Projects								
Special Revenue	\$	5,969	12,622	2,553	680	-	5,411	
Permanent Fund								
Debt Service								
TOTAL FUND BALANCES	\$	5,969	12,622	2,553	680	-	5,411	
TOTAL LIABILITIES AND FUND BALANCES	\$	5,969	\$ 12,622	\$ 2,553	\$ 680	\$ 5,711	\$ 5,411	

TOWN OF NORTH KINGSTOWN
 Combining Balance Sheet
 Non-Major Governmental Funds
 June 30, 2005

		SPECIAL REVENUE FUNDS					
	Infrastructure Replacement	URI Septic Loan Program	Community Center Maintenance	Heritage Committee	Senior Center Legislative Grant	Impact Fees	
ASSETS:							
Cash and cash equivalents	\$ 35,883	\$ 173,825	\$ 15,879	\$ 144	\$ 5,572	\$ 238,654	
Due from other governments							
Due from other funds							
Other receivables	18,514						
TOTAL ASSETS	<u>\$ 54,397</u>	<u>\$ 173,825</u>	<u>\$ 15,879</u>	<u>\$ 144</u>	<u>\$ 5,572</u>	<u>\$ 238,654</u>	
LIABILITIES:							
Accounts payable				\$ 144			
Due to other funds							
Deferred revenue			\$ 15,879				
TOTAL LIABILITIES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,879</u>	<u>\$ 144</u>	<u>\$ -</u>	<u>\$ -</u>	
FUND BALANCES:							
Capital Projects							
Special Revenue	54,397	173,825	-		5,572	238,654	
Permanent Fund							
Debt Service							
TOTAL FUND BALANCES	<u>\$ 54,397</u>	<u>\$ 173,825</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,572</u>	<u>\$ 238,654</u>	
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 54,397</u>	<u>\$ 173,825</u>	<u>\$ 15,879</u>	<u>\$ 144</u>	<u>\$ 5,572</u>	<u>\$ 238,654</u>	

TOWN OF NORTH KINGSTOWN
 Combining Balance Sheet
 Non-Major Governmental Funds
 June 30, 2005

	SPECIAL REVENUE FUNDS						
	Emergency Medical Services	RIDEM Potowomut Pond Clean-up	Fire Department Legislative Grant	Tax Revaluation Reserve Fund	Miscellaneous State Water Department Grants		
ASSETS:							
Cash and cash equivalents	\$ 10,430	\$ 4,500	\$ 13,500	\$ 8,504	\$		7,625
Due from other governments							
Due from other funds							
Other receivables							
TOTAL ASSETS	\$ 10,430	\$ 4,500	\$ 13,500	\$ 8,504	\$	\$	7,625
LIABILITIES:							
Accounts payable	\$ 10,430						7,625
Due to other funds							
Deferred revenue							
TOTAL LIABILITIES	\$ 10,430	\$ -	\$ -	\$ -	\$ -	\$ -	7,625
FUND BALANCES:							
Capital Projects							
Special Revenue	-	4,500	13,500	8,504			
Permanent Fund							
Debt Service							
TOTAL FUND BALANCES	\$ -	\$ 4,500	\$ 13,500	\$ 8,504	\$ -	\$ -	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 10,430	\$ 4,500	\$ 13,500	\$ 8,504	\$	\$	7,625

TOWN OF NORTH KINGSTOWN
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2005

		SPECIAL REVENUE FUNDS						
	Miscellaneous State Grants	Davisville Library Fund	Champlin Foundation Fund	Library Fund	Willlet Library Fund	RI Emergency Management	Miscellaneous Library Donations	
ASSETS:								
Cash and cash equivalents	\$ 367,815		\$ 161	\$ 50	\$ 5,614		\$ 5,404	
Due from other governments	33,865			99,136		\$ 85,638		
Due from other funds								
Other receivables								
TOTAL ASSETS	\$ 401,680	\$ -	\$ 161	\$ 99,186	\$ 5,614	\$ 85,638	\$ 5,404	
LIABILITIES:								
Accounts payable	\$ 11,973				\$ 5,614			
Due to other funds						\$ 76,069		
Deferred revenue	389,707							
TOTAL LIABILITIES	\$ 401,680	\$ -	\$ -	\$ 36,625	\$ 5,614	\$ 76,069	\$ -	
FUND BALANCES:								
Capital Projects								
Special Revenue	-		161	62,561		9,569	5,404	
Permanent Fund								
Debt Service								
TOTAL FUND BALANCES	\$ -	\$ -	\$ 161	\$ 62,561	\$ -	\$ 9,569	\$ 5,404	
TOTAL LIABILITIES AND FUND BALANCES	\$ 401,680	\$ -	\$ 161	\$ 99,186	\$ 5,614	\$ 85,638	\$ 5,404	

(CONTINUED)

TOWN OF NORTH KINGSTOWN
 Combining Balance Sheet
 Non-Major Governmental Funds
 June 30, 2005

		SPECIAL REVENUE FUNDS					
	School Public Law 94-142	School Title I	School Title V	School Title II	Drug Free Schools	School Title II Technology	
ASSETS:							
Cash and cash equivalents	\$ 144,873	\$ 164,336	\$ 1,368	\$ 26,828	\$ -	\$ 28,410	
Due from other governments							
Due from other funds							
Other receivables							
TOTAL ASSETS	\$ 144,873	\$ 164,336	\$ 1,368	\$ 26,828	\$ -	\$ 28,410	
LIABILITIES:							
Accounts payable	2,442	14,309				678	
Due to other funds	142,431	150,027	1,368	26,828		27,732	
Deferred revenue							
TOTAL LIABILITIES	144,873	164,336	1,368	26,828	\$ -	28,410	
FUND BALANCES:							
Capital Projects							
Special Revenue							
Permanent Fund							
Debt Service							
TOTAL FUND BALANCES	-	-	-	-	-	-	
TOTAL LIABILITIES AND FUND BALANCES	\$ 144,873	\$ 164,336	\$ 1,368	\$ 26,828	\$ -	\$ 28,410	

TOWN OF NORTH KINGSTOWN
 Combining Balance Sheet
 Non-Major Governmental Funds
 June 30, 2005

		SPECIAL REVENUE FUNDS				
		School Preschool Services	Perkins Vocational Ed	Comprehensive School Reform	School Davisville Family Center	School Child Opportunity Zone Family Center
ASSETS:	Cash and cash equivalents	\$ 17,305	\$ 11,225	\$ 4,715	\$ 10,006	\$ 13,364
	Due from other governments					
	Due from other funds					
	Other receivables					
	TOTAL ASSETS	<u>\$ 17,305</u>	<u>\$ 11,225</u>	<u>\$ 4,715</u>	<u>\$ 10,006</u>	<u>\$ 13,364</u>
	LIABILITIES:					
	Accounts payable	4,391		1,666	2,779	3,197
	Due to other funds	12,914	11,225	3,049	7,227	10,167
	Deferred revenue					
	TOTAL LIABILITIES	<u>17,305</u>	<u>11,225</u>	<u>4,715</u>	<u>10,006</u>	<u>13,364</u>
	FUND BALANCES:					
	Capital Projects					
	Special Revenue					
	Permanent Fund					
	Debt Service					
	TOTAL FUND BALANCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 17,305</u>	<u>\$ 11,225</u>	<u>\$ 4,715</u>	<u>\$ 10,006</u>	<u>\$ 13,364</u>

TOWN OF NORTH KINGSTOWN
 Combining Balance Sheet
 Non-Major Governmental Funds
 June 30, 2005

SPECIAL REVENUE FUNDS

	School Substance Abuse	School Literacy Set-Aside	School Even Start Family Literacy	NKHS Living Democracy	Consortium Student Info System
ASSETS:					
Cash and cash equivalents		134			
Due from other governments			7,492		
Due from other funds				5,362	
Other receivables					
TOTAL ASSETS	\$ -	\$ 134	\$ 7,492	\$ 5,362	\$ -
LIABILITIES:					
Accounts payable					
Due to other funds			36		926
Deferred revenue			7,456		4,436
TOTAL LIABILITIES	\$ -	\$ -	\$ 7,492	\$ 5,362	\$ -
FUND BALANCES:					
Capital Projects					
Special Revenue		134			
Permanent Fund					
Debt Service					
TOTAL FUND BALANCES	\$ -	\$ 134	\$ -	\$ -	\$ -
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ 134	\$ 7,492	\$ 5,362	\$ -

TOWN OF NORTH KINGSTOWN
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2005

	SPECIAL REVENUE FUNDS				
	School COZ Miscellaneous Donations	School Adult Education Fund	School Summer School Fund	School Sports Camp	Champlin
ASSETS:					
Cash and cash equivalents	\$ 3,091	\$ 4,398	\$ 28,810	\$ 36,687	\$ 126,403
Due from other governments					
Due from other funds					
Other receivables					
TOTAL ASSETS	\$ 3,091	\$ 4,398	\$ 28,810	\$ 36,687	\$ 126,403
LIABILITIES:					
Accounts payable		\$ 435	\$	\$ 528	
Due to other funds					
Deferred revenue	3,091				126,403
TOTAL LIABILITIES	3,091	435	-	528	126,403
FUND BALANCES:					
Capital Projects					
Special Revenue		3,963	28,810	36,159	
Permanent Fund					
Debt Service					
TOTAL FUND BALANCES	-	3,963	28,810	36,159	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,091	\$ 4,398	\$ 28,810	\$ 36,687	\$ 126,403

TOWN OF NORTH KINGSTOWN
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2005

	Medicaid	LCI Enhancing Education Through Technology	SAELP Demonstration Site	RI Parent Info Network	Recreation Escrow	Parade Committee
ASSETS:						
Cash and cash equivalents	\$ 74,580				\$ 62,472	\$ 363
Due from other governments			\$ 1,934			
Due from other funds						
Other receivables						
TOTAL ASSETS	\$ 74,580	\$ -	\$ -	\$ 1,934	\$ 62,472	\$ 363
LIABILITIES:						
Accounts payable	\$ 16,025				\$ 3,716	
Due to other funds				\$ 1,934		
Deferred revenue						
TOTAL LIABILITIES	\$ 16,025	\$ -	\$ -	\$ 1,934	\$ 3,716	\$ -
FUND BALANCES:						
Capital Projects						
Special Revenue	58,555				58,756	363
Permanent Fund						
Debt Service						
TOTAL FUND BALANCES	58,555	-	-	-	58,756	363
TOTAL LIABILITIES AND FUND BALANCES	\$ 74,580	\$ -	\$ -	\$ 1,934	\$ 62,472	\$ 363

TOWN OF NORTH KINGSTOWN
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2005

		SPECIAL REVENUE FUNDS						
ASSETS:	Wilson Park	Retirement Allowance Reserve Fund	Health Insurance Reserve	Ann Ward Willou Memorial Garden	Surplus Property Escrow	Old Library Park		
Cash and cash equivalents	\$ 3,922	\$ 960,286	\$ 865,327	\$ 2,231	\$ -	\$ 20,523		
Due from other governments								
Due from other funds								
Other receivables								
TOTAL ASSETS	\$ 3,922	\$ 960,286	\$ 865,327	\$ 2,231	\$ -	\$ 20,523		
LIABILITIES:								
Accounts payable							\$ 6,512	
Due to other funds								
Deferred revenue								
TOTAL LIABILITIES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,512	
FUND BALANCES:								
Capital Projects								
Special Revenue	3,922	960,286	865,327	2,231	-	14,011		
Permanent Fund								
Debt Service								
TOTAL FUND BALANCES	3,922	960,286	865,327	2,231	-	14,011		
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,922	\$ 960,286	\$ 865,327	\$ 2,231	\$ -	\$ 20,523		

TOWN OF NORTH KINGSTOWN
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2005

SPECIAL REVENUE FUNDS

	Senior Citizens Center	Senior Citizens Bus Gasoline Escrow	Arts Council	Senior Outreach Escrow	Project Date	Leisure Services Brochure
ASSETS:						
Cash and cash equivalents	\$ 12,976	\$ 61	\$ 14,213	\$ 1,839	\$ 4,767	\$ 900
Due from other governments						
Due from other funds						
Other receivables						
TOTAL ASSETS	\$ 12,976	\$ 61	\$ 14,213	\$ 1,839	\$ 4,767	\$ 900
LIABILITIES:						
Accounts payable	\$ 1,897		\$ 585			
Due to other funds						
Deferred revenue						
TOTAL LIABILITIES	\$ 1,897	\$ -	\$ 585	\$ -	\$ -	\$ -
FUND BALANCES:						
Capital Projects						
Special Revenue	11,079	61	13,628	1,839	4,767	900
Permanent Fund						
Debt Service						
TOTAL FUND BALANCES	11,079	61	13,628	1,839	4,767	900
TOTAL LIABILITIES AND FUND BALANCES	\$ 12,976	\$ 61	\$ 14,213	\$ 1,839	\$ 4,767	\$ 900

TOWN OF NORTH KINGSTOWN
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2005

	CAPITAL PROJECT FUNDS						
	DEBT SERVICE FUND						
	Debt Service Fund	FY 2005 Refunding	6.5 School Additions Bond	6M Public Facilities Plan Bond	Farmland & Open Space Reserve	2.3M Athletic Facilities Bond Fund	Farmland Preservation Bond
ASSETS:							
Cash and cash equivalents	\$ 182,852	\$ 23,169		\$ 352,384	\$ 648,732		
Due from other governments							
Due from other funds	937,508						
Other receivables							
TOTAL ASSETS	\$ 1,120,360	\$ 23,169	\$ -	\$ 352,384	\$ 648,732	\$ -	\$ 90,900
LIABILITIES:							
Accounts payable		4,829		2,792	936		90,900
Due to other funds							
Deferred revenue							
TOTAL LIABILITIES	\$ -	\$ 4,829	\$ -	\$ 2,792	\$ 936	\$ -	\$ 90,900
FUND BALANCES:							
Capital Projects				349,592	647,796		
Special Revenue							
Permanent Fund							
Debt Service	1,120,360	18,340		349,592	647,796		
TOTAL FUND BALANCES	\$ 1,120,360	\$ 23,169	\$ -	\$ 352,384	\$ 648,732	\$ -	\$ 90,900
TOTAL LIABILITIES AND FUND BALANCES							

(CONTINUED)

TOWN OF NORTH KINGSTOWN
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2005

	CAPITAL PROJECT FUNDS					PERMANENT FUNDS								
	High School Bond Fund	Capital Reserve	School Capital Reserve Fund	Tri-Centennial Park	400th Anniversary	Henry Reynolds Indigent Care								
ASSETS:														
Cash and cash equivalents		\$ 1,953,998	\$ 574,764	\$ 6,039	\$ 3,214	\$ 17,219								
Due from other governments			568,895											
Due from other funds														
Other receivables														
TOTAL ASSETS	\$ -	\$ 1,953,998	\$ 1,143,659	\$ 6,039	\$ 3,214	\$ 17,219								
LIABILITIES:														
Accounts payable		\$ 11,427				\$ 400								
Due to other funds														
Deferred revenue														
TOTAL LIABILITIES	\$ -	\$ 11,427	\$ -	\$ -	\$ -	\$ 400								
FUND BALANCES:														
Capital Projects	-	1,942,571	1,143,659											
Special Revenue				6,039	3,214	16,819								
Permanent Fund														
Debt Service														
TOTAL FUND BALANCES	-	1,942,571	1,143,659	6,039	3,214	16,819								
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ 1,953,998	\$ 1,143,659	\$ 6,039	\$ 3,214	\$ 17,219								

(CONTINUED)

TOWN OF NORTH KINGS TOWN
 Combining Balance Sheet
 Non-Major Governmental Funds
 June 30, 2005

		PERMANENT FUNDS						
		School Update Fund	School Gardiner Fund	School Library Fund	School Tennis Fund	Henry Reynolds Outside Poor Fund	Veterans Memorial Scholarship	
ASSETS:								
Cash and cash equivalents	\$	3,795	4,845	7,238	261	2,159	6,978	
Due from other governments								
Due from other funds								
Other receivables								
TOTAL ASSETS	\$	3,795	4,845	7,238	261	2,159	6,978	
LIABILITIES:								
Accounts payable								
Due to other funds								
Deferred revenue								
TOTAL LIABILITIES	\$	-	-	-	-	-	-	
FUND BALANCES:								
Capital Projects								
Special Revenue		3,795	4,845	7,238	261	2,159	6,978	
Permanent Fund								
Debt Service								
TOTAL FUND BALANCES	\$	3,795	4,845	7,238	261	2,159	6,978	
TOTAL LIABILITIES AND FUND BALANCES	\$	3,795	4,845	7,238	261	2,159	6,978	

TOWN OF NORTH KINGSTOWN
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2005

PERMANENT FUNDS						
	William D. Davis Library Fund	John J. Spink Outside Poor Fund	John B. Spink Outside Poor Fund	Thomas Casey Outside Poor Fund	Elizabeth Miller Library Fund	Grand Totals
ASSETS:						
Cash and cash equivalents	\$ 5,007	\$ 20,815	\$ 5,204	\$ 2,160	\$ 2,003	\$ 7,120,140
Due from other governments						1,199,745
Due from other funds						1,605,539
Other receivables						524,820
TOTAL ASSETS	\$ 5,007	\$ 20,815	\$ 5,204	\$ 2,160	\$ 2,003	\$ 10,450,244
LIABILITIES:						
Accounts payable						\$ 154,233
Due to other funds						1,079,118
Deferred revenue						1,131,625
TOTAL LIABILITIES						2,364,976
FUND BALANCES:						
Capital Projects						4,083,618
Special Revenue	5,007	20,815	5,204	2,160	2,003	86,537
Permanent Fund						1,138,700
Debt Service	5,007	20,815	5,204	2,160	2,003	8,085,268
TOTAL FUND BALANCES	\$ 5,007	\$ 20,815	\$ 5,204	\$ 2,160	\$ 2,003	\$ 10,450,244
TOTAL LIABILITIES AND FUND BALANCES						

(CONCLUDED)

TOWN OF NORTH KINGSTOWN
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non-Major Governmental Funds
Year Ended June 30, 2005

	SPECIAL REVENUE FUNDS					
	Beachwood House Senior Center Equipment Escrow	Miscellaneous Federal Grants	State Council on the Arts Grant	Non Civic Detail Escrow Fund	Governor's Justice Commission	
REVENUES:						
Interest and investment income		\$ 528,829				\$ 27,882
Intergovernmental			5,500			618,213
Other			5,500			27,882
TOTAL REVENUES	\$ -	\$ 528,829	\$ 11,000	\$ 618,213		\$ 27,882
EXPENDITURES:						
General government		528,829				21,721
Public safety						
Public works			5,055			
Per trust agreements						
Education						
Human resources						
Capital and special appropriations						
Debt service:						
Debt principal						
Debt interest						
TOTAL EXPENDITURES	-	528,829	5,055	618,213		21,721
Excess of revenues over expenditures before transfers	-	-	445	-		6,161
OTHER FINANCING SOURCES (USES):						
Transfers in						
Transfers out						
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-		-
Excess of revenues and expenditures	-	-	445	-		6,161
Fund balance, beginning of year	709		3,097			-
Fund balance, end of year	\$ 709	\$ -	\$ 3,542	\$ -		\$ 6,161

TOWN OF NORTH KINGSTOWN
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non-Major Governmental Funds
Year Ended June 30, 2005

	Special Purpose Donations	Miscellaneous Senior Citizens Grant	CDBG Grants	Land Dedication Escrow	Fire Alarm Cable	State Elderly Affairs Grant
REVENUES:						
Interest and investment income			\$ 392,731	\$ 1,865		\$ 21,600
Intergovernmental	\$ 24,758	711				
Other	24,758	711	392,731	1,865		21,600
TOTAL REVENUES						
	\$ 49,516	1,422	392,731	1,865		21,600
EXPENDITURES:						
General government	6,582		392,731	6,836	1,509	
Public safety	14,606					
Public works						
Per trust agreements						
Education						
Human resources						21,600
Capital and special appropriations						
Debt service:						
Debt principal						
Debt interest						
TOTAL EXPENDITURES						
	21,188		392,731	6,836	1,509	21,600
Excess of revenues over expenditures before transfers	3,570	711	-	(4,971)	(1,509)	-
OTHER FINANCING SOURCES (USES):						
Transfers in						
Transfers out						
TOTAL OTHER FINANCING SOURCES (USES)						
	3,570	711	-	(4,971)	(1,509)	-
Excess of revenues and expenditures	13,220	-	-	84,798	1,509	-
Fund balance, beginning of year	\$ 16,790	\$ 711	\$ -	\$ 79,827	\$ -	\$ -
Fund balance, end of year						
	\$ 29,990	\$ 1,422	\$ -	\$ 164,625	\$ 1,509	\$ -

TOWN OF NORTH KINGSTOWN
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non-Major Governmental Funds
Year Ended June 30, 2005

	SPECIAL REVENUE FUNDS						
	State Grants - Police Department	Seized and Forfeited Property Escrow	Local Law Enforcement Block Grant	Groundwater Education Donation	RI Resource Protection Project	School Department Substance Abuse Donations	
REVENUES:							
Interest and investment income	\$ 6,659						\$ 6,659
Intergovernmental		6,676	2,195				8,871
Other		6,676	2,195				8,871
TOTAL REVENUES	6,659	13,352	4,390				24,401
EXPENDITURES:							
General government		5,445		45			5,490
Public safety							
Public works							
Per trust agreements							
Education	5,014		1,996				7,010
Human resources							
Capital and special appropriations							
Debt service:							
Debt principal							
Debt interest							
TOTAL EXPENDITURES	5,014	5,445	1,996	45			12,500
Excess of revenues over expenditures before transfers	1,645	7,907	2,394	(45)		5,235	12,296
OTHER FINANCING SOURCES (USES):							
Transfers in							
Transfers out							
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-			-
Excess of revenues and expenditures	1,645	7,907	2,394	(45)		5,235	12,296
Fund balance, beginning of year	4,324	11,391	2,354	725		176	18,970
Fund balance, end of year	5,969	12,622	2,553	680		5,411	20,846

TOWN OF NORTH KINGSTOWN
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non-Major Governmental Funds
Year Ended June 30, 2005

	SPECIAL REVENUE FUNDS					
	Infrastructure Replacement	URI Septic Loan Program	Community Center Maintenance	Heritage Committee	Senior Center Legislative Grant	Impact Fees
REVENUES:						
Interest and investment income	\$ 262,463	\$ 4,273			\$ 9,500	\$ 3,529
Intergovernmental					9,500	235,125
Other	48					
TOTAL REVENUES	262,511	4,273	\$ -	\$ -	9,500	238,654
EXPENDITURES:						
General government	38,620	52,500			3,928	
Public safety						
Public works						
Per trust agreements						
Education						
Human resources						
Capital and special appropriations						
Debt service:						
Debt principal						
Debt interest						
TOTAL EXPENDITURES	38,620	52,500	-	-	3,928	-
Excess of revenues over expenditures before transfers	223,891	(48,227)	-	-	5,572	238,654
OTHER FINANCING SOURCES (USES):						
Transfers in						
Transfers out	(240,138)					(302,856)
TOTAL OTHER FINANCING SOURCES (USES)	(240,138)	-	-	-	-	(302,856)
Excess of revenues and expenditures	(16,247)	(48,227)	-	-	5,572	(64,202)
Fund balance, beginning of year	70,644	222,052	-	-	-	302,856
Fund balance, end of year	\$ 54,397	\$ 173,825	\$ -	\$ -	\$ 5,572	\$ 238,654

(CONTINUED)

TOWN OF NORTH KINGSTOWN
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non-Major Governmental Funds
Year Ended June 30, 2005

	SPECIAL REVENUE FUNDS						
	Emergency Medical Services	RIDEM Potowomut Pond Clean-up	Fire Department Legislative Grant	Tax Revaluation Reserve Fund	Miscellaneous State Water Department Grants		
REVENUES:							
Interest and investment income	\$ 3,460						
Intergovernmental							
Other	472,511		2,000		424		
TOTAL REVENUES	\$ 475,971	\$ -	\$ 2,000	\$ 424	\$ -		
EXPENDITURES:							
General government	76,672				3,001		
Public safety							
Public works							
Per trust agreements							
Education							
Human resources							
Capital and special appropriations							
Debt service:							
Debt principal							
Debt interest							
TOTAL EXPENDITURES	76,672	-	-	3,001	-		
Excess of revenues over expenditures before transfers	399,299	-	2,000	(2,577)	-		
OTHER FINANCING SOURCES (USES):							
Transfers in							
Transfers out	(396,283)						
TOTAL OTHER FINANCING SOURCES (USES)	(396,283)	-	-	-	-		
Excess of revenues and expenditures	3,016	-	2,000	(2,577)	-		
Fund balance, beginning of year	(3,016)	4,500	11,500	11,081	-		
Fund balance, end of year	\$ -	\$ 4,500	\$ 13,500	\$ 8,504	\$ -		

(CONTINUED)

TOWN OF NORTH KINGSTOWN
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non-Major Governmental Funds
Year Ended June 30, 2005

	SPECIAL REVENUE FUNDS						
	Miscellaneous State Grants	Davisville Library Fund	Champlin Foundation Fund	Library Fund	Willet Library Fund	RI Emergency Management	Miscellaneous Library Donations
REVENUES:							
Interest and investment income	\$ 206,205	\$ 16,859	\$ 70	\$ 249,309	\$ 16,859	\$ 90,473	\$ 68
Intergovernmental							
Other							2,835
TOTAL REVENUES	206,205	16,859	70	249,309	16,859	90,473	2,903
EXPENDITURES:							
General government		16,859	8,243	1,152,341	16,859		1,450
Public safety							
Public works						85,638	
Per trust agreements							
Education							
Human resources						7,120	
Capital and special appropriations							
Debt service:							
Debt principal							
Debt interest							
TOTAL EXPENDITURES	206,205	16,859	8,243	1,152,341	16,859	92,758	1,450
Excess of revenues over expenditures before transfers	-	-	(8,173)	(903,032)	-	(2,285)	1,453
OTHER FINANCING SOURCES (USES):							
Transfers in				917,757			
Transfers out				(21,600)			
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	896,157	-	-	-
Excess of revenues and expenditures	-	-	(8,173)	(6,875)	-	(2,285)	1,453
Fund balance, beginning of year	-	-	8,334	69,436	-	11,854	3,951
Fund balance, end of year	\$ -	\$ -	\$ 161	\$ 62,561	\$ -	\$ 9,569	\$ 5,404

TOWN OF NORTH KINGSTOWN
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non-Major Governmental Funds
Year Ended June 30, 2005

	SPECIAL REVENUE FUNDS					
	School Public Law 94-142	School Title I	School Title V	School Title II	School Drug Free Schools	School Title II Technology
REVENUES:						
Interest and investment income						
Intergovernmental	\$ 938,508	\$ 685,140	\$ 25,377	\$ 224,107	\$ 32,030	\$ 31,707
Other						
TOTAL REVENUES	<u>938,508</u>	<u>685,140</u>	<u>25,377</u>	<u>224,107</u>	<u>32,030</u>	<u>31,707</u>
EXPENDITURES:						
General government						
Public safety						
Public works						
Per trust agreements						
Education	938,508	685,140	25,377	224,107	32,030	31,707
Human resources						
Capital and special appropriations						
Debt service:						
Debt principal						
Debt interest						
TOTAL EXPENDITURES	<u>938,508</u>	<u>685,140</u>	<u>25,377</u>	<u>224,107</u>	<u>32,030</u>	<u>31,707</u>
Excess of revenues over expenditures before transfers	-	-	-	-	-	-
OTHER FINANCING SOURCES (USES):						
Transfers in						
Transfers out						
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-
Excess of revenues and expenditures	-	-	-	-	-	-
Fund balance, beginning of year	-	-	-	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

TOWN OF NORTH KINGSTOWN
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non-Major Governmental Funds
Year Ended June 30, 2005

		SPECIAL REVENUE FUNDS					
		School Preschool Services	Perkins Vocational Ed	Comprehensive School Reform	School Davisville Family Center	School Opportunity Zone Family Center	
REVENUES:	Interest and investment income	\$ 55,437	\$ 31,843	\$ 137,852	\$ 44,249	\$ 42,662	
	Intergovernmental						
	Other						
	TOTAL REVENUES	<u>55,437</u>	<u>31,843</u>	<u>137,852</u>	<u>44,249</u>	<u>42,662</u>	
EXPENDITURES:	General government						
	Public safety						
	Public works						
	Per trust agreements						
	Education	55,437	31,843	137,852	44,249	42,662	
	Human resources						
	Capital and special appropriations						
	Debt service:						
	Debt principal						
	Debt interest						
	TOTAL EXPENDITURES	<u>55,437</u>	<u>31,843</u>	<u>137,852</u>	<u>44,249</u>	<u>42,662</u>	
	Excess of revenues over expenditures	-	-	-	-	-	
	before transfers						
OTHER FINANCING SOURCES (USES):	Transfers in						
	Transfers out						
	TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	
	Excess of revenues and expenditures	-	-	-	-	-	
	Fund balance, beginning of year	-	-	-	-	-	
	Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

TOWN OF NORTH KINGSTOWN
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non-Major Governmental Funds
Year Ended June 30, 2005

	SPECIAL REVENUE FUNDS						
	School Substance Abuse	School Literacy Sat-Aside	School Even Start Family Literacy	NKHS Living Democracy	Consortium Student Info System		
REVENUES:							
Interest and investment income							
Intergovernmental	\$ 36,756	\$ 290,884	\$ 82,034	\$ 6,584		\$ 51,700	
Other							
TOTAL REVENUES	36,756	290,884	82,034	6,584		51,700	
EXPENDITURES:							
General government							
Public safety							
Public works							
Per trust agreements							
Education	36,756	292,776	82,034	6,584		51,700	
Human resources							
Capital and special appropriations							
Debt service:							
Debt principal							
Debt interest							
TOTAL EXPENDITURES	36,756	292,776	82,034	6,584		51,700	
Excess of revenues over expenditures before transfers	-	(1,892)	-	-		-	
OTHER FINANCING SOURCES (USES):							
Transfers in							
Transfers out							
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-		-	
Excess of revenues and expenditures	-	(1,892)	-	-		-	
Fund balance, beginning of year	-	2,026	-	-		-	
Fund balance, end of year	\$ -	\$ 134	\$ -	\$ -		\$ -	

TOWN OF NORTH KINGSTOWN
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non-Major Governmental Funds
Year Ended June 30, 2005

	SPECIAL REVENUE FUNDS					
	School COZ Miscellaneous Donations	School Adult Education Fund	School Summer School Fund	School Sports Camp	Champlin	
REVENUES:						
Interest and investment income	103	\$ 34,432	\$ 27,401		64,481	
Intergovernmental						
Other	103	34,432	27,401		64,481	\$ -
TOTAL REVENUES						
EXPENDITURES:						
General government						
Public safety						
Public works						
Per trust agreements						
Education	103	31,172	21,127		62,607	
Human resources						
Capital and special appropriations						
Debt service:						
Debt principal						
Debt interest						
TOTAL EXPENDITURES	103	31,172	21,127		62,607	
Excess of revenues over expenditures before transfers	-	3,260	6,274		1,874	
OTHER FINANCING SOURCES (USES):						
Transfers in						
Transfers out						
TOTAL OTHER FINANCING SOURCES (USES)						
Excess of revenues and expenditures	-	3,260	6,274		1,874	
Fund balance, beginning of year	-	703	22,536		34,285	
Fund balance, end of year	-	\$ 3,963	\$ 28,810		\$ 36,159	\$ -

(CONTINUED)

TOWN OF NORTH KINGSTOWN
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non-Major Governmental Funds
Year Ended June 30, 2005

	SPECIAL REVENUE FUNDS						
	Medicaid	LCI Enhancing Education through Technology	SAELP Demonstration Site	RI Parent Info Network	Recreation Escrow	Parade Committee	
REVENUES:							
Interest and investment income							
Intergovernmental	\$ 762,240	\$ 24,820	\$ 5,000	\$ 3,069	\$ 164,823	\$ 600	
Other							600
TOTAL REVENUES	762,240	24,820	5,000	3,069	164,823	600	600
EXPENDITURES:							
General government					160,810		735
Public safety							
Public works							
Per trust agreements							
Education	703,685	24,820	5,000	3,069			
Human resources							
Capital and special appropriations							
Debt service:							
Debt principal							
Debt interest							
TOTAL EXPENDITURES	703,685	24,820	5,000	3,069	160,810		735
Excess of revenues over expenditures before transfers	58,555	-	-	-	4,013	-	(135)
OTHER FINANCING SOURCES (USES):							
Transfers in							
Transfers out							
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-	-
Excess of revenues and expenditures	58,555	-	-	-	4,013	-	(135)
Fund balance, beginning of year	-	-	-	-	54,743	-	498
Fund balance, end of year	\$ 58,555	\$ -	\$ -	\$ -	\$ 58,756	\$ -	\$ 363

TOWN OF NORTH KINGSTOWN
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non-Major Governmental Funds
Year Ended June 30, 2005

		SPECIAL REVENUE FUNDS						
		Wilson Park	Retirement Allowance Reserve Fund	Health Insurance Reserve	Ann Ward Wallou Memorial Garden	Surplus Property Escrow	Old Library Park	
REVENUES:								
Interest and investment income	\$	21	\$ 19,385	\$ 14,473	\$ 63	\$	439	
Intergovernmental					1,000		660	
Other					1,063		1,099	
TOTAL REVENUES		21	19,385	14,473	1,063		1,099	
EXPENDITURES:								
General government						11,359	6,512	
Public safety								
Public works								
Per trust agreements			170,174		1,222			
Education								
Human resources								
Capital and special appropriations								
Debt service:								
Debt principal								
Debt interest								
TOTAL EXPENDITURES		-	170,174	-	1,222	11,359	6,512	
Excess of revenues over expenditures before transfers		21	(150,789)	14,473	(159)	(11,359)	(5,413)	
OTHER FINANCING SOURCES (USES):								
Transfers in			171,600	200,000				
Transfers out			(171,600)	(200,000)				
TOTAL OTHER FINANCING SOURCES (USES)		-						
Excess of revenues and expenditures		21	20,811	214,473	(159)	(11,359)	(5,413)	
Fund balance, beginning of year		3,901	939,475	650,854	2,390	11,359	19,424	
Fund balance, end of year	\$	3,922	\$ 960,286	\$ 865,327	\$ 2,231	\$	\$ 14,011	

TOWN OF NORTH KINGSTOWN
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non-Major Governmental Funds
Year Ended June 30, 2005

	SPECIAL REVENUE FUNDS					
	Senior Citizens Center	Senior Citizens Bus Gasoline Escrow	Arts Council	Senior Outreach Escrow	Project Date	Leisure Services Brochure
REVENUES:						
Interest and investment income						
Intergovernmental						
Other	\$ 65,462		\$ 22,871	\$ 820	\$ 1,870	
TOTAL REVENUES	<u>\$ 65,462</u>	<u>\$ -</u>	<u>\$ 22,871</u>	<u>\$ 820</u>	<u>\$ 1,870</u>	<u>\$ -</u>
EXPENDITURES:						
General government	68,318		14,982	57	533	
Public safety						
Public works						
Per trust agreements						
Education						
Human resources						
Capital and special appropriations						
Debt service:						
Debt principal						
Debt interest						
TOTAL EXPENDITURES	<u>68,318</u>	<u>-</u>	<u>14,982</u>	<u>57</u>	<u>533</u>	<u>-</u>
Excess of revenues over expenditures before transfers	(2,856)	-	7,889	763	1,337	-
OTHER FINANCING SOURCES (USES):						
Transfers in						
Transfers out						
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues and expenditures	(2,856)	-	7,889	763	1,337	-
Fund balance, beginning of year	13,935	61	5,739	1,076	3,430	900
Fund balance, end of year	<u>\$ 11,079</u>	<u>\$ 61</u>	<u>\$ 13,628</u>	<u>\$ 1,839</u>	<u>\$ 4,767</u>	<u>\$ 900</u>

TOWN OF NORTH KINGSTOWN
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non-Major Governmental Funds
Year Ended June 30, 2005

	DEBT SERVICE FUNDS				CAPITAL PROJECT FUNDS			
	Debt Service Fund	FY 2005 Refunding	6.5 School Additions Bond	6M Public Facilities Plant Bond	Farmland & Open Space Reserve	2.3M Athletic Facilities Bond Fund	Farmland Preservation Bond	
REVENUES:								
Interest and investment income	7,414			9,014	9,636	1,009		
Intergovernmental	1,695,527							
Other					402,956			
TOTAL REVENUES	1,702,941	\$ -	\$ -	9,014	412,592	1,009	\$ -	\$ -
EXPENDITURES:								
General government								
Public safety								
Public works								
Per trust agreements								
Education								
Human resources		99,802		177,700	103,966	82,766		
Capital and special appropriations								
Debt service:								
Debt principal	3,309,194							
Debt interest	2,387,949		4,600			14,832		
TOTAL EXPENDITURES	5,697,143	99,802	4,600	177,700	103,966	97,598	-	-
Excess of revenues over expenditures before transfers	(3,994,202)	(99,802)	(4,600)	(168,686)	308,626	(96,589)	-	-
OTHER FINANCING SOURCES (USES):								
Transfers in	4,064,276	118,142						
Transfers out	(617,011)							
TOTAL OTHER FINANCING SOURCES (USES)	3,447,265	118,142	-	-	-	-	-	-
Excess of revenues and expenditures	(546,937)	18,340	(4,600)	(168,686)	308,626	(96,589)	-	-
Fund balance, beginning of year	1,667,297	-	4,600	518,278	339,170	96,589	-	-
Fund balance, end of year	\$ 1,120,360	\$ 18,340	\$ -	\$ 349,592	\$ 647,796	\$ -	\$ -	\$ -

(CONTINUED)

TOWN OF NORTH KINGSTOWN
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non-Major Governmental Funds
Year Ended June 30, 2005

	CAPITAL PROJECT FUNDS				PERMANENT FUNDS			
	High School Bond Fund	Capital Reserve	School Capital Reserve Fund	Tri-Centennial Park	400th Anniversary	Henry Reynolds Indigent Care		
REVENUES:								
Interest and investment income		\$ 36,651	\$ 7,764	\$ 32	\$ 70	\$ 387		
Intergovernmental								
Other								
TOTAL REVENUES	\$ -	\$ 36,651	\$ 7,764	\$ 32	\$ 70	\$ 387		
EXPENDITURES:								
General government								
Public safety								
Public works								
Per trust agreements								
Education								
Human resources								
Capital and special appropriations		209,311						963
Debt service:								
Debt principal								
Debt interest	1,878							963
TOTAL EXPENDITURES	1,878	209,311	-	-	-	-		963
Excess of revenues over expenditures before transfers	(1,878)	(172,660)	7,764	32	70	(576)		
OTHER FINANCING SOURCES (USES):								
Transfers in		375,000	1,117,011					
Transfers out			(416,880)					
TOTAL OTHER FINANCING SOURCES (USES)	-	375,000	700,131	-	-	-		
Excess of revenues and expenditures	(1,878)	202,340	707,895	32	70	(576)		
Fund balance, beginning of year	1,878	1,740,231	435,764	6,007	3,144	17,395		
Fund balance, end of year	\$ -	\$ 1,942,571	\$ 1,143,659	\$ 6,039	\$ 3,214	\$ 16,819		

TOWN OF NORTH KINGSTOWN
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non-Major Governmental Funds
Year Ended June 30, 2005

	PERMANENT FUNDS						
	School Updike Fund	School Gardiner Fund	School Library Fund	School Tennis Fund	Henry Reynolds Outside Poor Fund	Veterans Memorial Scholarship	
REVENUES:							
Interest and investment income	12	12	28		12	152	
Intergovernmental							
Other							
TOTAL REVENUES	12	12	28		12	152	
EXPENDITURES:							
General government							
Public safety							
Public works							
Per trust agreements			1,010				
Education							
Human resources							
Capital and special appropriations							
Debt service:							
Debt principal							
Debt interest							
TOTAL EXPENDITURES			1,010				
Excess of revenues over expenditures before transfers	12	12	(982)		12	152	
OTHER FINANCING SOURCES (USES):							
Transfers in							
Transfers out							
TOTAL OTHER FINANCING SOURCES (USES)							
Excess of revenues and expenditures	12	12	(982)		12	152	
Fund balance, beginning of year	3,783	4,833	8,220	261	2,147	6,826	
Fund balance, end of year	\$ 3,795	\$ 4,845	\$ 7,238	\$ 261	\$ 2,159	\$ 6,978	

(CONTINUED)

TOWN OF NORTH KINGSTOWN
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non-Major Governmental Funds
Year Ended June 30, 2005

	PERMANENT FUNDS						
	William D. Davis Library Fund	John J. Spink Outside Poor Fund	John B. Spink Outside Poor Fund	Thomas Casey Outside Poor Fund	Elizabeth Miller Library Fund	Grand Totals	
REVENUES:							
Interest and investment income	\$ 27	\$ 111	\$ 28	\$ 12	\$ 11	\$ 382,491	
Intergovernmental						6,515,623	
Other						2,422,519	
TOTAL REVENUES	27	111	28	12	11	9,320,633	
EXPENDITURES:							
General government						3,220,745	
Public safety						14,606	
Public works						291,843	
Per trust agreements	27				11	173,407	
Education						3,570,345	
Human resources						35,730	
Capital and special appropriations						673,545	
Debt service:							
Debt principal						3,309,194	
Debt interest						2,409,259	
TOTAL EXPENDITURES	27	-	-	-	11	13,698,674	
Excess of revenues over expenditures before transfers	-	111	28	12	-	(4,378,041)	
OTHER FINANCING SOURCES (USES):							
Transfers in						6,963,786	
Transfers out						(1,994,768)	
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	4,969,018	
Excess of revenues and expenditures	-	111	28	12	-	590,977	
Fund balance, beginning of year	5,007	20,704	5,176	2,148	2,003	7,494,291	
Fund balance, end of year	\$ 5,007	\$ 20,815	\$ 5,204	\$ 2,160	\$ 2,003	\$ 8,085,268	

TOWN OF NORTH KINGSTOWN

NON-MAJOR ENTERPRISE FUNDS

The Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprise or where the Town has decided that periodic determination of net income is appropriate for capital maintenance, management control, accountability, public policy or other purposes.

Quonset/Davisville Reserve – To account for funds set aside for capital expenditures of the Quonset/Davisville Recreation Fund.

School Cafeteria Fund - To account for the School's Food Service operation.

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TOWN OF NORTH KINGSTOWNNON-MAJOR ENTERPRISE FUNDS**COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2005**

<u>ASSETS</u>	Quonset/ Davisville Reserve	School Cafeteria	Total
Current assets:			
Cash and cash equivalents	\$ 26,529	\$ 1,199	\$ 27,728
Other receivables		34,950	34,950
Inventory		46,927	46,927
Total current assets	<u>26,529</u>	<u>83,076</u>	<u>109,605</u>
Net Capital Assets		<u>4,479</u>	<u>4,479</u>
TOTAL ASSETS	<u>\$ 26,529</u>	<u>\$ 87,555</u>	<u>\$ 114,084</u>
<u>LIABILITIES AND FUND EQUITY</u>			
Current liabilities:			
Due to other funds		\$ 14,775	\$ 14,775
Accounts payable		46,321	46,321
Total current liabilities	<u>\$ -</u>	<u>61,096</u>	<u>61,096</u>
<u>NET ASSETS</u>			
Unrestricted	<u>26,529</u>	<u>26,459</u>	<u>52,988</u>
Total net assets	<u>26,529</u>	<u>26,459</u>	<u>52,988</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 26,529</u>	<u>\$ 87,555</u>	<u>\$ 114,084</u>

TOWN OF NORTH KINGSTOWNNON-MAJOR ENTERPRISE FUNDS**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2005**

	Quonset/ Davisville Reserve	School Cafeteria	Total
Operating revenues:			
Charges for services		\$ 1,010,897	\$ 1,010,897
Total operating revenues	\$ -	1,010,897	1,010,897
Operating expenses:			
School cafeteria		1,402,651	1,402,651
Bad debts		12,267	12,267
Depreciation		1,728	1,728
Total operating expenses	-	1,416,646	1,416,646
Operating income (loss)	-	(405,749)	(405,749)
Non-operating revenues (expenses):			
Federal grants		261,741	261,741
State matching funds		14,544	14,544
Interest income	577		577
Total non-operating revenues (expenses):	577	276,285	276,862
Net income (loss)	577	(129,464)	(128,887)
Net assets - July 1, 2004	25,952	155,923	181,875
Net assets - June 30, 2005	\$ 26,529	\$ 26,459	\$ 52,988

TOWN OF NORTH KINGSTOWNNON-MAJOR ENTERPRISE FUNDS**COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2005**

	Quonset/ Davisville Reserve	School Cafeteria	Total
Cash flows from operating activities:			
Cash received from customers		\$ 1,068,007	\$ 1,068,007
Cash payments to suppliers for goods and services		(1,401,987)	(1,401,987)
Cash payments to employees for services		-	-
Net cash provided (used) by operating activities	\$ -	(333,980)	(333,980)
Cash flows from capital financing activities:			
Acquisition of capital assets	-	-	-
Net cash used by capital financing activities	-	-	-
Cash flows from noncapital financing activities:			
Federal grant receipts		261,741	261,741
State matching funds receipts	-	14,544	14,544
Net cash used by noncapital financing activities	-	276,285	276,285
Cash flows from investing activities:			
Interest on investments	577	-	577
Net cash provided by investing activities	577	-	577
Net increase (decrease) in cash and cash equivalents	577	(57,695)	(57,118)
Cash and cash equivalents, July 1, 2004	25,952	58,894	84,846
Cash and cash equivalents, June 30, 2005	\$ 26,529	\$ 1,199	\$ 27,728
Reconciliation of operating income to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ -	\$ (405,749)	\$ (405,749)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:			
Depreciation		1,728	1,728
Decrease (increase) in other receivable		57,110	57,110
Increase in inventory		(1,273)	(1,273)
Increase in due to other funds		14,775	14,775
Increase (decrease) in accounts payable		(571)	(571)
Net cash provided by (used for) operating activities	\$ -	(333,980)	(333,980)

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TOWN OF NORTH KINGSTOWN, RHODE ISLAND

PRIVATE PURPOSE TRUST FUNDS

Private Purpose Trust Funds are all trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The following is a list of Private Purpose Trust Funds:

Burial Funds – The net assets of these funds are for the care and maintenance expenses for certain burial lots within the Town of North Kingstown. The following is a list of Burial Funds included in this section:

Hall	B.H. Davis
Vaughn	Updike
Young	Mary Carpenter
Rebecca Hammond	Smith-Lawton
W.H. Welling	Old Baptist Cemetery
George C. Hall	Smith

Probate Funds – Funds established as a result of unlocatable heirs to various funds. The following is a list of Probate Funds accounted for by the Town:

Lawton	E. Rogers/C. Levalley
Weeks	Cogan
Jones	

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Combining Statement of Net Assets
Private Purpose Trust Funds
For the year ended June 30, 2005

	Burial Funds					
	Hall	Vaughn	Young	Rebecca Hammond	W.H. Welling	GeorgeC. Hall
ASSETS						
Cash	\$ 501	\$ 100	\$ 300	\$ 300	\$ 8,582	\$ 200
LIABILITIES						
NET ASSETS						
Held in Trust for private purposes per trust agreements	\$ 501	\$ 100	\$ 300	\$ 300	\$ 8,582	\$ 200

TOWN OF NORTH KINGSTOWN

H-1

**Combining Statement of Net Assets
Private Purpose Trust Funds
For the year ended June 30, 2004**

		Burial Funds							
		B.H. Davis	Updike	Mary Carpenter	Smith-Lawton	Old Baptist Cemetery	Smith	Burial Totals	
ASSETS									
Cash	\$	501	\$ 1,565	\$ 1,001	\$ 4,607	\$ 701	\$ 1,001	\$ 19,359	
		-	-	-	-	-	-	-	
LIABILITIES									
NET ASSETS									
Held in Trust for private purposes per trust agreements	\$	501	\$ 1,565	\$ 1,001	\$ 4,607	\$ 701	\$ 1,001	\$ 19,359	

(CONTINUED)

TOWN OF NORTH KINGSTOWN

H-1

**Combining Statement of Net Assets
Private Purpose Trust Funds
For the year ended June 30, 2005**

	Probate Funds						
	Lawton	Weeks	E. Rogers/ C. Levalley	Cogan	Jones	Probate Totals	GRAND TOTALS
ASSETS							
Cash	\$ 8,220	\$ 2,328	\$ -	\$ 540	\$ 204	\$ 11,292	\$ 30,651
LIABILITIES							
	-	-	-	-	-	-	-
NET ASSETS							
Held in Trust for private purposes per trust agreements	\$ 8,220	\$ 2,328	\$ -	\$ 540	\$ 204	\$ 11,292	\$ 30,651

(CONCLUDED)

TOWN OF NORTH KINGSTOWN
Combining Statement of Changes in Net Assets
Private Purpose Trust Funds
For the year ended June 30, 2005

	Burial Funds						
	Hall	Vaughn	Young	Rebecca Hammond	W.H. Welling	George C. Hall	
ADDITIONS:							
Investment income	\$ 6	\$ 1	\$ 2	\$ 2	\$ 46	\$ 1	1
	6	1	2	2	46	1	1
DEDUCTIONS:							
Operating expense per trust agreement	6	1	2	2			1
	6	1	2	2	0		1
CHANGE IN NET ASSETS	0	0	-	-	46	-	-
Net Assets, beginning	501	100	300	300	8,536	200	200
Net Assets, ending	\$ 501	\$ 100	\$ 300	\$ 300	\$ 8,582	\$ 200	\$ 200

TOWN OF NORTH KINGSTOWN
Combining Statement of Changes in Net Assets
Private Purpose Trust Funds
For the year ended June 30, 2003

	Burial Funds							
B.H. Davis	Updike	Mary Carpenter	Smith-Lawton	Old Baptist Cemetery	Smith	Burial Totals		
\$	3	8	5	25	4	5	\$ 108	
	3	8	5	25	4	5	108	
	3	5	5	25	4	5	54	
	3	0	5	25	4	5	54	
	0	8	-	0	0	-	54	
CHANGE IN NET ASSETS								
Net Assets, beginning	501	1,557	1,001	4,607	701	1,001	19,305	
Net Assets, ending	\$ 501	\$ 1,565	\$ 1,001	\$ 4,607	\$ 701	\$ 1,001	\$ 19,359	

ADDITIONS:

Investment income

DEDUCTIONS:

Operating expense per trust agreement

CHANGE IN NET ASSETS

Net Assets, beginning

Net Assets, ending

TOWN OF NORTH KINGSTOWN
Combining Statement of Changes in Net Assets
Private Purpose Trust Funds
For the year ended June 30, 2005

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	Probate Funds							
	Lawton	Weeks	E. Rogers/ C. LeValley	Cogan	Jones	Probate Totals	GRAND TOTALS	
ADDITIONS:								
Investment income	\$ 44	\$ 51	\$ 3	\$ 11	\$ 4	\$ 113	\$ 221	
	44	51	3	11	4	113	221	
DEDUCTIONS:								
Operating expense per trust agreement			1,171			\$ 1,171	1,225	
	0	0	1,171	0	0	1,171	1,225	
CHANGE IN NET ASSETS	44	51	(1,168)	11	4	(1,058)	(1,004)	
Net Assets, beginning	8,176	2,277	1,168	529	200	12,350	31,655	
Net Assets, ending	\$ 8,220	\$ 2,328	\$ -	\$ 540	\$ 204	\$ 11,292	\$ 30,651	

(CONCLUDED)

TOWN OF NORTH KINGSTOWN

AGENCY FUNDS

Agency Funds were established to function as clearing mechanisms for cash resources which are collected and disbursed to authorized recipients. The following is a list of Agency Funds included in this section:

Student Activity Fund - To account for monies received and expended for various student activities.

Payroll Fund - To account for the Town's payroll expenses.

School Payroll Fund - To account for the School's payroll expenses.

Developer Surety Escrow - To account for monies received from developers which are drawn upon by the Town due to failure by the developer to complete improvements to roadways, drainage, and for which the Town must use these funds to complete said improvements.

Perkins Vocational Education - To account for funds received on behalf of other school departments.

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Statement of Changes in Assets and Liabilities
 Agency Funds
 Year ended June 30, 2005

	Beginning Balance	Additions	Deductions	Ending Balance
SCHOOL ACTIVITY FUNDS				
<u>ASSETS</u>				
Cash	\$ 224,620	\$ 693,353	\$ 660,872	\$ 257,101
<u>LIABILITIES</u>				
Due to student groups	\$ 224,620	\$ 693,353	\$ 660,872	\$ 257,101
PAYROLL FUND				
<u>ASSETS</u>				
Cash	\$ 45,556	\$ 33,586,524	\$ 33,621,773	\$ 10,307
Due from (to) other funds	36,851	14,466,619	14,512,009	(8,539)
TOTAL ASSETS	\$ 82,407	\$ 48,053,143	\$ 48,133,782	\$ 1,768
<u>LIABILITIES</u>				
Payroll withholdings	\$ 82,407	\$ 9,466,961	\$ 9,386,322	\$ 1,768
SCHOOL PAYROLL FUND				
<u>ASSETS</u>				
Cash	\$ 51,255	\$ 73,013,697	\$ 72,986,613	\$ 78,339
Due from other funds	517,713	33,819,242	33,801,344	535,611
TOTAL ASSETS	\$ 568,968	\$ 106,832,939	\$ 106,787,957	\$ 613,950
<u>LIABILITIES</u>				
Payroll withholdings	\$ 568,968	\$ 51,160,121	\$ 51,205,103	\$ 613,950

(CONTINUED)

Statement of Changes in Assets and Liabilities
Agency Funds
Year ended June 30, 2005

DEVELOPER SURETY ESCROWASSETS

Cash	\$ 146,567	\$ 3,237	\$ -	\$ 149,804
------	------------	----------	------	------------

LIABILITIES

Deposits held in custody for others	\$ 146,567	\$ -	\$ 3,237	\$ 149,804
-------------------------------------	------------	------	----------	------------

PERKINS VOCATIONAL EDASSETS

Cash	\$ -	\$ 63,998	\$ 63,998	\$ -
------	------	-----------	-----------	------

LIABILITIES

Due to Subrecipient	\$ -	\$ 63,998	\$ 63,998	\$ -
---------------------	------	-----------	-----------	------

TOTAL - ALL AGENCY FUNDSASSETS

Cash	\$ 467,998	\$ 107,360,809	\$ 107,333,256	\$ 495,551
Due from other funds	554,564	48,285,861	48,313,353	527,072
TOTAL ASSETS	\$ 1,022,562	\$ 155,646,670	\$ 155,646,609	\$ 1,022,623

LIABILITIES

Due to student groups	224,620	693,353	660,872	257,101
Deposits Held in Custody for Others	146,567	-	3,237	149,804
Due to sub recipients	-	63,998	63,998	-
Payroll withholdings	651,375	60,627,082	60,591,425	615,718
TOTAL LIABILITIES	\$ 1,022,562	\$ 61,384,433	\$ 61,319,532	\$ 1,022,623

(CONCLUDED)

THE TOWN OF
NORTH KINGSTOWN, RHODE ISLAND

OTHER SUPPLEMENTARY INFORMATION

TOWN OF NORTH KINGSTOWN**Schedule of Revenues and Expenditures (Non-GAAP Budgetary Basis)
Budget and Actual
(Unaudited)****Library Fund
Year Ended June 30, 2005**

	Originally Adopted Budget	Final Approved Budget	Actual (Budgetary Basis)	Variance Positive (Negative)
Revenues:				
State Aid	\$ 191,071	\$ 191,071	\$ 191,071	\$ (0)
Departmental Revenue	39,000	39,000	46,055	7,055
Miscellaneous	500	500	184	(316)
Total Revenues	230,571	230,571	237,309	6,738
Expenditures:				
Library	1,138,728	1,138,728	1,137,437	1,291
Total Expenditures	1,138,728	1,138,728	1,137,437	1,291
Excess of expenditures over revenues	(908,157)	(908,157)	(900,127)	8,030
Other financing sources:				
Operating transfer from Town	917,757	917,757	917,757	-
Transfers out	(21,600)	(21,600)	(21,600)	-
Transfer from fund balance	12,000	12,000	12,000	-
Net other financing sources	908,157	908,157	908,157	-
Excess (deficiency) of revenues and other sources over expenditures	\$ -	\$ -	\$ 8,030	\$ 8,030

TOWN OF NORTH KINGSTOWN

**Schedule of Revenues and Expenditures (Non-GAAP Budgetary Basis)
Budget and Actual
(Unaudited)**

**Debt Service Fund
Year Ended June 30, 2005**

	Originally Adopted Budget	Final Approved Budget	Actual (Budgetary Basis)	Variance Positive (Negative)
Revenues:				
State Aid	\$ 1,656,533	\$ 1,656,533	\$ 1,695,527	\$ 38,994
Miscellaneous	500	500	7,414	6,914
Total Revenues	1,657,033	1,657,033	1,702,941	45,908
Expenditures:				
Debt Service Municipal	1,552,076	1,552,076	1,552,076	(0)
Debt Service School	4,166,377	4,166,377	4,145,067	21,310
Total Expenditures	5,718,453	5,718,453	5,697,143	21,310
Excess of expenditures over revenues	(4,061,420)	(4,061,420)	(3,994,202)	67,218
Other financing sources:				
Operating transfer from Town	3,761,420	3,761,420	3,761,420	-
Transfer from Impact Fees	300,000	300,000	302,856	2,856
Transfer out to School Capital Reserve	-	(617,011)	(617,011)	-
Net other financing sources	4,061,420	3,444,409	3,447,265	2,856
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ -	\$ (617,011)	\$ (546,937)	\$ 70,074

TOWN OF NORTH KINGSTOWN

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**Schedule of Revenues and Expenditures (Non-GAAP Budgetary Basis)
Budget and Actual
(Unaudited)**

School Capital Reserve Fund

Year Ended June 30, 2005

	Originally Adopted Budget	Final Approved Budget	Actual (Budgetary Basis)	Variance Positive (Negative)
Revenues:				
Investment Earnings	\$ -	\$ -	\$ 7,764	\$ 7,764
Total Revenues	<u>-</u>	<u>-</u>	<u>7,764</u>	<u>7,764</u>
Other financing sources (uses):				
Operating transfer from Town	180,000	180,000	180,000	-
Transfers In	320,000	320,000	937,011	617,011
Transfer to School Fund	-	(416,880)	(416,880)	-
Net other financing sources (uses)	<u>500,000</u>	<u>83,120</u>	<u>700,131</u>	<u>617,011</u>
Excess (deficiency) of revenues and other sources over other uses	<u>\$ 500,000</u>	<u>\$ 83,120</u>	<u>\$ 707,895</u>	<u>\$ 624,775</u>

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THE TOWN OF
NORTH KINGSTOWN, RHODE ISLAND

STATISTICAL SECTION

TABLE 1

TOWN OF NORTH KINGSTOWN

GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION

LAST TEN FISCAL YEARS (1)

	2005	2004	2003	2002	2001
General government	\$ 7,310,123	\$ 6,437,736	\$ 6,303,068	\$ 4,620,090	\$ 4,935,355
Public safety	\$ 11,551,917	\$ 11,297,060	\$ 10,151,088	\$ 10,065,679	\$ 8,946,977
Public works	\$ 4,530,289	\$ 4,330,139	\$ 3,316,262	\$ 3,618,773	\$ 3,750,904
Parks and recreation	\$ 585,699	\$ 593,594	\$ 376,334	\$ -	\$ -
Senior services	\$ 297,474	\$ 286,475	\$ 271,638	\$ -	\$ -
Education	\$ 53,565,325	\$ 53,810,038	\$ 47,534,281	\$ 44,401,975	\$ 41,719,508
Per trust agreements	\$ 173,407	\$ 204,109	\$ 184,879	\$ -	\$ -
Human resources	\$ 35,730	\$ 228,162	\$ 138,295	\$ 1,940,276	\$ 1,909,148
Capital improvement	\$ 673,545	\$ 1,555,726	\$ 458,479	\$ 14,488,499	\$ 23,531,451
Debt service	\$ 5,718,453	\$ 5,873,276	\$ 6,044,921	\$ 6,001,055	\$ 4,012,305
Other					
TOTAL	\$ 84,441,962	\$ 84,616,315	\$ 74,779,245	\$ 85,136,347	\$ 88,805,648

(1) This schedule includes expenditures of the General Fund, Special Revenue Funds, Debt Service, Capital Project Funds, and Permanent Funds after elimination of transfer between these funds.

TABLE 1

TOWN OF NORTH KINGSTOWN

GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION

LAST TEN FISCAL YEARS (1)

	2000	1999	1998	1997	1996
General government	\$ 4,294,109	\$ 4,374,433	\$ 3,434,508	\$ 3,224,369	\$ 3,079,558
Public safety	\$ 8,647,435	\$ 8,397,280	\$ 7,878,245	\$ 7,604,265	\$ 7,612,298
Public works	\$ 3,459,956	\$ 3,196,476	\$ 3,609,213	\$ 3,679,032	\$ 3,900,436
Parks and recreation	\$ -	\$ -	\$ -	\$ -	\$ -
Senior services	\$ -	\$ -	\$ -	\$ -	\$ -
Education	\$ 39,107,712	\$ 37,551,560	\$ 34,711,315	\$ 32,464,689	\$ 32,207,641
Per trust agreements	\$ -	\$ -	\$ -	\$ -	\$ -
Human resources	\$ 1,842,729	\$ 1,955,234	\$ 2,123,528	\$ 1,814,810	\$ 1,834,893
Capital improvement	\$ 7,856,089	\$ 5,470,694	\$ 2,249,067	\$ 5,285,928	\$ 2,909,803
Debt service	\$ 2,936,840	\$ 1,477,845	\$ 1,820,271	\$ 769,514	\$ 913,240
Other			\$ 447		
TOTAL	\$ 68,144,870	\$ 62,423,522	\$ 55,826,594	\$ 54,842,607	\$ 52,457,869

(1) This schedule includes expenditures of the General Fund, Special Revenue Funds, Debt Service, Capital Project Funds, and Permanent Funds after elimination of transfer between these funds.

TOWN OF NORTH KINGSTOWN

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS

Fiscal Year	Net Adjusted Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collected	Percent of Total Tax Collections To Tax Levy	Outstanding Delinquent Taxes	Percent of Delinquent Taxes To Tax Levy
1995/1996	31,037,326	29,812,237	96.05%	1,112,102	30,924,339	99.64%	2,534,065	8.16%
1996/1997	32,674,331	31,280,074	95.73%	1,100,294	32,380,368	99.10%	2,724,267	8.34%
1997/1998	35,738,674	34,325,596	96.05%	1,248,475	35,574,071	99.54%	2,696,351	7.54%
1998/1999	38,338,764	36,994,035	96.49%	1,295,062	38,289,097	99.87%	2,591,196	6.76%
1999/2000	40,225,839	38,986,528	96.92%	1,286,536	40,273,064	100.12%	2,454,705	6.10%
2000/2001	42,225,274	41,097,232	97.33%	1,278,165	42,375,397	100.36%	2,365,928	5.60%
2001/2002	46,885,673	45,641,683	97.35%	1,163,922	46,805,605	99.83%	2,390,776	5.10%
2002/2003	48,766,433	47,677,559	97.77%	1,185,061	48,862,620	100.20%	2,399,708	4.92%
2003/2004	50,952,549	49,906,474	97.95%	1,188,649	51,095,123	100.28%	1,660,009	3.26%
2004-2005	51,486,719	50,430,577	97.95%	1,003,704	51,434,281	99.90%	1,623,405	3.15%

TABLE 4

TOWN OF NORTH KINGSTOWN

**ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
"UNAUDITED"**

LAST TEN FISCAL YEARS (1)

Fiscal Year	Real Property		Personal Property		TOTAL		Ratio of Total	
	Assessed Value (1)	Estimated Actual Value	Assessed Value (1)	Estimated Actual Value	Assessed Value (1)	Estimated Actual Value	Assessed to Total Estimated Actual Value	Ratio of Total Assessed to Total Estimated Actual Value
1996	1,378,485,000	1,443,273,795	188,068,180	188,068,180	1,566,553,180	1,631,341,975	0.955	0.955
1997	1,401,248,700	1,499,336,100	200,492,952	200,492,952	1,601,741,652	1,699,829,052	0.935	0.935
1998	1,433,174,000	1,508,604,210	211,230,520	211,230,520	1,644,404,520	1,719,834,730	0.950	0.950
1999	1,470,037,800	1,594,401,085	230,918,953	230,918,953	1,700,956,753	1,825,320,038	0.922	0.922
2000	1,500,902,170	1,658,455,436	230,541,395	230,541,395	1,765,207,767	1,922,761,033	0.920	0.920
2001	1,536,301,370	1,745,797,011	222,929,548	222,929,548	1,759,230,918	2,023,180,898	0.880	0.880
2002	1,954,112,590	2,014,549,061	219,842,649	219,842,649	2,173,955,239	2,234,391,710	0.970	0.970
2003	1,986,996,310	2,393,971,457	212,176,187	212,176,187	2,199,172,497	2,606,147,644	0.830	0.830
2004	2,011,507,975	2,793,761,076	216,786,796	216,786,796	2,228,294,771	3,010,547,872	0.720	0.720
2005	3,373,797,470	3,373,797,470	210,848,833	210,848,833	3,584,646,303	3,584,646,303	1.000	1.000
2006	3,401,172,700	4,097,798,433	230,316,263	230,316,263	3,631,488,963	4,328,114,696	0.830	0.830

(1) Gross amount is reflected without deduction for exemptions.

TABLE 5

TOWN OF NORTH KINGSTOWN
PROPERTY TAX RATES
(PER \$1,000 OF ASSESSED VALUE)
"UNAUDITED"

LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Total Tax Rate</u>	<u>Municipal Portion</u>	<u>School Portion</u>
1997	20.76	6.01	14.75
1998	22.04	6.39	15.65
1999	22.79	7.09	15.70
2000: RE& PP	23.68	7.18	16.50
2000: MV	22.04	6.68	15.36
2000: Inventory	20.52	6.22	14.30
2001: RE & PP	24.65	6.96	17.69
2001: MV	22.04	6.22	15.82
2001: Inventory	18.24	5.15	13.09
2002: RE & PP	21.94	5.57	16.37
2002: MV	22.04	5.51	16.53
2003: RE & PP	22.60	5.70	16.90
2003: MV	22.04	6.05	15.99
2004: RE & PP	23.31	5.65	17.66
2004: MV	22.04	5.34	16.70
2005: RE & PP	14.38	3.40	10.98
2005: MV	22.04	5.98	16.06
2006: RE & PP	14.85	3.59	11.26
2006: MV	22.04	5.33	16.71

TOWN OF NORTH KINGSTOWN

WATER ASSESSMENTS

LAST TEN FISCAL YEARS

Fiscal Year	Billed <u>Revenue</u>	Total Outstanding Billings at Fiscal <u>Year-end (1)</u>
1996	1,506,349	529,667
1997	1,569,468	198,021
1998	1,806,026	185,690
1999	2,024,539	174,806
2000	2,272,057	378,322
2001	2,135,896	384,315
2002	2,542,875	401,147
2003	2,398,406	363,809
2004	2,296,275	435,422
2005	2,534,054	585,426

(1) No receivables are deemed to be uncollectible.

TOWN OF NORTH KINGSTOWN

**RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE AND
NET BONDED DEBT PER CAPITA
"UNAUDITED"**

LAST TEN FISCAL YEARS

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt	Debt Payable from Enterprise Revenues	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
1996	23,786	\$ 1,542,372,324	\$ 10,925,000	\$ 0	\$ 10,925,000	0.71%	\$ 459.30
1997	23,786	\$ 1,578,054,704	\$ 11,365,000	\$ 900,000	\$ 10,465,000	0.66%	\$ 439.96
1998	23,786	\$ 1,622,101,177	\$ 10,430,907	\$ 830,907	\$ 9,600,000	0.59%	\$ 403.60
1999	23,786	\$ 1,678,779,770	\$ 19,117,841	\$ 757,841	\$ 18,360,000	1.09%	\$ 771.88
2000	23,786	\$ 1,709,592,473	\$ 50,690,574	\$ 680,574	\$ 50,010,000	2.93%	\$ 2,102.50
2001	26,326	\$ 1,759,230,918	\$ 56,913,864	\$ 1,152,248	\$ 55,761,616	3.17%	\$ 2,118.12
2002	26,326	\$ 2,173,955,239	\$ 55,567,456	\$ 1,035,032	\$ 54,532,424	2.51%	\$ 2,071.43
2003	26,326	\$ 2,199,172,497	\$ 52,126,079	\$ 912,846	\$ 51,213,233	2.33%	\$ 1,945.35
2004	26,326	\$ 2,189,162,245	\$ 48,689,445	\$ 785,402	\$ 47,904,043	2.19%	\$ 1,819.65
2005	26,326	\$ 3,525,604,088	\$ 46,837,263	\$ 652,412	\$ 46,184,851	1.31%	\$ 1,754.34

(1) U.S. Department of Commerce, Bureau of Census 1990 and 2000.

(2) Net taxable assessed value.

TOWN OF NORTH KINGSTOWNCOMPUTATION OF LEGAL DEBT MARGIN
"UNAUDITED"

JUNE 30, 2005

Assessed value	\$ 3,679,640,532
Less: exemptions	<u>(154,036,444)</u>
NET TOTAL TAXABLE ASSESSED VALUE	<u>\$ 3,525,604,088</u>
Debt limit - 3 percent of total assessed value	105,768,123
Amount of debt applicable to debt limit:	
Water Tower Issue	<u>652,412</u>
LEGAL DEBT MARGIN	<u>\$ 105,115,711</u>

Note: The Town has only one debt issue outstanding under the Maximum Aggregate Indebtedness provision (3% Debt Limit) - Rhode Island General Law 45-12-2. All other Town debt has been incurred through special statutory authority which consists of approval by the legislature and voter referendum.

The State Legislature may by special act permit the Town to incur indebtedness in excess of the three percent (3%) limit in accordance with Rhode Island General Law 45-12-11. The Town of North Kingstown has never requested authorization under the Authority for the issuance of Indebtedness Excess - Rhode Island General Law 45-12-11.

TOWN OF NORTH KINGSTOWN

COMPUTATION OF OVERLAPPING DEBT

JUNE 30, 2005

The Town of North Kingstown does not have any overlapping governmental units, and accordingly, does not have any overlapping debt.

TOWN OF NORTH KINGSTOWN

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR
GENERAL BONDED DEBT TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES**

LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total General Governmental Expenditures</u>	<u>Ratio of Debt Service to Total General Governmental Expenditures</u>
1996	\$ 568,302	\$ 344,938	\$ 913,240	\$ 52,457,869	0.0174
1997	\$ 460,000	\$ 309,514	\$ 769,514	\$ 54,842,607	0.0140
1998	\$ 865,000	\$ 721,118	\$ 1,586,118	\$ 55,644,644	0.0285
1999	\$ 870,000	\$ 427,660	\$ 1,297,660	\$ 62,423,522	0.0208
2000	\$ 1,319,190	\$ 986,342	\$ 2,305,532	\$ 68,144,870	0.0338
2001	\$ 1,344,192	\$ 841,563	\$ 2,185,755	\$ 88,805,648	0.0246
2002	\$ 3,129,192	\$ 1,941,455	\$ 5,070,647	\$ 85,136,347	0.0596
2003	\$ 3,319,190	\$ 2,725,731	\$ 6,044,921	\$ 84,616,315	0.0714
2004	\$ 3,309,190	\$ 2,564,086	\$ 5,873,276	\$ 84,616,315	0.0694
2005	\$ 3,309,194	\$ 2,409,259	\$ 5,718,453	\$ 84,441,962	0.0677

TOWN OF NORTH KINGSTOWN

**REVENUE BOND COVERAGE
WATER BONDS**

LAST TEN FISCAL YEARS

Fiscal Year	Gross Revenues (1)	Direct Operating Expenses (2)	Net Revenue Available for Debt Service	Principal	Debt Service Requirements Interest	Total	Coverage
1995/1996	\$ 1,506,349	\$ 1,490,766	\$ 15,583	\$ 101,698	\$ 6,610	\$ 108,308	\$ (92,725)
1996/1997	\$ 1,569,468	\$ 1,496,749	\$ 72,719	\$ 0	\$ 0	\$ 0	\$ 72,719
1997/1998	\$ 1,806,026	\$ 1,759,703	\$ 46,323	\$ 69,093	\$ 49,531	\$ 118,624	\$ (72,301)
1998/1999	\$ 1,959,705	\$ 1,946,845	\$ 12,860	\$ 73,066	\$ 43,950	\$ 117,016	\$ (104,156)
1999/2000	\$ 2,214,595	\$ 1,779,305	\$ 435,290	\$ 77,267	\$ 40,289	\$ 117,556	\$ 317,734
2000/2001	\$ 2,057,847	\$ 1,922,461	\$ 135,386	\$ 81,710	\$ 42,420	\$ 124,130	\$ 11,256
2001/2002	\$ 2,475,044	\$ 1,575,459	\$ 899,585	\$ 86,408	\$ 26,850	\$ 113,258	\$ 786,327
2002/2003	\$ 2,320,485	\$ 1,805,529	\$ 514,956	\$ 91,377	\$ 29,466	\$ 120,843	\$ 394,113
2003/2004	\$ 2,266,601	\$ 1,920,257	\$ 346,344	\$ 96,631	\$ 24,212	\$ 120,843	\$ 225,501
2004/2005	\$ 2,534,054	\$ 2,241,119	\$ 292,935	\$ 102,187	\$ 18,655	\$ 120,842	\$ 172,093

(1) Gross revenues does not include interest and miscellaneous income.

(2) Total expenses exclusive of bond interest.

TABLE 12

TOWN OF NORTH KINGSTOWN
DEMOGRAPHIC STATISTICS
"UNAUDITED"
LAST TEN FISCAL YEARS

Fiscal Year	Population	School Enrollment (1)	Unemployment Rate Percent(2)
1996	23,786	4,470	3.4
1997	23,786	4,482	4.2
1998	23,786	4,533	2.9
1999	23,786	4,539	2.8
2000	23,786	4,560	2.8
2001	26,326	(3) 4,560	3.4
2002	26,326	4,599	3.3
2003	26,326	4,659	3.8
2004	26,326	4,729	4.7
2005	26,326	4,711	4.1

(1) North Kingstown School Department as of June 30th of each year.
 Numbers include resident students sent out.

(2) Rhode Island Department of Labor and Training

(3) U.S. Department of Commerce, Bureau of the Census 2000

TABLE 13

TOWN OF NORTH KINGSTOWN

**PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS
"UNAUDITED"**

LAST TEN FISCAL YEARS

Fiscal Year	Residential Construction (2)		Commercial Construction (2)		Bank Deposits	Property Value (3)			Total
	Number of Units	Value	Number of Units	Value		Commercial	Residential	Nontaxable	
1995	138	13,967,813	4	943,000	N/A	168,446,300	1,179,708,600	310,431,000	1,658,585,900
1996	153	16,441,443	6	11,905,114	N/A	172,443,300	1,206,041,700	310,184,700	1,688,669,700
1997	147	15,493,941	2	187,285	N/A	173,329,550	1,227,919,150	339,744,000	1,740,992,700
1998	167	16,171,887	16	17,571,217	N/A	204,710,400	1,228,463,600	323,003,500	1,756,177,500
1999	134	14,771,530	7	1,676,150	N/A	207,092,900	1,262,944,900	324,483,200	1,794,521,000
2000	151	17,506,881	11	18,621,736	N/A	208,536,370	1,292,365,800	325,207,100	1,826,109,270
2001	115	13,946,610	9	11,878,148	N/A	213,811,670	1,322,489,700	343,118,710	1,879,420,080
2002	142	17,332,718	7	2,883,080	N/A	307,993,200	1,646,119,390	350,633,860	2,304,746,450
2003	152	19,374,852	8	2,990,759	N/A	315,660,100	1,671,336,210	344,614,800	2,331,611,110
2004	71	9,275,125	9	27,339,551	N/A	300,609,000	1,710,898,975	346,657,400	2,358,165,375
2005	57	8,709,942	2	262,220	N/A	403,962,600	2,969,834,870	480,194,830	3,853,992,300

(1) Includes aggregate bank deposits of the State of Rhode Island for State Chartered Banks Only. Information relating to the Town of North Kingstown only is not available.

(2) Information obtained from Building Official.

(3) Information obtained from Tax Assessor.

TABLE 14

**TOWN OF NORTH KINGSTOWN
PRINCIPAL TAX PAYERS
"UNAUDITED"**

JUNE 30, 2005

Taxpayer	Assessed Valuation	Total Assessed Valuation
NARRAGANSETT ELECTRIC CO	\$27,884,780	0.75%
WREC PRECISION PARK LLC	18,844,700	0.50%
ZAKOPANE REAL ESTATE ASSOC INC	13,794,400	0.37%
HOME DEPOT USA INC	11,942,450	0.32%
NEW PLAN HUNT RIVER COMMONS LLC	11,617,500	0.31%
WAL-MART REAL ESTATE BUSINESS TRUST	10,140,900	0.27%
FUJIFILM ELECTRONIC MATERIALS USA	8,836,730	0.24%
MILLCREEK LIMITED LIABILITY CO	8,036,700	0.22%
HERITAGE VILLAGE ASSOCIATE	7,658,500	0.20%
TORAY PLASTICS AMERICA INC	7,389,630	0.20%
MEADOWS PROFESSIONAL	7,011,300	0.19%
QUIDNESSETT CNTRY CLUB INC	6,885,950	0.18%
SLOCUM WOODS INC	6,778,050	0.18%
NEW ENGLAND GAS COMPANY	6,291,040	0.17%
ESSEX VILLAGE COMPANY	5,892,300	0.16%
KINGSTOWN PLAZA LIMITED PART	5,644,100	0.15%
WICKBAY PROPERTIES INC	5,275,300	0.14%
KINGS GRANT CO	5,169,600	0.14%
WICKFORD SHIPYARD INC	4,905,200	0.13%
WICKFORD JUNCTION ASSOC LLC	4,764,700	0.13%
HIGH LEA PROPERTIES LLC	4,620,200	0.12%
WICKFORD VILLAGE ASSOCIATES	4,312,700	0.12%
STONE, DON W	4,285,400	0.11%
WEST DAVISVILLE REALTY CO LLC	4,108,300	0.11%
SOUTH COUNTY NURSING & REHAB CENTER	4,027,700	0.11%
	<u>\$ 202,090,430.00</u>	<u>4.26%</u>
Taxed Under Pilot agreements not part of assessed valuation:		
TORAY PLASTICS AMERICA	38,098,700.00	
ELECTRIC BOAT CORP.	19,496,025.00	
	<u>\$ 57,594,725.00</u>	

TABLE 15

THE TOWN OF NORTH KINGSTOWN

PRINCIPAL EMPLOYERS
"UNAUDITED"

June 30, 2005

Name	Type of Business	Number of Employees
Private Employers		
Electric Boat Corporation	Submarine hull components.	2000
Toray Plastics, Inc.	Polypropylene film, polyester film.	695
Perspectives Corp.	Employment, educational and independent, supported living	600
Brown & Sharpe Manufacturing Company	Designs, manufacturers and markets a line of metrology products	350
Ocean State Jobbers Inc.	Corporate headquarters and distribution center for chain of stores.	300
The Stop & Shop Co., Inc.	Market	225
Star Gas Service	Distributor of propane gas, retail.	212
Wal-Mart	Discount department store.	200
SENESCO	Shipbuilders.	160
American Biophysics Corp	Mosquito Magnet	150
Gregg's	Family restaurant. In house & take out food & beverage sales.	150
South County Nursing Center	Skilled nursing and subacute services.	150
Custom Design, Inc.	Jewelry displays & silk screening.	150
Anvil International, Inc.	Engineered pipe supports.	134
Scalabrini Villa	Nursing Home	120
Arch Chemicals, Inc.	Manufacturer of photoresist chemicals	120
Dave's Marketplace North Kingstown	Market	100
Dave's Marketplace Wickford	Market	100
Adecco Staffing	Temporary help for all types of business & industry.	100
North Atlantic Distribution Inc. (NORAD)	Storage and port preparation of imported automobiles	100
RI Beverage Packaging Co.	Beverage Warehousing	90
Community Care Nurses Inc.	Home health care and staffing of personnel to health care facilities.	85
Roberts Health Centre, Inc.	Long term nursing care facility specializing in private suites.	82
All American Foods, Inc	Warehouse. Cold Storage and food distribution.	80
C & J Forms	Storage of Machinery and documents	80
Newport Shipyard	Shipyard for military, commercial & pleasure craft, engine repair.	76
Per Diem Nurse Staffing	Health care staffing.	75
B B & S Treated Lumber Of New England	Pressure treated lumber.	71
Icon International, Inc.	Commercial & architectural lighting fixtures.	62
EMAC Transport & Leasing Co., Inc.	Trailer load freight carrier.	60
J T's Lumber Co., Inc.	Sale of lumber & building materials	60
Maro Display, Inc.	Point of purchase displays. Distribution, warehousing	60
Hope Valley Industries, Inc.	Vinyl welcome mats, automatic mats, fiber optic strength member.	52
Hughes Supply	Pipe fabrication and supply to the fire protection industry.	50
Quidnessett Country Club	Private 19 hole golf course and country club. Banquet facility	50
Paul Bailey Motor Sales Inc.	New and used car sales, service department, body repair.	50
The Lightship Group, LLC	Steel and specialty metals fabrication and welding.	50
New England Stone	Granite Fabricators.	50
Goldline Controls Inc	Pool & Spa Controles	50
Tucker Seafood	Seafood Sales	50
Supfina Machine Co., Inc.	Superfinishing machines for metal, machine tools	45
Trussco, Inc.	Design and manufacturer floor & roof truss fabrication.	45
McDonald's	Fast Food Restaurant Chain	45
American Mussel Harvesters, Inc	Producers an Distributors of Seafood	44
Ocean State Oil, Inc.	Motor oil, hydraulic oil, grease, antifreeze, industrial oil	42
Total		<u>7620</u>
Public Installations		
Town of North Kingstown		1200
RI Air National Guard		303
Army Aviation Support Facility		<u>65</u>
		<u>1568</u>

TOWN OF NORTH KINGSTOWN

USE OF TAX REVENUE

LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Operations</u>	<u>Debt Service</u>	<u>Total Taxes</u>
1995/1996	\$ 30,124,086	\$ 913,240	\$ 31,037,326
1996/1997	\$ 31,904,817	\$ 769,514	\$ 32,674,331
1997/1998	\$ 34,152,556	\$ 1,586,118	\$ 35,738,674
1998/1999	\$ 36,908,065	\$ 1,430,699	\$ 38,338,764
1999/2000	\$ 38,497,839	\$ 1,728,000	\$ 40,225,839
2000/2001	\$ 40,237,693	\$ 1,987,581	\$ 42,225,274
2001/2002	\$ 42,878,883	\$ 4,006,790	\$ 46,885,673
2002/2003	\$ 44,759,643	\$ 4,006,790	\$ 48,766,433
2003/2004	\$ 46,905,077	\$ 4,047,472	\$ 50,952,549
2004/2005	\$ 47,725,299	\$ 3,761,420	\$ 51,486,719

**TOWN OF NORTH KINGSTOWN
MISCELLANEOUS STATISTICS
"UNAUDITED"**

JUNE 30, 2005

<u>Town Incorporated</u>	1674
<u>Home Rule Charter Adopted</u>	1954
<u>Type of Government</u>	Town Council/Manager
<u>Fiscal Year Begins</u>	July 1
Population	Official U.S.Census
1900	4,194
1910	4,084
1920	3,397
1930	4,279
1940	4,604
1950	14,810
1960	18,977
1970	29,793
1980	21,938
1990	23,786
2000	26,326
<u>Area of Town</u>	44.2 SQUARE MILES
Miles of Roads:	
Local Paved	155.78
State Paved	42.65
Municipal Employees:	
Exclusive of Library, Police, Fire and Regulation	
Education	93
Part - time	187
Construction (2003-2004)	
Permits Issued	1001
Total Value	34,751,187
Fire Protection:	
Fire Stations-Town Owned	3
Employees Uniformed	72
Civilian	1
Fire Alarm Boxes	319
Fire Hydrants	1003

(CONTINUED)

TABLE 17

**TOWN OF NORTH KINGSTOWN
MISCELLANEOUS STATISTICS
"UNAUDITED"**

JUNE 30, 2005

<u>Police Protection</u>	
Police Buildings	1
Animal Control Buildings	1
Employees: Law Enforcement	50
Civilian	13
Animal Control	2
Harbor Division	3
<u>Presidential Election - November 2005</u>	
Registered Voters	21,245
Number of votes cast	14,351
Percentage Voting	68%
<u>Recreation</u>	
Parks and Public Squares	13
Acres For Recreation (Dev)	796.6
Tot Lots	4
Playfield and Major Recreation Facilities	4
Playgrounds	5
Bandstand	1
Undeveloped Sites	11
Municipal Tennis Courts	4
In-line hockey Courts	1
Bathing Beaches	1
Golf Courses	1
Marina	1
Ball Diamonds	
Youth Baseball	10
Softball	4
Basketball Courts	
Outdoor	7
Football and Lacross fields	1
Boat Landings	2
Soccer Fields	8
<u>Library</u>	
Buildings	1
Employees	
Regular	12
Part time	12
<u>Education</u>	
Central Administrative Building	1

(CONTINUED)

**TOWN OF NORTH KINGSTOWN
MISCELLANEOUS STATISTICS
"UNAUDITED"**

JUNE 30, 2005

Schools:	
High	1
Middle	2
Elementary	7
Total Schools	<u>10</u>
Students:*	
Kindergarten/Pre-one	299
Elementary (1-5)	1,685
Middle (6-9)	1,080
High (9-12)	1,512
Special Education Program	95
Sub total in our Schools	4,671
Resident Pupils Sent out	40
Total Students	<u>4,711</u>
Personnel:**	
Administrative, Certified	18
Non Certified	15.5
Classroom Teachers	380.3
Aides	106
Lunch workers, bus drivers	55
Clerical	38
Operation and Maintenance	46.75

*Enrolment as of June 2005

**Totals as of June measured in FTE

Municipal Buildings: (Excluding library, Fire, Police, Education)

Town Hall	
Town Hall Annex	Highway Garage- 55 Oak Hill Road
Beachwood Senior Center	3 Outbuildings - 55 Oak Hill Road
Community Center	Highway Garage-Rear of Water Dept.
Town Beach Snack Bar	Transfer Station-Three Buildings
Beach Facilities	Donald Downes Playground Rec Bldg
Donald Downs Playground - Pressbox	Water Department
Little Red School House	5 Water Towers
Allen Harbor (Four Buildings)	5 Booster Pumping Station (Water & Sewer)
Golf Course Facilities	3 Bay Garage
Maintenance Building	2 Pumps in Vaults
Hazmat Building	8 Well Building
Club House	1 PRV
Wickford Public Restrooms	30 Reynolds Street & Garage
Wilson Park Recreation	Signal Rock Recreation Center
Salt Shed	Main Building

(CONTINUED)

**TOWN OF NORTH KINGSTOWN
MISCELLANEOUS STATISTICS
"UNAUDITED"**

JUNE 30, 2005

Facilities	Storage Building
2 Concession Stand/Restroom	Press Box/Concession
Gazebo	House & Garage- 37 Oak Hill Road
Wilson Park Maintenance Facility	Bandstand
Ryan Park Nature Center	Mcginn Park Concession Building
(Includes Meeting Room,	(Includes Restrooms, Utility Room
Concessions, Restrooms)	and Press Box)
Ryan Park Press Box (2) & Water Shed	Mcginn Park Conex Storage Box
Public Works Facility Davisville	

(CONCLUDED)

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THE TOWN OF
NORTH KINGSTOWN, RHODE ISLAND

SINGLE AUDIT SECTION

TOWN OF NORTH KINGSTOWN

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2005**

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures Incurred</u>
<i>U.S. Department of Housing and Urban Development</i>		
Community Development Block Grant (CDBG)*	14.219	\$ 392,731
<i>Total Department of Housing and Urban and Development</i>		<u>392,731</u>
<i>U.S. Department of Justice:</i>		
Public Safety Partnership and Community Policing grant	16.710	46,146
Local Law Enforcement Block Grant	16.004	1,996
<i>Total U.S. Department of Justice</i>		<u>48,142</u>
<i>U.S. Department of Education:</i>		
Public Law 94-142	84.027	938,508
Title I*	84.010	685,140
Title V	84.298A	25,377
Title II	84.164	224,107
Drug-free schools	84.186	32,030
Title II Technology	84.164	31,707
Preschool services	84.173A	55,437
Technical Education	84.318X	24,820
Child Opportunity Zone	84.298	44,249
Education of Homeless Children	84.196	42,662
Even start family literacy	84.213C	82,034
Consortium Student Info System	84.369	51,700
Comprehensive School Reform Program*	84.332A	137,852
<i>Total U.S. Department of Education</i>		<u>2,375,623</u>
<i>U.S. Department of Homeland Security:</i>		
Homeland Security Domestic Preparedness	97.004	136,663
<i>Total U.S. Department of Homeland Security</i>		<u>136,663</u>
<i>Federal Emergency Management Agency:</i>		
RI Snow Emergency	97.036	104,198
Emergency Operations Plan	83.XXX	1,726
<i>Total Emergency Mangement Agency</i>		<u>105,924</u>
<i>U.S. Department of Transportation:</i>		
Highway Planning and Construction*	20.205	378,484
<i>Total Department of Transportation</i>		<u>378,484</u>
<i>U.S. Department of Agriculture:</i>		
National school lunch*	10.555	223,525
National school milk	10.556	1,143
National school breakfast	10.557	37,073
Food commodities	10.550	48,649
<i>Total U.S. Department of Agriculture</i>		<u>310,390</u>
<i>Total Expenditures of Federal Awards</i>		<u>\$ 3,747,957</u>

*Denotes major program

TOWN OF NORTH KINGSTOWN, RHODE ISLAND

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2005**

1. General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the Town of North Kingstown. All federal awards received from federal agencies are included on the Schedule.

2. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting.

3. Determination of Major Programs

The determination of major federal awards programs was based upon the overall level of expenditures for all federal programs for the Town of North Kingstown. As such, the threshold for determining Type A and Type B programs are defined as those with program expenditures greater than \$300,000 or 3 percent of total expenditures when the total expenditures are over \$10,000,000. The Town had five programs with expenditures greater than \$300,000. For the fiscal year ended June 30, 2005, the Title I, Comprehensive School Reform, Community Development Block grant, Highway Planning and Construction and National School Lunch programs were the major programs of the Town of North Kingstown.



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**REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of North Kingstown, Rhode Island as of and for the year ended June 30, 2005, which collectively comprise The Town of North Kingstown's basic financial statements and have issued our report thereon dated December 1, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of North Kingstown's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However we noted other matters involving internal control over financial reporting that we have reported to the management of the Town of North Kingstown, Rhode Island in a separate letter dated December 1, 2005.

Compliance and Other Matters

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

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

Perseon Chatelain Fontaine & Willinson, LLP

December 1, 2005



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

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

Compliance

We have audited the compliance of the Town of North Kingstown, Rhode Island with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The Town of North Kingstown's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the Town of North Kingstown's management. Our responsibility is to express an opinion on the Town of North Kingstown's compliance based on our audit.

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

In our opinion, the Town of North Kingstown complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of the Town of North Kingstown is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town of North Kingstown's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

December 1, 2005

Priscilla Chastellier Fountain & Williamson, LLP

TOWN OF NORTH KINGSTOWN, RHODE ISLAND

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2005**

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expressed an unqualified opinion on the financial statements of the Town of North Kingstown.
2. No reportable conditions relating to the audit of the financial statements are reported in the Independent Auditor's report.
3. No instances of noncompliance material to the financial statements of the Town of North Kingstown were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award program were reported.
5. The auditor's report on compliance for the major federal award program for the Town of North Kingstown expresses an unqualified opinion.
6. There were no audit findings relative to the major federal award program from the Town of North Kingstown.
7. The program tested as the major programs include:

Title I.....	84.010
Comprehensive School Reform.....	84.332A
Community Development Block Grant.....	14.219
Highway Planning and Construction.....	20.205
National school lunch.....	10.555
8. The threshold for distinguishing Type A and B programs is described in note 3 to the Schedule of Expenditures of Federal Awards.
9. The Town of North Kingstown qualified as a low-risk auditee for the year ended June 30, 2005.

B. FINDINGS -- RELATED TO THE AUDIT OF FINANCIAL STATEMENTS

None.

C. FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS

None.

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OF COUNSEL

*also admitted in Massachusetts

♣also admitted in Kentucky

May 3, 2006

Town of North Kingstown
80 Boston Neck Road
North Kingstown, RI 02852

Re: Town of North Kingstown, Rhode Island \$2,840,000 General Obligation Bonds

We have examined a record of proceedings relating to the issue of \$2,840,000 General Obligation Bonds dated May 1, 2006 (the "Bonds") by the Town of North Kingstown, Rhode Island.

The Bonds are dated May 1, 2006. The Bonds mature on May 1 of the years and in the principal amounts, and bear interest at the respective rates, as follows:

<u>Maturity</u>	<u>Principal</u>	<u>Interest</u>	<u>Maturity</u>	<u>Principal</u>	<u>Interest</u>
<u>May 1</u>	<u>Amount</u>	<u>Rate</u>	<u>May 1</u>	<u>Amount</u>	<u>Rate</u>
2007	\$185,000	5.25%	2015	\$190,000	4.00%
2008	185,000	4.50	2016	190,000	4.25
2009	190,000	4.125	2017	190,000	4.00
2010	190,000	4.00	2018	190,000	4.00
2011	190,000	4.00	2019	190,000	4.00
2012	190,000	4.00	2020	190,000	4.125
2013	190,000	4.00	2021	190,000	4.125
2014	190,000	4.125			

The Bonds maturing on or prior to May 1, 2016 are not subject to redemption prior to their stated dates of maturity. The Bonds maturing on or after May 1, 2017 are subject to redemption prior to their stated dates of maturity at the option of the Town, on or after May 1, 2016, either in whole at any time or in part in the inverse order of the maturities of the Bonds on any interest payment date, upon the terms and conditions and at the respective prices stated in such Bonds.

The Bonds are issued as fully registered bonds without coupon, and are registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York. The Depository Trust Company will act as securities depository of the Bonds. Individual purchases of Bonds will be made in book-entry form only, in the principal amount of \$5,000 and integral

multiples thereof. Purchasers will not receive certificates representing their interest in the Bonds purchased.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds and we express no opinion relating thereto.

As to questions of fact material to our opinion we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

On the basis of this examination we are of opinion, as of the date hereof and under existing law:

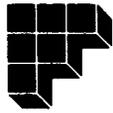
(1) The Bonds are valid general obligations of the Town of North Kingstown and all taxable property in the Town is subject to ad valorem taxation without limitation as to rate or amount to pay the Bonds and the interest thereon.

(2) The interest on the Bonds is exempt from Rhode Island income taxes, but the Bonds and the income therefrom may be included in the measure of Rhode Island estate taxes and certain Rhode Island corporate and business taxes.

(3) The interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of computing the alternative minimum tax imposed on individuals and corporations under the Internal Revenue Code of 1986, as amended (the "Code"); it should be noted, however, that interest on the Bonds is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes). The opinions set forth in the preceding sentence are subject to the condition that the Town must comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Town has covenanted to comply with these requirements. Failure to comply with certain of these requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding any other federal tax consequences arising with respect to the Bonds.

It is to be understood that the rights of the holders of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Very truly yours,



**FINANCIAL
SECURITY
ASSURANCE®**

**MUNICIPAL BOND DEBT SERVICE
RESERVE INSURANCE POLICY**

ISSUER:

Policy No.: -R

BONDS:

Effective Date:

Premium:

Termination Date:

FINANCIAL SECURITY ASSURANCE INC. ("Financial Security"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") as set forth in the documentation (the "Bond Document") providing for the issuance of and securing the Bonds, for the benefit of the Owners, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

Financial Security will make payment as provided in this Policy to the Trustee or Paying Agent on the later of the Business Day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which Financial Security shall have received Notice of Nonpayment, in a form reasonably satisfactory to it. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by Financial Security is incomplete, it shall be deemed not to have been received by Financial Security for purposes of the preceding sentence and Financial Security shall promptly so advise the Trustee, Paying Agent or Issuer, as appropriate, who may submit an amended Notice of Nonpayment. Payment by Financial Security to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of Financial Security under this Policy. Upon such payment, Financial Security shall become entitled to reimbursement of the amount so paid (together with interest and expenses) pursuant to the

The amount available under this Policy for payment shall not exceed the Policy Limit. The amount available at any particular time to be paid to the Trustee or Paying Agent under the terms of this Policy shall automatically be reduced by any payment under this Policy. However, after such payment, the amount available under this Policy shall be reinstated in full or in part, but only up to the Policy Limit, to the extent of the reimbursement of such payment (exclusive of interest and expenses) to Financial Security by or on behalf of the Issuer. Within three Business Days of such reimbursement, Financial Security shall provide the Trustee, the Paying Agent and the Issuer with notice of the reimbursement and reinstatement.

Payment under this Policy shall not be available with respect to (a) any Nonpayment that occurs prior to the Effective Date or after the Termination Date of this Policy or (b) Bonds that are not outstanding under the Bond Document. If the amount payable under this Policy is also payable under another insurance policy or surety bond insuring the Bonds, payment first shall be made under this Policy to the extent of the amount available under this Policy up to the Policy Limit. In no event shall Financial Security incur duplicate liability for the same amounts owing with respect to the Bonds that are covered under this Policy and any other insurance policy or surety bond that Financial Security has issued.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York are, or the Insurer's Fiscal Agent is, authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless Financial Security shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Insurance Agreement" means the Insurance

Agreement dated as of the effective date hereof in respect of this Policy, as the same may be amended or supplemented from time to time. "Nonpayment" means, in respect of a Bond, the failure of the issuer to have provided sufficient funds to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer that has been recovered from such Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from the Issuer, the Trustee or the Paying Agent to Financial Security which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment of principal or interest thereunder, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds. "Policy Limit" shall be the dollar amount of the debt service reserve fund required to be maintained for the Bonds by the Bond Document from time to time (the "Debt Service Reserve Requirement"), but in no event shall the Policy Limit exceed \$[21]. The Policy Limit shall automatically and irrevocably be reduced from time to time by the amount of each reduction in the Debt Service Reserve Requirement, as provided in the Bond Document.

Financial Security may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to Financial Security pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to Financial Security and shall not be deemed received until received by both and (b) all payments required to be made by Financial Security under this Policy may be made directly by Financial Security or by the Insurer's Fiscal Agent on behalf of Financial Security. The Insurer's Fiscal Agent is the agent of Financial Security only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of Financial Security to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Financial Security agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud) whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to Financial Security to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of Financial Security, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be cancelled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, FINANCIAL SECURITY ASSURANCE INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

[Countersignature]

FINANCIAL SECURITY ASSURANCE INC.

By _____

By _____
Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd.
350 Park Avenue, New York, N.Y. 10022-6022

(212) 826-0100

Form 501 NY (6/90)