THE TOWN OF
SOUTH KINGSTOWN, RHODE ISLAND

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2007

PREPARED BY: FINANCE DEPARTMENT

TOWN OF SOUTH KINGSTOWN

INTRODUCTORY SECTION

- TABLE OF CONTENTS
- LETTER OF TRANSMITTAL
- GFOA CERTIFICATE OF ACHIEVEMENT
- ORGANIZATION CHART
- LIST OF TOWN OFFICIALS

TABLE OF CONTENTS

	EXHIBIT	PAGE(S)
INTRODUCTORY SECTION:		
Letter of Transmittal		i - vii
GFOA Certificate of Achievement		viii
Organization Chart		ix
List of Town Officials		x
FINANCIAL SECTION:		
Independent Auditor's Report		1 - 2
Basic Financial Statements and Required Supplementary Information:		
Management's Discussion and Analysis		3 - 15
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net assets	A-1	16
Statement of Activities	A-2	17
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	B-1	18 - 19
Statement of Revenues, Expenditures, and Changes in Fund Balances	B-2	20
Reconciliation Schedule (B-2 to A-2)	B-3	21
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund – Budgetary Basis	C-1	22 - 25
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – School Unrestricted Fund – Budgetary Basis	C-2	26
Proprietary Funds:		
Statement of Net Assets	D-1	27
Statement of Revenues, Expenses and Changes in Net Assets	D-2	28
Statement of Cash Flows	D-3	29 - 30
Fiduciary Funds:		
Statement of Fiduciary Net Assets	E-1	31
Statement of Changes in Fiduciary Net Assets	E-2	32
Notes to Financial Statements		33 - 72
Required Supplementary Information:		
Schedule of Funding Progress for Pension Plan		73

(CONTINUED)

TABLE OF CONTENTS

	EXHIBIT	PAGES
FINANCIAL SECTION (Continued):		
Other Supplementary Information:		
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	74 - 80
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	2	81 - 87
Agency Funds:		
Statement of Changes in Assets and Liabilities	3	88
Capital Assets:		
Capital Assets Used in Operation of Governmental Funds - Comparative Schedules by Source	4	89
Capital Assets Used in Operation of Governmental Funds - Schedule by Function and Activity	5	90
Capital Assets Used in the Operation of Governmental Funds - Schedule of Changes by Function and Activity	6	91
Other Exhibits:		
Schedule of property taxes receivable	7	92 - 93

	Schedule	
STATISTICAL SECTION:		
Net Assets by Component	1	94
Changes in Net Assets, Last Four Fiscal Years, Governmental Activities	2	95 - 96
Fund Balances, Governmental Funds, Last Ten Fiscal Years	3	97
Changes in Fund Balances, Governmental Funds, Last Ten Fiscal Years	4	98
Assessed Values and Actual Values of Taxable Property	5	99
Principal Property Taxpayers	6	100
Property Tax Levies and Collections	7	101
Ratios of Outstanding Debt by Type	8	102
Direct and Overlapping Property Tax Rates	9	103
Legal Debt Margin Information	10	104
Demographic and Economic Statistics	11	105
Principal Employers	12	106
Full-Time Equivalent Town Government Employees By Function/Program	13	107
Operating Indicators By Function/Program	14	108
Capital Asset Statistics By Function/Program	15	109

(CONTINUED)

TABLE OF CONTENTS

	EXHIBIT	PAGES
SINGLE AUDIT SECTION:		
Schedule of Expenditures of Federal Awards		110
Notes to Schedule of Expenditures of Federal Awards		111
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards		112 - 113
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133		114 - 115
Schedule of Findings and Questioned Costs		116
Summary Schedule of Prior Audit Findings		117

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Town of South Kingstown, Rhode Island

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

December 7, 2007

To the Citizens of the Town of South Kingstown, Rhode Island:

The comprehensive annual financial report of the Town of South Kingstown, Rhode Island, for the fiscal year ended June 30, 2007, is hereby submitted as mandated by both state statutes and the Town charter. State laws require that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants licensed to practice in the State of Rhode Island.

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

The Town of South Kingstown's financial statements have been audited by Braver PC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town of South Kingstown for the fiscal year ended June 30, 2007, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Town of South Kingstown's financial statements for the fiscal year ended June 30, 2007, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the Town of South Kingstown was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are included in the single audit section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Town of South Kingstown's MD&A can be found immediately following the report of the independent auditors.

PROFILE OF THE GOVERNMENT

The Town of South Kingstown, established in 1658 and incorporated as a Town in 1723, is a diversified community in a rural, suburban area of southern Rhode Island approximately 30 miles from Providence. The geography of the Town includes farmland, wetlands, salt marshes, waterfront areas, woodland, and many natural and scenic attractions. The total area is 62.3 square miles, consisting of 56.8 square miles of land and 5.5 square miles of inland water. The Town, fronting on the Atlantic Ocean, is part of the South County summer vacation area. The Town is empowered to levy a property tax on both real and personal properties located within its boundaries. The Town is also authorized to assess and collect excise taxes on registered motor vehicles and trailers.

The Town has a home-rule charter and operates under the Council-Manager form of government. The Town Council is elected by popular vote every two years and is responsible for, among other things, passing ordinances, recommending a budget, appointing committees, and hiring both the Town Manager and Town Solicitor. The Town Manager is responsible for carrying out the policies of the Town Council, for overseeing the day-to-day operations of the Town, and for appointing all other employees, except for School Department personnel.

The Town provides a full range of municipal services including public safety protection, the construction and maintenance of highways, streets, and other infrastructure, libraries, recreational activities, planning and zoning, education and administrative services. In addition, the Town operates water, sewer and solid waste utility systems.

The annual budget serves as the foundation for the Town of South Kingstown's financial planning and control. All departments of the Town are required to submit requests for appropriation and revenue estimates to the Town Manager on or before the last day of January each year. The Town Manager uses these requests as the starting point for developing a proposed budget. The deadline for the Town Manager to submit his proposed budget to the Town Council is no later than March 1. The Town Council holds several budget work sessions in March to discuss the details of his proposed budget document. The Town Council may revise the budget as submitted by the Town Manager and has to adopt a recommended budget for presentation to the Financial Town Meeting not later than thirty (30) days preceding its effective date. Town Charter changes approved in November 2006 will change the budget process starting with the 2007-08 fiscal year budget. The appropriated budget is prepared by fund, major program function (e.g., public safety), and department (e.g., police). Department heads may make transfers of appropriations within a department. Transfers within a major program function may be made by the Town Manager, provided that proper notification is given to the Town Council. Contingency funds available at year-end are authorized by resolution of the Town Council to cover any deficits within general classifications.

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

FACTORS AFFECTING FINANCIAL CONDITION

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

FACTORS AFFECTING FINANCIAL CONDITION (Continued)

Local economy. The economy is centered on the University of Rhode Island, which has an enrollment in excess of 15,000 and employs more than 2,400 people. South County Hospital and tourism trade are also key components of the South Kingstown economy. According to the latest employment data available for the 2006 calendar year, as reported by the RI Department of Labor and Training, the Town experienced an increase in private sector employment between 2002 and 2006 amounting to 1,563 new jobs. Total annual employment in the private sector increased from 8,414 to 9,977.

The University of Rhode Island (URI) has recently constructed two new dormitories in the North Campus District adding an additional 800 beds. A new $60,000,000 biotechnology center, totaling 140,000 square feet, is now under construction. A new college of Pharmacy building is in the planning stages and is scheduled to begin construction in 2008. Estimated cost of the new pharmacy facility is $65,000,000. A feasibility study for a Research and Technology Park was recently completed. Conceptual plans call for 320,000 square feet of office/light industrial space to foster and incubate the marketing and development of "intellectual property" from the faculty and professional staff of the University. URI recently acquired 114 acres of land of which the Park will occupy approximately 30 acres.

South County Hospital is currently constructing a new bed tower, which will feature all private rooms. Upgrades and renovations were recently completed in the diagnostic imagery department, emergency room and the hospital laboratory facilities. The hospital is in the process of developing a new master plan that will include continued refurbishment of the facility, a potential new oncology unit and an additional operating room.

Economic development continues at the Village at South County Commons, which continues to be developed as a planned, mixed-use development along Route 1. Construction of Brightview Commons, a residential assisted living facility, which is comprised of 95 independent living units, 48 assisted living units and 19 Alzheimer patient beds was completed in the spring of 2007. The facility is approximately 133,000 square feet in size. Construction of an additional retail building of approximately 10,000 square feet has been completed and now houses a Sears Home and Garden facility. Construction is underway on a 100-room Hampton Inn hotel and meeting facility, with expected occupancy in the spring of 2008.

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

- According to the 2000 Census, the Town's population grew by 3,309 people from 24,612 to 27,921, an increase of 13.5 percent from 1990 to 2000. The Town experienced the largest numerical population increase among all Rhode Island cities and towns with the exception of the City of Providence. The 2007 estimated population is 30,863.

- Estimated local median family income in 2007 was $83,294, which is $18,561 or 28.7 percent more than the statewide median income of $64,733.

- The median sale price of a single-family home in South Kingstown dropped to $363,725 in the first half of 2007, compared to the year-end 2006 median sales price of $365,000. This represents a seven-year jump of $198,725 from the year 2000, when a median priced house was selling for $165,000.

FACTORS AFFECTING FINANCIAL CONDITION (Continued)

Local economy (Continued)

- With the issuance of 102 building permits for new housing units in 2006, the Town's total year-round housing count has reached 11,418. Construction activity since 1996 has resulted in the addition of 2,132 units or an average of 194 new units annually over the eleven-year period. Single family housing construction amounted to 1,552 units or an average of 141 houses per year

- Private sector jobs totaled 9,977 in 2006, of which 2,351 were in Health Care and Social Assistance, 1,484 were in Retail Trade and 1,249 were in Accommodations and Food Service. Manufacturing jobs are the fourth largest sector, increasing from 876 in 2002 to 956 in 2006.

- The size of the resident workforce increased from 13,841 to 15,936 between 1997 and 2006. Similarly, the number of employed residents grew from 13,334 to 15,259. The August 2007 unemployment rate for South Kingstown was reported at 4.2 percent, compared to the statewide average of 5.1 percent.

- Fifty-three percent (53%) of those South Kingstown residents, older that age 25, had a college degree in 2000, another 38% had completed high school and 9% did not have a high school diploma.

Long-term financial planning. As a part of the annual budget process, the Town Manager prepares and presents a six-year capital improvement plan. This plan identifies costs and financing methods for those capital projects that the Town anticipates funding over the next six years. The 2007-2008 fiscal year capital improvement plan projects needs through fiscal year 2013.The plan provides for the needs of the general government and addresses such issues as infrastructure, major equipment replacement, school facilities, public safety, recreation and open space purchases.

This plan estimates total project cost over the six-year period of approximately $24,478,711. Financing, net of third party sources for these projects by debt issuance, approximates $15,650,000. In addition, $14,851,500 in capital projects to be funded on a "pay as you go" basis are projected over the same six-year period. The total estimated cost of the two components of the six-year capital improvement plan is $39,151,211.

Major projects to be bonded in the plan include: Recreation and open space programs for $10,629,000; general municipal improvements for $8,049,711; school building improvements and a new community gymnasium for $5,800,000.

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

FACTORS AFFECTING FINANCIAL CONDITION (Continued)

Risk management. The Town is a member of the Rhode Island Inter-Local Risk Management Pool. The cooperative pool was formed in 1986 to address the insurance needs of Rhode Island municipalities. South Kingstown became a member on July 1, 1988. The pool provides all property, liability and worker's compensation insurance policies for the Town. Property and liability claims are subject to a $2,500 deductible with the exception of public officials' liability claims, which are subject to a $5,000 deductible. The pool's self-insured retention levels range from $10,000 to $1,000,000 depending on the type of coverage provided. In addition to the self-insurance provided by the pool, there is also reinsurance through third party sources for claims up to $5,000,000.

In addition to the insurance coverage provided, the pool also provides various educational and training seminars to promote safety training and loss control efforts. Additional information on the Town of South Kingstown's risk management activity can be found in Note 3 on pages 46-47 of the notes to the financial statements.

Pension and other post-employment benefits. The Town of South Kingstown participates in the Municipal Employees' Retirement System of the State of Rhode Island (MERS), an agent multiple employer defined benefit pension plan for all permanent employees, who work in excess of 20 hours per week, except for certified school department employees. The Town has separate plans for general municipal and non-certified school employees, police and emergency medical personnel. Each year, an independent actuary engaged by the MERS calculates the amount of the annual contribution that the Town of South Kingstown must make to each pension plan to ensure that the plan will be able to fully meet its obligations to retired employees on a timely basis. As a matter of policy, the Town of South Kingstown fully funds each year's annual required contribution to the pension plan as determined by the actuary. The actuarial assumptions and methods used in the actuary's report comply with the parameters for disclosure that appear in Governmental Accounting Standards Board Statement No. 25 (GASB 25). As of June 30, 2005, which is the latest information available, the Town of South Kingstown has funded 94.6 percent of the present value of the projected benefits earned by general municipal and non-certified school employees; 93.0 percent of the present value of the projected benefits earned by police employees; and 118.1 percent of the present value of the projected benefits earned by emergency medical personnel. All assumptions and methods used by the actuary remain unchanged from the previous report dated June 30, 2004.

The Town of South Kingstown participates in the Employees' Retirement System of the State of Rhode Island (ERSRI), a cost-sharing multiple employer defined benefit pension plan for all certified School Department personnel. Annual contributions by both employers and the State on behalf of those employees are determined by an annual actuarial review and are assessed as a percentage of the participant's payroll. The required contributions include (a) normal costs, (b) payments to amortize the unfunded frozen actuarial accrued liability over thirty years, and (c) interest on the unfunded frozen actuarial liability. The actuarial assumptions and methods used in the actuary's report comply with the parameters for disclosure that appear in (GASB 25). In June 2006, the Rhode Island legislature passed bill H5270 Article 7SUB A, which was signed by the governor on June 30, 2006. The bill modifies benefits under ERSRI for future hires and for members with less than ten years of contributory service as of June 30, 2006.

The Town of South Kingstown also provides postretirement healthcare benefits for certain retirees and their dependents. As of the end of the current fiscal year, there were 67 retired employees receiving these benefits, which are financed on a pay-as-you-go basis. As of June 30, 2007, GAAP does not require the Town to report a liability in the financial statements, in connection with an employer's obligation to provide these benefits. The Town plans to implement GASB Statement 45 during the 2008-2009 fiscal year.

FACTORS AFFECTING FINANCIAL CONDITION (Continued)

Pension and other post-employment benefits (Continued)

Additional information on the Town of South Kingstown's pension arrangements and post-employment benefits can be found in Note 12 on pages 62-68 and Note 17 on pages 71-72 respectively in the notes to the financial statements.

COMMITMENTS AND CONTINGENCIES

Rose Hill Landfill

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

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

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

The Consent Decree also requires reimbursement of 30% of the State of Rhode Island costs associated with the remediation of this landfill site and ongoing operation and maintenance costs. These costs will also be shared equally between the two Towns. The estimated cost of reimbursing the State, over a 27-year period beginning in fiscal year 2011, is $3,668,951, of which South Kingstown is responsible for $1,834,475. The estimated liability of $1,834,475 has been included in the government-wide financial statements at June 30, 2007.

West Kingston/URI Disposal Area Landfills

In addition to the Rose Hill Regional Landfill site, the West Kingston/URI Disposal Area Landfills, located on Plains Road, were added to the NPL on July 29, 1992. The West Kingston town dump began operation in the 1950's and ceased operations in 1978. Unlike the Rose Hill site, the USEPA, in conjunction with the RIDEM, has approved a "presumptive remedy" approach to the landfill's site remediation. "Presumptive remedy" methodology eliminates the traditional and costly RI/ FS process whereby all potential cleanup options are evaluated in detail. A "presumptive" approach requires a compressed RI/ FS investigation; installation of a landfill cap; and the monitoring of the site to insure pollution abatement to appropriate levels. The University of Rhode Island (URI) and the Towns of South Kingstown and Narragansett have agreed to participate in the remediation of the site under State landfill closure regulations

COMMITMENTS AND CONTINGENCIES (Continued)

West Kingston/URI Disposal Area Landfills (Continued)

Woodard & Curran were contracted in March 2002 to perform the necessary site investigation and remedial design (RD) for the site. The RD was completed and approved by State and Federal regulatory agencies in the Spring 2006. Construction of the remediation action, or multi-layer cap with passive vent gas collection system, began in August 2005, and was substantially completed in June 2006. Cost estimates for planning and implementing a site remediation at this location are estimated at $6,336,041. The estimated remaining municipal share to the two towns is approximately $14,690 or $7,345 per community. The estimated liability has been reported in the government-wide financial statements at June 30, 2007.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of South Kingstown for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2006. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

A Certificate of Achievement is valid for a period of one year only. The Town of South Kingstown has received a Certificate of Achievement for the last seventeen consecutive fiscal years (fiscal years ended June 30, 1990-2006). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

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

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

Respectfully submitted,

Alan Lord

Alan R. Lord,
Finance Director

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

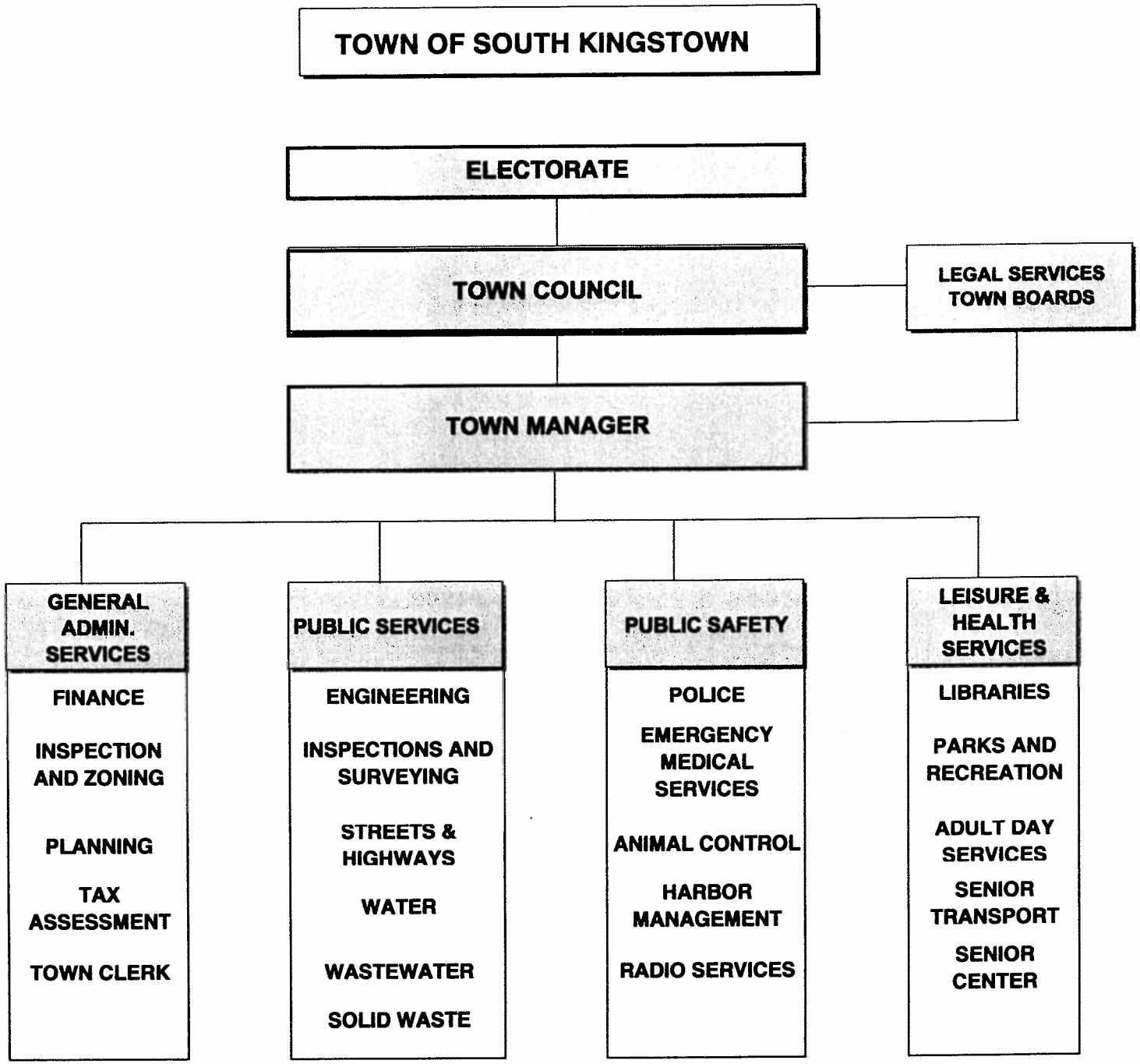
Town of South Kingstown
Rhode Island

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

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

President

Executive Director


TOWN OF SOUTH KINGSTOWN
ELECTORATE
TOWN COUNCIL
LEGAL SERVICES
TOWN BOARDS
TOWN MANAGER
GENERAL ADMIN. SERVICES
FINANCE
INSPECTION AND ZONING
PLANNING
TAX ASSESSMENT
TOWN CLERK
PUBLIC SERVICES
ENGINEERING
INSPECTIONS AND SURVEYING
STREETS & HIGHWAYS
WATER
WASTEWATER
SOLID WASTE
PUBLIC SAFETY
POLICE
EMERGENCY MEDICAL SERVICES
ANIMAL CONTROL
HARBOR MANAGEMENT
RADIO SERVICES
LEISURE & HEALTH SERVICES
LIBRARIES
PARKS AND RECREATION
ADULT DAY SERVICES
SENIOR TRANSPORT
SENIOR CENTER

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
TOWN OFFICIALS
June 30, 2007

TOWN COUNCIL

Mary S. Eddy, President

Kathleen A. Fogarty, Vice President
William J. Flatley
James W. O'Neill
Ella M. Whaley

TOWN MANAGER

Stephen A. Alfred

TOWN ATTORNEYS

Michael Ursillo
Andrew Teitz
Terrence G. Simpson
Nancy Letendre
Gerald J. Petros

PROBATE JUDGE

Stephen R. White

DEPARTMENT HEADS

Building Inspection Official	Russell W. Brown
Data Processing Manager	Frank G. Goudailler
Elderly Services Director	Richard J. Ryan
Finance Director	Alan R. Lord
Library Director	Shirley D. Long
Planning Director	L. Vincent Murray
Police Chief	Vincent Vespia, Jr.
Recreation Director	Andrew E. Nota
Tax Assessor	Jean-Paul Bouchard
Town Clerk	Dale S. Holberton
Public Services Director	Jon R. Schock

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TOWN OF SOUTH KINGSTOWN

FINANCIAL SECTION

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

Braver PC
Accountants & Advisors

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of South Kingstown, Rhode Island as of and for the year ended June 30, 2007, which collectively comprise the Town's basic financial statements as listed in the table of contents. We also have audited the statements of revenues, expenditures and changes in fund balances – budget and actual – budgetary basis (General Fund and School Unrestricted Fund) of the Town of South Kingstown, Rhode Island, for the year ended June 30, 2007, as displayed in the Town's financial statements. These financial statements are the responsibility of the Town of South Kingstown, Rhode Island's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, as well as the budget and actual – budgetary basis statements of the Town of South Kingstown, Rhode Island as of June 30, 2007, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2007 on our consideration of the Town of South Kingstown, Rhode Island's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Braver PC

Providence, Rhode Island
December 7, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of South Kingstown, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-vii of this report as well as the Town's basic financial statements that follow this section. All amounts in the tables in this MD&A are expressed in thousands. All amounts in the narrative portion are expressed in real dollars.

Financial Highlights

- The assets of the Town of South Kingstown exceeded its liabilities at the close of the most recent fiscal year by $123,578,389 (net assets). Of this amount, $25,810,554 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.

- The government's total net assets increased by $6,479,434.

- As of the close of the current fiscal year, the Town of South Kingstown's governmental funds reported combined ending fund balances of $42,598,041. Approximately 61% of this total amount, $26,113,832 is available` for spending at the government's discretion (unreserved fund balance).

- At the end of the current fiscal year, unreserved fund balance for the general fund was $9,945,834 or 13.9 percent of the 2008 FY Adopted General Fund Expenditure Budget.

- The Town's total bonded debt declined by $1,699,971 (4.1 percent) during the current fiscal year. The key factor in this decline was the retirement of $3,899,971 in bonds, which were offset somewhat, by the issuance of $2,200,000 in new general obligation bonds. The new bonds included funding for school improvements, public works improvements and the purchase of open space.

Overview of the Financial Statements

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

Except for the reporting of all infrastructure assets the Town implemented the new reporting requirements outlined in GASB #34 effective July 1, 2002 (for the fiscal year ended June 30, 2003). The statements contained within this report as of June 30, 2007, therefore, are the Town's fifth report using the new model. Infrastructure assets were added to the June 30, 2006 audit. The report for the fiscal year ending June 30, 2007 contains all required comparative information.

Overview of the Financial Statements (Continued)

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

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

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

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

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

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

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

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

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

Overview of the Financial Statements (Continued)

Governmental funds (Continued)

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

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

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

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

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

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

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 33-72 of this report.

Overview of the Financial Statements (Continued)

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town of South Kingstown's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 73 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 74-88.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town of South Kingstown, assets exceeded liabilities by $123,578,389 at the close of the most recent fiscal year.

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
NET ASSETS

For the Fiscal Year ending June 30, 2007 (in 000's)

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and Other Assets	$ 52,313	$ 48,939	$ 4,998	$ 5,014	$ 57,311	$ 53,953
Capital Assets	95,921	95,242	24,792	25,235	120,713	120,477
Total Assets	148,234	144,181	29,790	30,249	178,024	174,430
Long-Term Liabilities	37,371	38,274	3,255	3,436	40,626	41,710
Other Liabilities	12,443	14,112	1,376	1,509	13,819	15,621
Total Liabilities	49,814	52,386	4,631	4,945	54,445	57,331
Net Assets:						
Invested in capital assets, net of related debt	59,211	57,027	21,426	21,674	80,637	78,701
Unrestricted	22,078	19,337	3,733	3,631	25,811	22,968
Restricted	17,131	15,430			17,131	15,430
Total Net Assets	$ 98,420	$ 91,794	$ 25,159	$ 25,305	$123,579	$117,099

By far the largest portion of the Town's net assets (65.3%) reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town of South Kingstown's net assets (13.9 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets ($25,810,554) may be used to meet the government's ongoing obligations to citizens and creditors.

Government-wide Financial Analysis (Continued)

At the end of the current fiscal year, the Town of South Kingstown is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The Town's net assets increased by $6,479,434 during the current fiscal year. Of this amount, governmental activities accounted for $6,625,339 of the increase while business-type activities accounted for a decline of $145,905.

Governmental activities. Governmental activities increased the Town of South Kingstown's net assets by $6,625,339, thereby accounting for 102 percent of the total growth in the net assets of the Town.

Key elements of this increase are as follows:

- Property taxes are the largest revenue source for governmental activities accounting for approximately 64.3 percent of total revenues. Operating grants and contributions and charges for services, fees, and licenses provide approximately 17.9 percent and 7.6 percent of total revenues respectively.

Major revenue factors included:

- Property tax revenues recorded for the fiscal year 2007 reflect an increase in the Town's tax rate of 3.96% and growth in the total assessed value of taxable property of 1.7%. The combination of these two factors resulted in an additional $2,942,736 of property taxes being levied. The property tax rate increased from $13.13 to $13.65 per thousand dollars of assessed value. Total taxable property increased by $70,139,711 from $4,123,048,580 to $4,193,188,291.

- Capital grants and contributions declined by $3,905,461. This reduction was the result of the near completion of the superfund remediation work at the West Kingston Landfill. Based on the project's status, contributions from the PRP group declined significantly.

- Charges for services declined by $656,438, which was directly related to significant declines in several revenue sources. Building inspection fees, town clerk recording fees, probate court fees, Medicaid revenues, impact fees, real estate conveyance fees, Guild program fees, and wastewater connection fees all decreased significantly in the 2007 fiscal year. Somewhat offsetting the above reductions in charges for services were increases in EMS billing services and police department fees.

- Operating grants and contributions increased by $1,145,567 from the previous year. The increase in this revenue source was attributable to additional funding for school aid, reimbursement from the State for statistical property revaluation expenditures offset by a decline in grant funding for the EPA Wastewater Management program.

- Investment earnings increased from $2,084,407 in the prior fiscal year to $4,000,792 in the fiscal year ended June 30, 2007.The increase of $1,916,385 was mainly attributable to an increase of $1,348,912 in the School Trust Funds' investment income. The increase was the result of favorable equity market conditions, which produced significant gains in the fund's portfolio. In addition, the General Fund generated $344,404 more in investment earnings, as compared to the previous year, due to higher interest rates and an improved cash flow position. The remaining balance of $233,069 of the increase was distributed amongst the other governmental funds based on higher interest rates.

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
CHANGES IN NET ASSETS

For the Fiscal Years ending June 30, 2007 and 2006in 000's

	Governmental Activities		Business Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program Revenues:						
Charges for Services	$ 6,860	$ 7,517	$ 5,147	$ 5,042	$ 12,007	$ 12,559
Operating Grants and Contributions	16,176	15,031	235	203	16,411	15,234
Capital Grants and Contributions	281	4,186	0	404	281	4,590
General Revenues:						
Property taxes	58,033	54,828			58,033	54,828
Other taxes:						
Motor vehicle phase-out taxes	2,166	1,829			2,166	1,829
Telephone and hotel taxes	338	389			338	339
Grants and aid not restricted for a specific program	2,396	2,400			2,396	2,400
Unrestricted investment earnings	4,001	2,084	228	156	4,229	2,240
Miscellaneous	0	7			0	7
Total Revenues	90,251	88,271	5,610	5,805	95,861	94,076
Expenses:						
General Government	8,560	7,794			8,560	7,794
Public Safety	6,702	6,163			6,702	6,163
Public Works	3,221	2,726			3,221	2,726
Human Service Agencies	178	183			178	183
Public Libraries	988	953			988	953
Education	60,132	55,631			60,132	55,631
Recreation	2,319	2,282			2,319	2,282
Interest on long-term debt	1,561	1,500			1,561	1,500
Wastewater			2,973	2,792	2,973	2,792
Transfer Station			937	894	937	894
Water			714	679	714	679
School Cafeteria			1,096	1,057	1,096	1,057
Total Expenses	83,661	77,232	5,720	5,422	89,381	82,654
Increase in net assets before transfers	6,588	11,039	(109)	383	6,479	11,422
Transfers	37	1,088	(37)	(1,088)	0	0
Increase in net assets	6,625	12,127	(146)	(705)	6,479	11,422
Net assets 7/1/06	91,794	79,667	25,305	26,010	117,099	105,677
Net assets 6/30/07	$ 98,419	$ 91,794	$ 25,159	$ 25,305	$ 123,578	$ 117,099

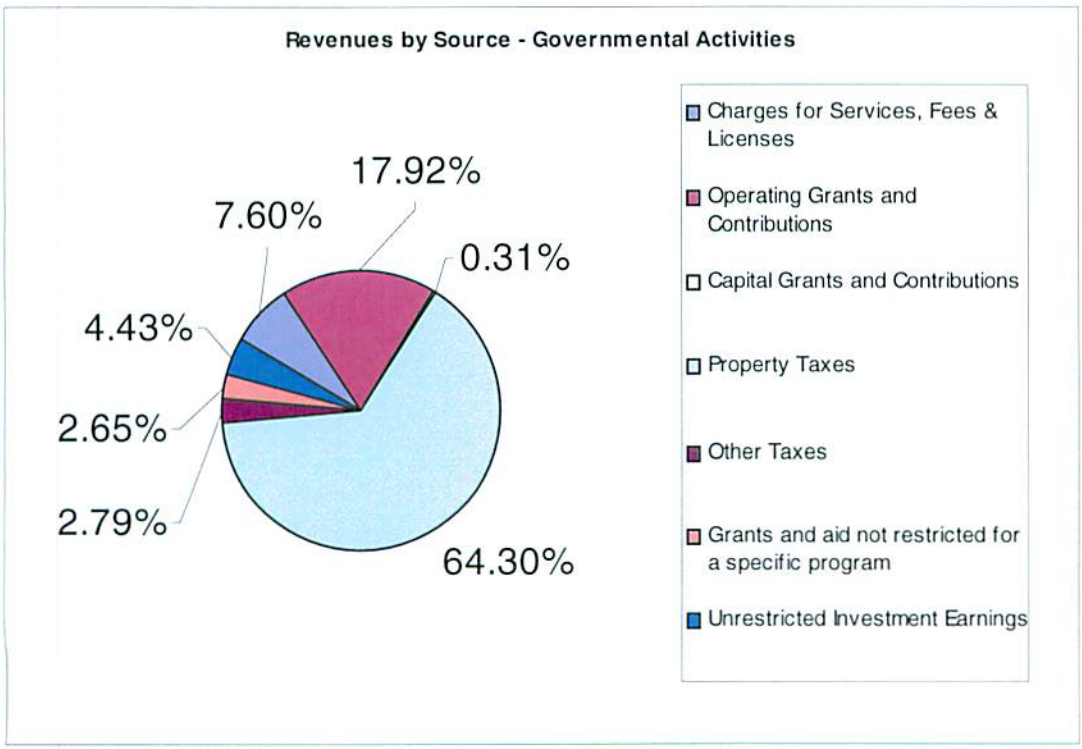
Changes in Net Assets (Continued)

Education expenses account for approximately 71.9 percent of the total expenses within the governmental funds of the Town of South Kingstown. Public safety and general government expenses account for approximately 8.0 percent and 10.2 percent respectively of the total expenses for the 2007 fiscal year.

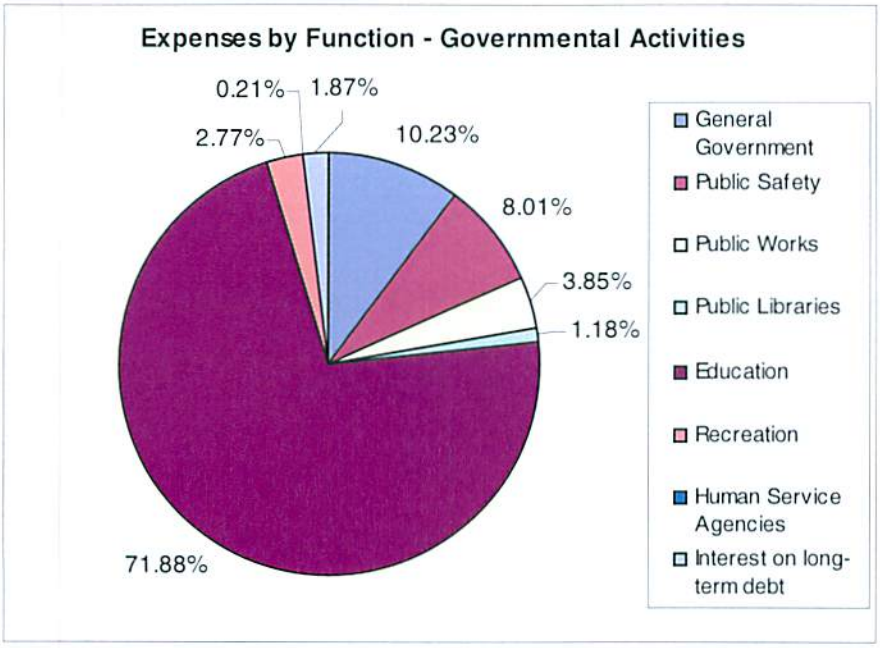
Major expense factors included:

- Increases in employee full-time wages for general fund employees averaged approximately 3.11%, resulting from negotiated step and general wage increases.
- Employee benefit costs rose by more than 20% due mainly to rising health care and retirement costs.
- An increase of $2,619,420 or 6.43% in property taxes transferred to the School fund.
- Charter School tuition increased by $139,775 based on an increase in the tuition rate and the number of students enrolled.
- An increase of $61,218 in interest costs associated with new debt sold in the 2006 fiscal year.
- The teacher's retirement expense paid on behalf of the School by the State of Rhode Island increased by $697,253 or 50%.

For the most part, increases in expenses closely paralleled inflation, wage and benefit cost increases and growth in demand for services. One major program expansion included a new full-day kindergarten program added in the school budget. The estimated cost of the kindergarten program was approximately $441,000.



Changes in Net Assets (Continued)



Business-type activities. Net assets in business-type activities declined by $145,905 resulting in a .6% reduction in business-type net assets.

Charges for services for business-type activities accounted for 91.7% of the total revenue sources. The balance of revenues for business-type activities were from operating grants and contributions (4.2%), and from investment earnings (4.1%).

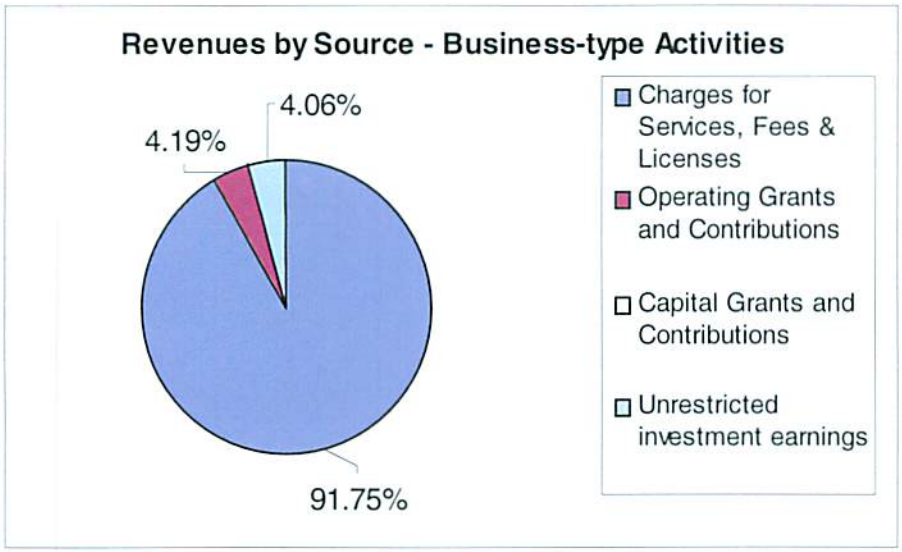
Wastewater treatment expenses account for approximately 52% of the total expenditures within the business-type activities of the Town. Solid waste, school cafeteria operations and water fund expenses account for approximately 16.4%, 19.2% and 12.5% respectively of the total business-type activities expenditures for the 2007 fiscal year.

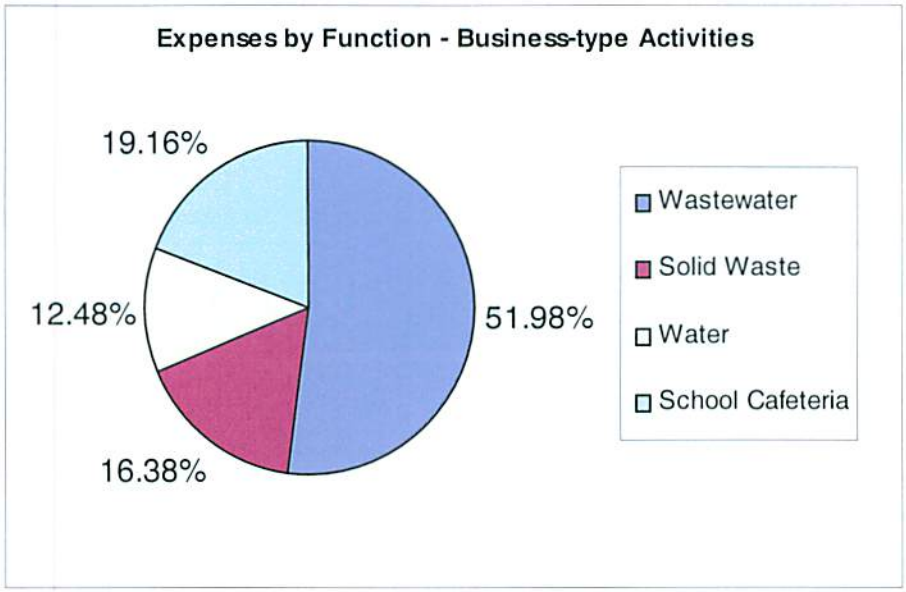
Charges for services for business-type activities increased from $5,041,774 to $5,146,900 or 2.1%. The wastewater fund had an increase of $185,240. The increase in the wastewater fund was attributable to greater usage revenues and higher septic discharge fees. Charges for services for the water fund and solid waste fund declined by $65,307 and $6,365 respectively. The decline in the water fund charges was the result of a one-time fee of $67,506 being received from the RI Water Resources Board in the previous fiscal year. Solid waste fees declined based on a reduction in the sale of residential use stickers offset somewhat by an increase in tipping fees. Charges for services for the cafeteria fund declined by $8,442. Operating grants and contributions increased by $31,930 in the cafeteria fund. Unrestricted investment earnings increased from $155,843 to $228,244 for all business-type activities. An increase in interest rates earned on investments was responsible for generating the increase in this revenue source.

The 6.5% increase in expenses in the wastewater fund was due to increasing costs for wages, retirement and health care costs, and the increased cost of treatment chemicals and maintenance and supply items to operate the system. A 12% increase in the cost of property and liability insurance also contributed to the increase. The 5.1% increase in water fund expenses closely paralleled wage and benefit cost increases and a $28,240 increase in depreciation expense, based on the addition of new fixed assets during the 2006 fiscal year.

Changes in Net Assets (Continued)

The 4.8% increase in expenses for the solid waste fund was attributable to higher tipping fees and hauling costs for solid waste brought to the RI Central Landfill. Higher interest costs for bonds sold for the West Kingston Superfund Remediation project also contributed to the increase in expenses. Costs to operate the cafeteria fund rose by $39,277 or 3.7%.





Financial Analysis of the Government's Funds

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

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

Financial Analysis of the Government's Funds (Continued)

As of the end of the current fiscal year, the Town of South Kingstown's governmental funds reported combined ending fund balances of $42,598,041. Approximately 61 percent of this total amount, $26,113,832, constitutes unreserved fund balance, which is available for spending at the government's discretion. Of this amount, $1,594,543 is designated to help finance the 2007-2008 fiscal year budget and $1,000,000 is designated to help pay for Superfund remediation costs. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period ($700,170), 2) reserved for various endowments ($15,740,031) or 3) reserved for future expenses, which have been prepaid ($11,307), and professional development ($32,701).

The general fund is the chief operating fund of the Town of South Kingstown. At the end of the current fiscal year, unreserved fund balance of the general fund was $12,145,834 while total fund balance reached $12,200,961. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total general fund budgeted expenditures. Unreserved fund balance represents 17.0 percent of the 2008 FY Adopted General Fund Expenditure Budget, while total fund balance represents 17.1 percent of that same amount.

The fund balance of the Town of South Kingstown's general fund increased by $1,038,114 during the current fiscal year. Key factors in this growth are as follows:

- A budgetary basis operating surplus in the general fund of $2,446,070. Revenues over budget accounted for $1,587,757 of the surplus, while expenditures under budget contributed $836,889 to the surplus, with other financing sources finishing the fiscal year with a $21,424 surplus.

- Positive budget variances in the revenue accounts such as property taxes ($695,604), state aid ($181,935), investment income ($576,297), licenses and fees ($32,887), miscellaneous revenues ($39,898) and departmental revenues ($61,136) all contributed to the surplus.

- Favorable expenditure variances of significance included savings in the public safety accounts ($199,681), general government accounts ($218,943), public works ($58,267), debt service ($110,934), recreation ($44,941), libraries ($33,400) and miscellaneous ($170,242).

- The surplus in other financing sources was mainly due to a $20,000 contribution for new sidewalks on Curtis corner Road.

The school fund has a total fund balance of $1,704,220 of which $36,303 has already been committed to liquidate contracts and purchase orders of the prior period, $32,701 is reserved for future professional development expenses of the School fund and $335,000 is designated to help finance the 2007-2008 fiscal year budget. The remaining balance of $1,300,216 is available to help finance future years' school budgets.

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

Unrestricted net assets in the water fund at the end of the fiscal year amounted to $768,860, a decline of $48,595. Unrestricted net assets in the wastewater fund increased by $266,708 to a total of $1,506,179. The solid waste fund had unrestricted net assets of $1,503,229, which was a decline in value of $45,871 while the school cafeteria operations decreased by $70,547 to a deficit position of $45,640.

Financial Analysis of the Government's Funds (Continued)

Proprietary funds (Continued)

Other factors concerning the finances of these four funds have already been addressed in the discussion of the Town of South Kingstown's business-type activities.

General Fund Budgetary Highlights

Overall the Town finished the 2006-2007 fiscal year with a $2,446,070 budgetary surplus. Differences between the original budget and the final amended budget were relatively minor and only involved transferring funds from departments with expenditure surpluses to departments with expenditure deficits.

The balance of accounts with over-expenditures had funds available within their major program functions to cover the deficits. The over-expenditures covered two departments and totaled $52,905.

Capital Asset and Debt Administration

Capital assets. The Town of South Kingstown's investment in capital assets for its governmental and business type activities as of June 30, 2007 amounts to $120,713,157 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, infrastructure, and construction in progress. A complete inventory and valuation of the Town's general infrastructure assets was completed during the 2006 fiscal year. The total increase in the Town of South Kingstown's investment in capital assets for the current fiscal year was .2 percent (a .7 percent increase for governmental activities and a 1.8 percent decline for business-type activities).

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

- A variety of road construction projects and bridge and dam reconstruction projects were ongoing; construction in progress as of the end of the current fiscal year had reached $247,418. Projects capitalized as infrastructure totaled $1,438,354.

- Engineering and remediation costs for the closing of the West Kingston landfill amounted to $6,317,617 in construction in progress as of June 30, 2007.

- Various school building improvements were completed at a cost of $950,089. Other miscellaneous school improvements accounted for an additional $31,412 in construction in progress.

- The purchase of land development rights on four hundred acres of open space property for $300,617.

- Construction in progress at June 30, 2007 also included $136,409 for the new Marina Park restrooms and $296,358 for the Saugatucket River walkway project.

Capital Asset and Debt Administration (Continued)

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

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	$ 12,340	$ 12,340	$ 709	$ 709	$ 13,049	$ 13,049
Land Improvements	7,718	7,682	161	172	7,879	7,854
Buildings	19,172	19,777	4,871	5,076	24,043	24,853
Building Improvements	26,024	26,356	2,169	1,179	28,193	27,535
Equipment	3,984	3,718	2,278	2,403	6,262	6,121
Vehicles	2,352	2,359	98	103	2,450	2,462
Infrastructure	17,283	16,254	12,313	12,542	29,596	28,796
Construction in Progress	7,048	6,757	2,193	3,050	9,241	9,807
Total	$ 95,921	$ 95,243	$ 24,792	$ 25,234	$ 120,713	$ 120,477

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

Long-term debt. At the end of the current fiscal year, the Town of South Kingstown had total bonded debt outstanding of $40,076,327, entirely backed by the full faith and credit of the Town. Bonds authorized but unissued totaled an additional $13,915,000.

State statutes limit the amount of general obligation bonded debt a town can issue to 3 percent of net assessed property values. However, all bonds approved through State enabling legislation and voter referendums are exempt from the limit. At June 30, 2007, the Town had a debt limit of $125,795,649. Of the Town's $40,076,327 in debt outstanding, $8,013,858 is subject to the Town's legal debt limit. A balance of $117,781,791exists within the legal limit for additional bonds to be issued.

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

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
General Obligation Bonds	$36,710	$38,215	$3,366	$3,561	$40,076	$41,776

The Town's total bonded debt declined by $1,699,973 (4.1 percent) during the current fiscal year. During the year principal payments of $3,899,973 were made to reduce existing debt. The payments were offset by the issuance of $1,000,000 in new general obligation bonds for school improvements, $700,000 in bonds for open space purchases, and $500,000 in bonds for public works improvements.

Capital Asset and Debt Administration (Continued)

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

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

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

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the Town of South Kingstown, as of August 2007, was 4.2 percent, which is a decline from a rate of 4.8 percent a year ago. This compares favorably to the state's average unemployment rate of 5.1 percent and the national average rate of 4.6 percent.

- Primarily a residential community, the Town recently completed a statistical property revaluation, which had a significant impact on the Town's tax base. The Grant List will increase from $4.2 billion to $5.2 billion, or a twenty-four percent increase for the 2007-2008 fiscal year.

- The State of Rhode Island continues to have budget deficit problems, which could result in a loss of state-aid received by the Town.

All of these factors were considered in preparing the Town of South Kingstown's budget for the 2008 fiscal year.

During the current fiscal year, unreserved fund balance in the general fund increased to $12,145,834. The Town of South Kingstown has designated $1,200,000 of this amount for spending in the 2008 fiscal year budget. It is intended that this use of available fund balance will help reduce the amount of property taxes necessary to fund the 2008 fiscal year budget. In addition, the Town has designated $1,000,000 of the unreserved fund balance for Superfund site cleanup costs.

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

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TOWN OF SOUTH KINGSTOWN

BASIC FINANCIAL STATEMENTS

EXHIBIT A-1

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

Statement of Net Assets
June 30, 2007

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents	$ 32,319,741	$ 4,284,464	$ 36,604,205
Investments	15,881,471		15,881,471
Accounts receivable	871,601	941,610	1,813,211
Internal balances	295,293	(295,293)	-
Due from federal and state governments	1,919,354	44,279	1,963,633
Prepaids	71,867	-	71,867
Total Current Assets	51,359,327	4,975,060	56,334,387
Noncurrent Assets:			
Deferred charges - refunding	673,109		673,109
Deferred charges - bond issuance	280,937	22,609	303,546
Capital assets not being depreciated	19,387,457	2,902,129	22,289,586
Capital assets, net of accumulated depreciation	76,533,405	21,890,166	98,423,571
Total Noncurrent Assets	96,874,908	24,814,904	121,689,812
TOTAL ASSETS	148,234,235	29,789,964	178,024,199
LIABILITIES:			
Current Liabilities:			
Accounts payable	1,740,738	335,597	2,076,335
Accrued liabilities	3,051,105	29,200	3,080,305
Due to federal and state governments	45,367	45,407	90,774
Unearned revenue	2,236,307	671,737	2,908,044
Deposits held in custody of others	137,315	-	137,315
Current portion of compensated absences	1,510,000	94,500	1,604,500
Current portion of claims and judgements	7,345	-	7,345
Current portion of bonds	3,715,000	199,932	3,914,932
Total Current Liabilities	12,443,177	1,376,373	13,819,550
Noncurrent Liabilities:			
Compensated absences	2,541,789	88,600	2,630,389
Accrued claims and judgements	1,834,475	-	1,834,475
General obligation bonds, net	32,995,000	3,166,396	36,161,396
Total Noncurrent Liabilities	37,371,264	3,254,996	40,626,260
TOTAL LIABILITIES	49,814,441	4,631,369	54,445,810
NET ASSETS:			
Invested in capital assets net of related debt	59,210,862	21,425,967	80,636,829
Restricted for:			
Endowments:			
Expendable	2,157,776		2,157,776
Nonexpendable	14,973,230		14,973,230
Unrestricted	22,077,926	3,732,628	25,810,554
TOTAL NET ASSETS	$ 98,419,794	$ 25,158,595	$ 123,578,389

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

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

Statement of Activities
For the Year Ended June 30, 2007

Functions/Programs:	Expenses	Program Revenues: Charges for Services, Fees & Licenses	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes In Net Assets: Governmental Activities	Net (Expense) Revenue and Changes In Net Assets: Business-type Activities	Net (Expense) Revenue and Changes In Net Assets: Total
Governmental activities:							
General government	$ 8,559,664	$ 3,807,387	$ 1,375,278	$ 280,991	$ (3,096,008)		$ (3,096,008)
Public safety	6,701,924	1,001,582	-	-	(5,700,342)		(5,700,342)
Public works	3,221,185	61,100	-	-	(3,160,085)		(3,160,085)
Human service agency contributions	178,356	-	-	-	(178,356)		(178,356)
Public libraries	988,273	28,478	237,242	-	(722,553)		(722,553)
Education	60,131,860	1,141,449	14,180,196	-	(44,810,215)		(44,810,215)
Recreation	2,319,532	820,278	20,077	-	(1,479,177)		(1,479,177)
Interest on long-term debt	1,560,963	-	363,381	-	(1,197,582)		(1,197,582)
Total governmental activities	83,661,757	6,860,274	16,176,174	280,991	(60,344,318)		(60,344,318)
Business-type activities:							
Wastewater	2,972,625	2,660,233	-	-		$ (312,392)	(312,392)
Solid Waste	936,621	950,248	-	-		13,627	13,627
Water	713,784	749,067	-	-		35,283	35,283
School Cafeteria	1,095,906	787,352	234,927	-		(73,627)	(73,627)
Total business-type activities	5,718,936	5,146,900	234,927	-	-	(337,109)	(337,109)
Total	$ 89,380,693	$ 12,007,174	$ 16,411,101	$ 280,991	$ (60,344,318)	(337,109)	(60,681,427)
General revenues:							
Property taxes					58,032,552		58,032,552
Motor vehicle phase-out taxes					2,165,338		2,165,338
Telephone and hotel taxes					337,594		337,594
Grants and aid not restricted for a specific program					2,396,341		2,396,341
Unrestricted investment earnings					4,000,792	228,244	4,229,036
Transfers					37,040	(37,040)	-
Total general revenues and transfers					66,969,657	191,204	67,160,861
Change in Net assets					6,625,339	(145,905)	6,479,434
Net assets - beginning of year, as restated					91,794,455	25,304,500	117,098,955
Net assets - ending of year					$ 98,419,794	$ 25,158,595	$ 123,578,389

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

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

Balance Sheet
Governmental Funds
June 30, 2007

	General Fund	EPA Waste Management Project	School Unrestricted Fund	School Trust Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:						
Cash and cash equivalents	$ 22,392,141		$ 51,643	$ 703,663	$ 8,519,005	$ 31,666,452
Investments				14,888,758	992,713	15,881,471
Accounts and other receivable	802,024		37,026	2,649	29,902	871,601
Due from federal and state governments	5,433	$ 502,789	83,748		1,327,384	1,919,354
Prepaid expenditures	8,035				3,272	11,307
Due from other funds	573,640		4,700,786		4,646,961	9,921,387
TOTAL ASSETS	$ 23,781,273	$ 502,789	$ 4,873,203	$ 15,595,070	$ 15,519,237	$ 60,271,572
LIABILITIES AND FUND BALANCES:						
LIABILITIES:						
Accounts payable	$ 219,634		$ 969,856		$ 316,518	$ 1,506,008
Retainage payable	-				234,730	234,730
Accrued liabilities	830,856	$ 20,581	2,127,388		72,280	3,051,105
Due to federal & state governments	45,367				-	45,367
Due to other funds	9,696,466	5,810	70,239	$ 90,359	375,179	10,238,053
Deferred revenues	650,674	476,398	1,500		1,332,381	2,460,953
Deposits held in custody for others	137,315					137,315
TOTAL LIABILITIES	11,580,312	502,789	3,168,983	90,359	2,331,088	17,673,531
FUND BALANCES:						
Reserved for prepaid expenditures	8,035		-	-	3,272	11,307
Reserved for encumbrances	47,092	-	36,303		616,775	700,170
Reserved for endowments				14,762,205	977,826	15,740,031
Reserved for professional development			32,701			32,701
Unreserved:						
Designated for General fund	2,200,000					2,200,000
Designated for special revenue funds			335,000		70,677	405,677
General fund	9,945,834					9,945,834
Special revenue funds		-	1,300,216		2,241,718	3,541,934
Capital project funds					8,629,412	8,629,412
Permanent Purpose Trust funds				742,506	648,469	1,390,975
TOTAL FUND BALANCES	12,200,961	-	1,704,220	15,504,711	13,188,149	42,598,041
TOTAL LIABILITIES AND FUND BALANCES	$ 23,781,273	$ 502,789	$ 4,873,203	$ 15,595,070	$ 15,519,237	$ 60,271,572

(CONTINUED)

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

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

Balance Sheet
Governmental Funds
June 30, 2007

Amounts reported for governmental activities in the Statement of Net Assets are different because of the following:	
Total Fund Balance reported in Exhibit B-1	$ 42,598,041
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the Gov't Fund balance sheet	95,920,862
Deferred bond issuance costs and other debt charges resulting from issuance of refunding and advance refunding bonds. These charges have been included in the governmental activities in the Statement of Net Assets.	954,046
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities are reported in the Statement of Net Assets.	(42,603,609)
Deferred tax revenues (net of an allowance for uncollectibles) are recorded in the funds, but are not deferred under the measurement focus employed in the Statement of Net Assets.	447,355
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.	1,325,808
Net premium on refunding has been recorded as deferred revenue on the Statement of Net Assets	(222,709)
Total Net Assets reported in Exhibit A-1	$ 98,419,794

(CONCLUDED)

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

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year the Ended June 30, 2007

	General Fund	EPA Waste Management Project	School Unrestricted Fund	School Trust Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:						
General property taxes	$ 57,995,337					$ 57,995,337
Intergovernmental	5,499,896	$ 229,706	$ 10,596,552		$ 2,790,071	19,116,225
Licenses and fees	1,374,887				1,073,797	2,448,684
Investment income	1,376,297			$ 2,127,860	474,607	3,978,764
Fines and charges					1,229,691	1,229,691
Departmental	1,115,818					1,115,818
Contributions					128,798	128,798
State on behalf pension contribution			2,091,234			2,091,234
Other	290,887		1,141,449		20,181	1,452,517
TOTAL REVENUES	67,653,122	229,706	13,829,235	2,127,860	5,717,145	89,557,068
EXPENDITURES:						
Current:						
General government	2,562,378					2,562,378
Public safety	6,105,953					6,105,953
Public works	2,140,379					2,140,379
Human service agency contributions	178,356					178,356
Public libraries	873,701					873,701
Education			56,797,016		1,747,006	58,544,022
Recreation	1,245,078				811,016	2,056,094
Other	4,212,316	229,706		51,307	1,776,611	6,269,940
Debt Service:						
Principal	3,639,662				65,338	3,705,000
Interest and other costs	1,496,268				10,337	1,506,605
Capital:						
Capital expenditures	337,878				3,080,846	3,418,724
TOTAL EXPENDITURES	22,791,969	229,706	56,797,016	51,307	7,491,154	87,361,152
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	44,861,153	-	(42,967,781)	2,076,553	(1,774,009)	2,195,916
OTHER FINANCING SOURCES (USES)						
Issuance of bonded debt					2,200,000	2,200,000
Transfers in	1,233,324		43,373,314		2,434,255	47,040,893
Transfers out	(45,056,363)		(288,756)	(443,136)	(1,215,598)	(47,003,853)
TOTAL OTHER FINANCING SOURCES (USES)	(43,823,039)	-	43,084,558	(443,136)	3,418,657	2,237,040
NET CHANGE IN FUND BALANCES	1,038,114	-	116,777	1,633,417	1,644,648	4,432,956
FUND BALANCE AT BEGINNING OF YEAR	11,162,847	-	1,587,443	13,871,294	11,543,501	38,165,085
FUND BALANCE AT END OF YEAR	$ 12,200,961	$ -	$ 1,704,220	$ 15,504,711	$ 13,188,149	$ 42,598,041

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

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds (Exhibit B-2) to the Statement of Activities (Exhibit A-2)
Year Ended June 30, 2007

Net Change in Fund Balances - Total Governmental Funds (Exhibit B-2):	$ 4,432,956
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.	756,695
Governmental funds do not recognize gains or losses on the sale or disposal of capital assets. The statement of activities includes losses on the disposal of fixed assets during 2007.	(78,027)
Governmental funds report the issuance of new bond as other financing sources whereas the issuance of new debt would have no effect on the net assets.	(2,200,000)
Governmental funds report principal repayments on debt obligations as an expenditure. However, the repayment of principal has no effect on the net assets.	3,705,000
Governmental funds do not report estimated accrued claims and judgements as a liability in the Fund Statements if they are not going to be paid with current available resources. These liabilities are reported in the government-wide financial statements as long-term debt. This adjustment reflects the decrease in the estimate from the amount reported at June 30, 2006	68,600
Governmental funds report debt issuance costs and premiums on debt financing when they occur. The net effect of these transactions on the statement of activities and changes in net assets was.	(85,834)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds. Deferred tax revenue increased from fiscal 2006.	60,143
Allowance for doubtful accounts on tax receivables is not reported in the governmental fund statement of revenue, expenditures and changes in fund balances. The change in the allowance is included in the fund balance sheet as a contra to both tax receivables and deferred tax revenue. The increase in the allowance provision is recorded against tax revenue in the statement of activities.	(22,928)
Excess of internal service funds' revenues over expenses, reported as governmental fund activity in the statement of activites and changes in net assets.	308,586
Increase in compensated absences. The governmental fund reflects this activity when it will be paid with measurable and available resources. The change from prior year balances is reflected in the statement of activities and changes in net assets.	(319,852)
Change in Net Assets of Governmental Activities in the Statement of Activities (Exhibit A-2)	$ 6,625,339

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

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

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

For the Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues and Designated Fund Balance:				
Property taxes:				
Current taxes	$ 56,477,248	$ 56,477,248	$ 57,120,628	$ 643,380
Prior taxes	325,000	325,000	339,538	14,538
Total taxes current and prior	56,802,248	56,802,248	57,460,166	657,918
Interest on taxes	295,000	295,000	327,262	32,262
Payment in lieu of taxes	202,485	202,485	207,909	5,424
Total property taxes	57,299,733	57,299,733	57,995,337	695,604
State aid - Town:				
General state aid	1,139,392	1,139,392	1,132,860	(6,532)
Telephone tax	324,792	324,792	275,088	(49,704)
Meals and Beverage tax	470,000	470,000	481,412	11,412
Chapter 26 - School housing	1,112,600	1,112,600	1,134,488	21,888
State library construction	53,361	53,361	53,361	-
State library general aid	173,094	173,094	173,094	-
State library endowment aid	21,749	21,749	21,749	-
State motor vehicle phase-out	1,960,973	1,960,973	2,165,338	204,365
Hotel tax	62,000	62,000	62,506	506
Total state aid - Town	5,317,961	5,317,961	5,499,896	181,935
Licenses, fees and rents:				
Business licenses and fees	517,000	517,000	583,322	66,322
Nonbusiness licenses and fees	470,000	470,000	416,718	(53,282)
Real Estate conveyance fees	105,000	105,000	106,854	1,854
Rental of Town properties	250,000	250,000	267,993	17,993
Total licenses, fees and rents	1,342,000	1,342,000	1,374,887	32,887
Investment income - short term	800,000	800,000	1,376,297	576,297
Departmental revenues:				
Police department revenues	315,650	315,650	393,193	77,543
Park rental revenue	-	-	13,318	13,318
Town beach parking	56,600	56,600	50,219	(6,381)
Boat and mooring	11,500	11,500	13,516	2,016
Animal control fees	4,000	4,000	4,049	49
Libraries	29,600	29,600	28,478	(1,122)
Dog licenses and fines	4,000	4,000	4,821	821
Planning department	400	400	456	56
Recreation department	209,745	209,745	186,892	(22,853)
Recreation self-support program	112,500	112,500	109,028	(3,472)
Wastewater department	31,250	31,250	31,250	-
Water department	17,000	17,000	17,000	-
Solid waste program	12,850	12,850	12,850	-
Fire alarm	10,000	10,000	14,676	4,676
Interfund computer	95,700	95,700	95,765	65
Peace Dale office	2,600	2,600	2,600	-
Stepping stone - creative	56,112	56,112	55,137	(975)
Stepping stone - self supported	5,750	5,750	4,036	(1,714)
Recreation Dept - Outside Sponsors	6,300	6,300	4,000	(2,300)
Narragansett - Dog Pound	51,566	51,566	51,566	-
Geographic information systems program	21,559	21,559	22,968	1,409
Total departmental revenues	1,054,682	1,054,682	1,115,818	61,136

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

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

For the Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Miscellaneous revenues:				
School crossing guards	77,000	77,000	68,000	(9,000)
Payroll and accounting	5,500	5,500	5,500	-
School field maintenance reimbursement	45,371	45,371	45,371	-
Heat detector	3,200	3,200	3,200	-
Miscellaneous - Town	105,000	105,000	147,728	42,728
Copy charges	17,000	17,000	23,170	6,170
Total miscellaneous	253,071	253,071	292,969	39,898
Use of June 30, 2006 designated fund balance	1,175,000	1,175,000	1,175,000	-
Total revenues and designated fund balance	67,242,447	67,242,447	68,830,204	1,587,757
Expenditures:				
General government:				
Town council	13,250	13,250	12,889	361
Financial town meeting	5,055	4,322	371	3,951
Legal staff	147,643	147,643	140,438	7,205
Probate judge	4,000	4,000	4,000	-
Town clerk	255,969	255,969	252,811	3,158
Public information	6,800	6,800	2,932	3,868
Canvassing authority	82,612	82,612	71,246	11,366
Town manager's office	291,827	291,827	238,832	52,995
Personnel administration	83,264	83,264	74,616	8,648
League of cities and towns	11,115	11,115	11,115	-
Town hall operations	216,964	216,964	181,212	35,752
Finance department	428,638	428,638	398,951	29,687
Tax assessor's office	225,786	226,519	226,519	-
Assessment board of review	650	650	120	530
Data processing division	217,594	217,594	216,436	1,158
Geographic information systems	108,636	108,636	107,963	673
Post year audit	18,700	18,700	7,750	10,950
Planning board	4,680	4,680	2,900	1,780
Planning department	303,458	269,458	267,426	2,032
Zoning board of review	66,556	66,556	35,526	31,030
Zoning/building inspection	259,465	259,465	246,181	13,284
Miscellaneous boards and agencies	37,700	37,700	37,185	515
Total general government	2,790,362	2,756,362	2,537,419	218,943
Public safety:				
Police department	4,866,276	4,814,104	4,648,605	165,499
Animal control - RD/shelter	218,883	218,883	196,913	21,970
Radio/communication	223,749	223,749	216,513	7,236
Harbor patrol	41,800	41,800	36,824	4,976
Fire company donation	3,600	3,600	3,600	-
Emergency medical services	951,326	1,003,498	1,003,498	-
Total public safety	6,305,634	6,305,634	6,105,953	199,681
Public works:				
Public works administration	277,594	277,594	260,323	17,271
Streets and highway	1,663,960	1,533,960	1,517,712	16,248
Tree warden	43,536	43,536	28,853	14,683
Street lighting	150,000	150,000	139,935	10,065
Total public works	2,135,090	2,005,090	1,946,823	58,267

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

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

For the Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Human service agency contributions:				
South Shore Mental Health	20,157	20,157	20,157	-
Visiting Nurses Association	34,000	34,000	34,000	-
R.I. Rape Crisis Center	1,591	1,591	1,591	-
Sympatico	18,000	18,000	18,000	-
South County Community Action	30,900	30,900	30,900	-
NRI Community Services	1,000	1,000	1,000	-
Literacy Volunteers	1,000	1,000	1,000	-
Washington County Coalition for Children	500	500	500	-
Cane Day Care Center	10,800	10,800	10,800	-
Hospice of Washington County	2,000	2,000	2,000	-
Washington County Adult Learning Center	4,120	4,120	4,120	-
Jonnycake Center	9,785	9,785	9,785	-
Women Resource Center	4,193	4,193	4,193	-
Volunteers in Action	750	750	750	-
Health Center of South County	33,000	33,000	33,000	-
Galilee Mission	1,060	1,060	1,060	-
The Samaritans	500	500	500	-
S C Emergency Shelter	5,000	5,000	5,000	-
Total human service agency contributions	178,356	178,356	178,356	-
Recreation:				
Recreation department	1,282,519	1,282,519	1,237,578	44,941
Celebrations	7,500	7,500	7,500	-
Total recreation	1,290,019	1,290,019	1,245,078	44,941
Public libraries	907,101	907,101	873,701	33,400
Capital improvements/projects	329,000	326,000	325,519	481
Miscellaneous:				
Insurance	213,000	213,000	205,910	7,090
Unemployment insurance	10,000	10,000	9,144	856
Contingency	60,000	60,000	16,904	43,096
FICA	771,973	771,973	723,656	48,317
Contribution to Town retirement	719,868	719,868	694,054	25,814
Health insurance	2,385,463	2,385,463	2,385,463	-
Police pension	19,760	19,760	19,759	1
Workers' compensation	202,494	202,494	157,426	45,068
Total miscellaneous	4,382,558	4,382,558	4,212,316	170,242
Debt Service	5,198,310	5,198,310	5,087,376	110,934
Total expenditures	23,516,430	23,349,430	22,512,541	836,889
Excess of revenues and designated fund balance over expenditures	43,726,017	43,893,017	46,317,663	2,424,646

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

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

For the Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Other financing sources (uses):				
Operating transfers:				
From Capital Project Funds	821,346	821,346	821,346	-
From School Trust Funds	15,000	15,000	17,726	2,726
From Permanent Trust Funds	27,000	27,000	28,396	1,396
From Special Revenue Funds	300,000	300,000	317,302	17,302
To Elderly Services Fund	(364,866)	(364,866)	(364,866)	-
Tax transfer to School Fund	(43,352,497)	(43,352,497)	(43,352,497)	-
To Property Reval. & Municipal Escrow - Spec. Rev. Funds	(35,000)	(82,000)	(82,000)	-
To Capital Project Funds	(1,137,000)	(1,257,000)	(1,257,000)	-
Total other financing uses	(43,726,017)	(43,893,017)	(43,871,593)	21,424
Excess of revenues, other sources and uses of designated fund balance over expenditures and other financing uses	$ -	$ -	$ 2,446,070	$ 2,446,070

(CONCLUDED)

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

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

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

For the Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
State aid	$ 10,516,527	$ 10,516,527	$ 10,569,749	$ 53,222
Tuition	315,000	315,000	228,759	(86,241)
Miscellaneous	917,000	917,000	939,493	22,493
Total revenues	11,748,527	11,748,527	11,738,001	(10,526)
Expenditures:				
Salaries	32,255,987	32,246,705	32,222,538	24,167
Employee benefits	12,825,742	12,825,742	12,728,125	97,617
Purchased services	8,570,730	8,618,031	8,346,315	271,716
Supplies and materials	1,090,498	1,107,287	1,008,669	98,618
Capital outlay	585,466	530,054	440,076	89,978
Other	147,601	148,205	152,699	(4,494)
Total expenditures	55,476,024	55,476,024	54,898,422	577,602
Excess of revenues over (under) expenditures before other financing sources (uses)	(43,727,497)	(43,727,497)	(43,160,421)	567,076
Other financing sources (uses):				
Operating transfer from Town of South Kingstown General Fund	43,352,497	43,352,497	43,352,497	0
Operating transfer from Town of South Kingstown Trust Funds	20,000	20,000	20,817	817
Transfer to School Improvement Capital Project Fund	(45,000)	(45,000)	(35,160)	9,840
Use of June 30, 2006 designated fund balance	400,000	400,000	400,000	0
Total other financing sources (uses)	43,727,497	43,727,497	43,738,154	10,657
Excess of revenues and other financing sources over expenditures and other financing uses	$ -	$ -	$ 577,733	$ 577,733

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

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

Statement of Net Assets
Proprietary Funds
June 30, 2007

	Business-type Activities-Enterprise Funds									Governmental Activities
	Wastewater (current year)	Wastewater (prior year)	Solid Waste (current year)	Solid Waste (prior year)	Water (current year)	Water (prior year)	School Cafeteria (current year)	School Cafeteria (prior year)	Totals (current year)	Health Care Management Internal Service Fund
ASSETS:										
Current Assets:										
Cash and cash equivalents	$ 1,991,227	$ 1,580,379	$ 1,457,505	$ 1,423,826	$ 760,234	$ 794,862	$ 75,498	$ 139,033	$ 4,284,464	$ 653,289
Accounts and other receivables, net	648,230	728,410	147,269	165,766	128,218	132,322	17,893	47,182	941,610	
Due from federal and state governments							44,279	13,566	44,279	
Due from other funds			42,294	3,990				24,891	42,294	611,959
Prepaid expenses		5,466							-	60,560
Total Current Assets	2,639,457	2,314,255	1,647,068	1,593,582	888,452	927,184	137,670	224,672	5,312,647	1,325,808
Noncurrent Assets:										
Capital assets not being depreciated	169,651	169,651	2,320,603	2,320,603	411,875	1,268,545			2,902,129	
Capital assets, net of accumulated depreciation	17,840,950	18,386,260	171,723	192,953	3,862,383	2,879,085	15,110	17,770	21,890,166	
Total Noncurrent Assets	18,010,601	18,555,911	2,492,326	2,513,556	4,274,258	4,147,630	15,110	17,770	24,792,295	-
TOTAL ASSETS	20,650,058	20,870,166	4,139,394	4,107,138	5,162,710	5,074,814	152,780	242,442	30,104,942	1,325,808
LIABILITIES:										
Current Liabilities:										
Accounts payable	72,734	99,923	56,106	47,043	23,447	47,230	183,310	199,765	335,597	
Accrued liabilities	24,941	29,656		606	4,259	7,373			29,200	
Due to federal and state governments	45,114	117,724	293	246					45,407	
Due to other funds	186,159	42,921	95,765	5,462	55,663	21,004			337,587	
Deferred revenue	671,737	665,210							671,737	
Current portion of compensated absences	72,500	76,500	2,500	2,800	19,500	19,500			94,500	
Current portion of bonds	74,082	72,428	125,850	122,543					199,932	
Total Current Liabilities	1,147,267	1,104,362	280,514	178,700	102,869	95,107	183,310	199,765	1,713,960	-
Noncurrent Liabilities:										
General obligation bonds, net of current portion	699,189	773,271	2,467,207	2,593,058	-	-			3,166,396	
Deferred bond issuance costs, net	(8,409)	(9,810)	(14,200)	(14,200)					(22,609)	
Compensated absences	68,502	52,660	3,375	2,525	16,723	14,622			88,600	
Total Noncurrent Liabilities	759,282	816,121	2,456,382	2,581,383	16,723	14,622	-	-	3,232,387	-
TOTAL LIABILITIES	1,906,549	1,920,483	2,736,896	2,760,083	119,592	109,729	183,310	199,765	4,946,347	-
NET ASSETS:										
Invested in capital assets, net of related debt	17,237,330	17,710,212	(100,731)	(202,045)	4,274,258	4,147,630	15,110	17,770	21,425,967	-
Unrestricted	1,506,179	1,239,471	1,503,229	1,549,100	768,860	817,455	(45,640)	24,907	3,732,628	1,325,808
TOTAL NET ASSETS	$ 18,743,509	$ 18,949,683	$ 1,402,498	$ 1,347,055	$ 5,043,118	$ 4,965,085	$ (30,530)	$ 42,677	$ 25,158,595	$ 1,325,808

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

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2007

	Business-type Activities-Enterprise Funds									Governmental Activities
	Wastewater (current year)	Wastewater (prior year)	Solid Waste (current year)	Solid Waste (prior year)	Water (current year)	Water (prior year)	School Cafeteria (current year)	School Cafeteria (prior year)	Totals (current year)	Health Care Management Internal Service Fund
OPERATING REVENUES:										
Charges for usage and service	$ 2,301,784	$ 2,111,252	$ 841,742	$ 938,915	$ 729,725	$ 770,507	$ 787,352	$ 795,794	$ 4,660,603	$ 9,833,940
Other revenues	358,449	363,741	108,506	17,698	19,342	43,867			486,297	
Total Operating Revenues	2,660,233	2,474,993	950,248	956,613	749,067	814,374	787,352	795,794	5,146,900	9,833,940
OPERATING EXPENSES:										
Wells					145,218	146,417			145,218	
Pumping	371,999	324,092			10,430	10,756			382,429	
Distribution					18,817	29,220			18,817	
Treating and sludge	1,317,780	1,249,293							1,317,780	
Transportation and disposal			794,445	769,147					794,445	
Other operating	119,899	113,747	1,763	-					121,662	
Administrative and general	545,304	479,136	74,432	70,987	393,692	369,849			1,013,428	
Health care management									-	9,547,382
Depreciation and amortization	592,525	588,654	21,230	21,230	108,341	80,101	2,660	2,341	724,756	
School cafeteria operations							1,093,246	1,054,288	1,093,246	
Repairs and maintenance	5,237	16,283			37,286	43,033			42,523	
Total Operating Expenses	2,952,744	2,771,205	891,870	861,364	713,784	679,376	1,095,906	1,056,629	5,654,304	9,547,382
OPERATING INCOME (LOSS)	(292,511)	(296,212)	58,378	95,249	35,283	134,998	(308,554)	(260,835)	(507,404)	286,558
NONOPERATING REVENUES (EXPENSES):										
Investment income	106,218	64,531	78,856	53,436	42,750	36,410	420	1,466	228,244	22,028
State and federal grants							234,927	202,997	234,927	
Interest expense	(19,881)	(21,171)	(44,751)	(32,198)					(64,632)	
Net Nonoperating Revenues	86,337	43,360	34,105	21,238	42,750	36,410	235,347	204,463	398,539	22,028
INCOME (LOSS) BEFORE CONTRIBUTIONS	(206,174)	(252,852)	92,483	116,487	78,033	171,408	(73,207)	(56,372)	(108,865)	308,586
Contributions from property owner - capital assets	-	404,100							-	
Transfers (Out)	-	-	(37,040)	(1,087,993)	-	-	-	-	(37,040)	
CHANGE IN NET ASSETS	(206,174)	151,248	55,443	(971,506)	78,033	171,408	(73,207)	(56,372)	(145,905)	308,586
TOTAL NET ASSETS - BEGINNING	18,949,683	18,798,435	1,347,055	2,318,561	4,965,085	4,793,677	42,677	99,049	25,304,500	1,017,222
TOTAL NET ASSETS - ENDING	$ 18,743,509	$ 18,949,683	$ 1,402,498	$ 1,347,055	$ 5,043,118	$ 4,965,085	$ (30,530)	$ 42,677	$ 25,158,595	$ 1,325,808

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

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2007

	Business-type Activities- Enterprise Funds					Governmental Activities
	Wastewater	Solid Waste	Water	School Cafeteria	Totals	Health Care Management Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES:						
Cash received from customers	$ 2,746,940	$ 968,745	$ 753,171	$ 816,641	$ 5,285,497	
Cash received from providing services					-	$ 9,982,278
Cash paid to suppliers for goods and services and other operating payments	(1,766,010)	(696,795)	(235,534)	(1,109,701)	(3,808,040)	
Cash paid to employees	(538,177)	(74,488)	(360,046)		(972,711)	
Cash paid for claims					-	(9,607,942)
Cash paid for other operating expenses					-	
Net cash provided (used) by operating activities	442,753	197,462	157,591	(293,060)	504,746	374,336
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Transfers to other funds		(37,040)			(37,040)	-
Nonoperating grants received		-		204,214	204,214	
Increase in due to (from) other funds		(38,304)		24,891	(13,413)	
Net cash provided (used) by noncapital financing activities	-	(75,344)		229,105	153,761	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Acquisition of capital assets	(45,814)	-	(234,969)	-	(280,783)	
Principal paid on bonds	(72,428)	(122,544)			(194,972)	
Interest paid on bonds	(19,881)	(44,751)			(64,632)	
Net cash provided (used) for capital and related financing activities	(138,123)	(167,295)	(234,969)	-	(540,387)	0
CASH FLOWS FROM INVESTING ACTIVITIES:						
Investment income	106,218	78,856	42,750	420	228,244	22,028
Net cash provided by investing activities	106,218	78,856	42,750	420	228,244	22,028

(CONTINUED)

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

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2007

	Business-type Activities- Enterprise Funds					Governmental Activities
	Wastewater	Solid Waste	Water	School Cafeteria	Totals	Health Care Management Internal Service Fund
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	410,848	33,679	(34,628)	(63,535)	346,364	396,364
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,580,379	1,423,826	794,862	139,033	3,938,100	256,925
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 1,991,227	$ 1,457,505	$ 760,234	$ 75,498	$ 4,284,464	$ 653,289
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	$ (292,511)	$ 58,378	$ 35,283	$ (308,554)	$ (507,404)	$ 286,558
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation and amortization expense	592,525	21,230	108,341	2,660	724,756	
Increase in compensated absences	11,842	550	2,101		14,493	
(Increase) decrease in accounts receivable	80,180	18,497	4,104	29,289	132,070	
(Increase) decrease in due from other funds					-	148,338
(Increase) decrease in prepaid expenses	5,466		-		5,466	(60,560)
Increase (decrease) in accounts payable	(27,189)	9,063	(23,783)	(16,455)	(58,364)	
Increase (decrease) in accrued liabilities	(4,715)	(606)	(3,114)		(8,435)	
Increase (decrease) in due to other funds	143,238	90,350	34,659		268,247	-
Increase in due to federal and state governments	(72,610)				(72,610)	
Increase (decrease) in deferred revenue	6,527		-		6,527	
Net cash provided (used) by operating activities	$ 442,753	$ 197,462	$ 157,591	$ (293,060)	$ 504,746	$ 374,336

Non-cash transactions:

During the fiscal year ended June 30, 2006 the Town of South Kingstown's Wastewater Fund received capital assets donated from the property owners in the amount of $404,100.

During the fiscal year ended June 30, 2007 there were no non-cash investing or financing activities of the Proprietary Funds.

(CONCLUDED)

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

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2007

	Cemetery Care Private - Purpose Trust Fund	Agency Funds
ASSETS		
Cash and cash equivalents	$ 188,581	$ 257,489
Investments	-	10,287
TOTAL ASSETS	188,581	267,776
LIABILITIES		
Accounts payable and accrued expenses	2,920	
Deposits held in custody for others		267,776
TOTAL LIABILITIES	2,920	267,776
NET ASSETS		
Held in trust for perpetual care	$ 185,661	$ -

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

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the year ended June 30, 2007

	Cemetery Care Private -Purpose Trust Fund
ADDITIONS:	
Charges for services	$ 2,250
Investment income	11,222
TOTAL ADDITIONS	13,472
DEDUCTIONS:	
Operating expenses in accordance with agreement	9,403
TOTAL DEDUCTIONS	9,403
CHANGE IN NET ASSETS	4,069
NET ASSETS - BEGINNING OF YEAR	181,592
NET ASSETS - END OF YEAR	$ 185,661

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

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity

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

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

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

The following entities were considered for classification as component units for fiscal year 2007.

- South Kingstown School Department
- Narragansett Library Association

Although these entities meet certain criteria of the tests listed above, neither entity is deemed to have a separate legal status apart from the Town. As a result, the financial data of the above entities have been included in the Governmental Funds within the Town's financial statements. There are no component units of the Town at June 30, 2007.

(CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

Government-Wide Financial Statements

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

Fund Financial Statements

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

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

and

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

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

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

Special Revenue Funds

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

(CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds (Continued)

Capital Project Funds

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

Permanent Funds

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

Proprietary Funds

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

Fiduciary Funds (Not included in government wide statements)

Agency Funds

Agency funds account for assets held by the Town in a purely custodial capacity. The reporting entity includes two agency funds at June 30, 2007. Since agency funds are custodial in nature (i.e. assets equal liabilities), they do not involve the measurement of results of operations. The agency funds are as follows:

- Unclaimed Estates
- Student Activities Fund

Private-purpose Trust Funds

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

(CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Major and Non-Major Funds

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

Fund	Brief Description
Major:	
General Fund:	See above for description
Special Revenue Funds:	
EPA Waste Management Project	This fund is used to report the activity of various septic design, development and study projects occurring in the Town as well as in two surrounding communities. The Town acts as the administrator of these projects. **This fund did not meet the criteria for reporting as a major fund however, management elected to present the fund as a major fund.**
School Unrestricted Fund	This fund is used to report all financial transactions of the South Kingstown School Department, which are not legally required to be accounted for separately.
Permanent Funds:	
School Trust Funds	This fund reports the activity of various trust funds established for recreational and educational purposes.
Proprietary Funds:	
Wastewater	Accounts for the operations of the regional wastewater treatment facility.
Solid Waste	Accounts for the solid waste disposal operations of the Town.
Water	Accounts for the supply of public water to the South Shore area of Town.
School Cafeteria	Accounts for the operation of the school breakfast and lunch program of the South Kingstown School Department. **This fund did not meet the criteria for reporting as a major fund however, management elected to present the fund as a major fund.**

(CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Major and Non-Major Funds (Continued)

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

(CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus

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

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

(a) All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period. The Town considers property taxes as available if they are collected within 60 days after year end. Substantially all other revenue of the governmental funds is recognized utilizing the modified accrual method of accounting and as such it is recognized as it is earned.

(b) The proprietary funds and private purpose trust funds utilize "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Fund equity is classified as net assets.

(c) Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

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

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

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

(CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

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

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

Assets, Liabilities, and Fund Equity

Cash

Cash and cash equivalents are carried at cost. Cash equivalents include all highly liquid investments with an original maturity of three months or less when purchased. Substantially, all of the Town's cash and cash equivalents are held in public deposit institutions. Pursuant to Section 35-10-1 of the Rhode Island General Laws, as of October 1, 1991, public deposit institutions are required to insure accounts which hold public funds in excess of the $100,000 which is guaranteed by FDIC. At times, the Town pools cash resources of its various funds to facilitate the management of cash and maximize investment returns.

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

Investments

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

Accounts Receivable

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. The allowance for uncollectible accounts receivable amounted to $1,114,436 at June 30, 2007. The allowance for uncollectible accounts includes $1,095,936 for property taxes and $18,500 for enterprise fund service fees. Major receivable balances for the governmental activities include property taxes (92% of balance). Business-type activities report service fees as its major receivables.

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

(CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Fund Equity (Continued)

Property Taxes

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

Prepaids

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

Property, Plant and Equipment

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

Government-Wide Statements

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

Capital assets are defined by the Town as assets with an initial, individual cost of $200 or more and an estimated useful life in excess of one year.

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

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

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

(CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Fund Equity (Continued)

Fund Financial Statements

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

Deferred Revenues

In the government-wide financial statements, deferred revenues represent funds received in advance of being earned/owed or receivables which will be collected and included in revenues of future fiscal years. In the General Fund, (of the fund financial statements), deferred revenues include property tax receivables which are assessed on December 31, 2005 and prior and are not collected within 60 days of June 30, 2007. Net deferred taxes included in the fund financial statements were $447,355 at June 30, 2007.

Interfund Transactions

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

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

(CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity Classifications

Government-Wide Statements

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

(a) Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

(b) Restricted net assets - Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.

(c) Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Fund Financial Statements

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

Compensated Absences

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

Reconciliation of Government-wide and Fund Financial Statements

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities are not due and payable in the current period and therefore are not reported in the funds." The details of this $42,603,609 are as follows:

Bonds payable	$36,710,000
Accrued claims and judgments	1,841,820
Compensated absences	4,051,789
Total	$42,603,609

(CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense." The details of this $756,695 difference are as follows:

Capital outlays	$4,459,529
Depreciation expense	(3,702,834)
Net adjustment	$ 756,695

Another element of the reconciliation states that "the governmental fund reflects this activity when it is paid with measurable and available resources." The details of the $319,852 are as follows:

Increase in liability for compensated absences...	$319,852

Another element of that reconciliation states that, "Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds." The details of this $60,143 difference are as follows:

Gross deferred tax revenue - ending	$1,404,376
Gross deferred tax revenue – beginning	(1,344,233)
Net adjustment (decrease net asset)	$ 60,143

Recently Issued Accounting Standards

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

- ✓ GASB Statement No. 45 – Accounting and Financial Reporting by Employees for Post-employment Benefits Other Than Pensions, effective for the Town's fiscal year ending June 30, 2009.
- ✓ GASB Statement No. 48 – Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues, effective for the Town's fiscal year ending June 30, 2008.
- ✓ GASB Statement No. 49 – Accounting for Financial Reporting for Pollution Remediation Obligations, effective for the Town's fiscal year ending June 30, 2009.
- ✓ GASB Statement No. 50 – Pension Disclosures – an amendment of GASB Statements No. 25 and No. 27, effective for the Town's fiscal year ending June 30, 2008.
- ✓ GASB Statement No. 51 – Accounting and Financial Reporting for Intangible Assets, effective for the Town's fiscal year ending June 30, 2010.

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

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2. BUDGETARY PROCESS

(a) Adoption

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

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

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

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

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

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

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

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

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

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2. BUDGETARY PROCESS (Continued)

(b) General Fund

Actual General Fund expenditures on the Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budgetary Basis) (Exhibit C-1) are adjusted to reflect the budgetary basis of accounting which differs from actual expenditures recognized for the General Fund in the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds (Exhibit B-2) in that encumbrances are considered to be expenditures for budgetary purposes but not for GAAP purposes. Encumbrances for fiscal year 2007 and 2006 were $47,092 and $280,048, respectively, resulting in a net difference of $232,956 (GAAP expenditures in excess of budgetary expenditures).

The total expenditures on a GAAP basis ($22,791,969) exceed the budgetary basis expenditures ($22,512,541) by $279,428. This difference is the result of the decrease in encumbrances of $232,956 less $2,082 of this decrease which was recorded as an adjustment to miscellaneous revenue (voided 2006 encumbrances) for budget purposes, plus $48,554 which was presented as a transfer-in for GAAP basis but as a credit to expenditures for budget purposes.

In addition, use of the previous year's fund balance designated for future operations is recognized as revenue on the budgetary basis but not on a GAAP basis. The amount of revenue recognized as such for the fiscal year ended June 30, 2007 was $1,175,000.

As a result of the accounting for encumbrances and use of prior years' fund balance, the increase in fund balance of the General Fund as reported on a budgetary basis (Exhibit C-1) exceeds the increase in fund balance as reported in the fund statements (Exhibit B-2) by $1,407,956.

(c) Special Revenue Funds

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

Encumbrances for fiscal year 2007 and 2006 were $36,303 and $97,259, respectively, resulting in a net difference of $60,956 between actual expenditures on the fund statements and actual expenditures on a budgetary basis. Only the revenues and expenditures of special revenue funds which have legally adopted annual budgeted appropriations are included in Exhibit C-2. The Unrestricted School Fund is the only Special Revenue Fund which legally adopts an annual budget.

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

REVENUES

Total School Unrestricted revenues, from Exhibit B-2	$13,829,235
Adjustments:	
State on behalf pension contribution not budgeted	(2,091,234)
Total budgetary basis revenues, from Exhibit C-2	$11,738,001

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2. BUDGETARY PROCESS (Continued)

(c) Special Revenue Funds (Continued)

EXPENDITURES

Total School Unrestricted expenditures, from Exhibit B-2	$56,797,016
Adjustments:	
Decrease in encumbrances	(60,956)
State on behalf pension contribution not budgeted	(2,091,234)
Add transfer to School Restricted Fund reported as an expenditure for budgetary purposes	253,596
Total budgetary basis expenditures from Exhibit C-2	$54,898,422

OTHER FINANCING SOURCES (USES)

Total other financing sources (uses), from Exhibit B-2	$43,084,558
Adjustments:	
Add transfer to School Restricted Fund reported as an expenditure for budgetary purposes	253,596
Add use of June 30, 2006 designated fund balance as another financing source for budgetary purposes	400,000
Total budgetary basis other financing sources (uses) from Exhibit C-2	$43,738,154

Exhibit B-2 includes the EPA Waste Management Project Fund and the School Trust Fund as major funds of the Town of South Kingstown, Rhode Island. The EPA Waste Management Project Fund is a Special Revenue Fund and the School Trust Fund is a Permanent Fund; however, the Town does not legally adopt a budget for these funds. Accordingly, at June 30, 2007, there are no differences between GAAP and budgetary reporting of these funds.

3. RISK MANAGEMENT

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

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

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3. RISK MANAGEMENT (Continued)

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

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

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

4. CASH AND INVESTMENTS

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

Deposits

The carrying amount of the Town's cash and cash equivalents at June 30, 2007 was $37,050,275 (including Fiduciary Funds) while the bank balance was $38,189,579. Of the bank balance, $601,412 was covered by federal depository insurance and $37,588,167 was uninsured. The Town has entered into collateralization agreements with various financial institutions and as a result, $37,486,504 of the uninsured balance at June 30, 2007 was collateralized by securities held by the financial institutions and/or third parties in the name of the Town. The remaining uninsured balance of $101,663 was held in money market and other accounts which were not covered by collateralization agreements.

Investments

At June 30, 2007 the Town's investments totaled $15,891,758 (including those held in Fiduciary Funds) and consisted of the following:

	Fair Value	Interest Rate	Maturity	Rating
Domestic Common Stock	$6,573,967	n/a	n/a	not rated
Foreign Common Stock	450,727	n/a	n/a	not rated
Mutual Funds	2,950,560	n/a	n/a	not rated
Asset Backed Securities	1,522,704	2.5 – 6.5%	9/2010 – 12/2049	AAA
Foreign Bonds	9,452	5.85%	3/2036	A2
Foreign Bonds	67,209	3.38 - 8.25%	3/2008 – 6/2030	A3
Foreign Bonds	39,434	4.95%	6/2012	AA1
Foreign Bonds	9,574	5.375%	1/2015	BAA1
Foreign Bonds	19,348	5.7%	5/2017	BAA2
Foreign Bonds	60,509	5.75%	2/2009	AA2
Foreign Bonds	19,836	6.25%	1/2017	BAA3

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4. CASH AND INVESTMENTS (Continued)

Investments (Continued)

	Fair Value	Interest Rate	Maturity	Rating
Corporate Bonds	229,390	5.3 – 7.875%	2/2009 – 8/2036	AA3
Corporate Bonds	207,294	5.95 – 6.87%	6/2010 – 12/2016	BAA3
Corporate Bonds	49,837	5 – 6.15%	9/2007 – 9/2016	BAA1
Corporate Bonds	252,858	3.8 – 8.25%	8/2007 – 4/2033	A1
Corporate Bonds	130,607	4.75 – 6.13%	2/2011 – 4/2017	A3
Corporate Bonds	221,324	5.15 – 8.4%	1/2011 – 12/2016	BAA2
Corporate Bonds	500,029	4.18 – 8.125%	7/2008 – 12/2049	A2
Corporate Bonds	65,098	6.75%	3/2032	AAA
Corporate Bonds	141,395	4.875 – 5.3%	11/2009 – 1/2016	AA1
Corporate Bonds	54,819	3.875 – 5.25%	9/2009 – 9/2035	AA2
Corporate Bonds	120,146	5.9 – 9%	4/2009 – 10/2009	Aa1
Corporate Bonds	35,572	6.25%	6/2012	Baa1
Federal National Mortgage Assoc.	494,911	4.25 - 6%	5/2009 – 4/2036	AAA
Federal Home Loan Bank	59,906	5.125%	8/2008	AAA
Federal Home Loan Mtge Corp.	273,114	3 - 5%	7/2007 – 9/2008	AAA
Federal Farm Credit Bank	172,415	3 - 4.125%	12/2007 - 7/2009	AAA
United States Treasury Notes	701,727	3 – 4.875%	4/2009 - 2/2017	AAA
United Stated Treasury Bonds	371,223	5.375 – 6.25%	8/2023 - 2/2031	AAA
Municipal Bonds	27,185	5.1%	6/2033	AA3
Countrywide Financial Corp	24,824	5.8%	6/2012	AAA
Inter American Dev Bk	24,477	5.125%	9/2016	AAA
GNMA	10,287	5.5%	11/2032	AAA
Total Investments	$ 15,891,758			

Interest Rate Risk

As noted above, approximately 37% of the Town's investments are in long-term Corporate Bonds, Government Bonds, and Asset Backed Securities which have interest rates that are fixed for long periods and are subject to more variability in their fair value as a result of future changes in interest rates. The remaining 63% of the investments are held in common stock and mutual funds. These investments do not specify an interest rate rather the rate of return is dependent on operating results and economic conditions.

Concentration of Credit Risk

At June 30, 2007 the Town had a diversified portfolio and was not deemed to be concentrated in any one investment category. Although 63% 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.

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4. CASH AND INVESTMENTS (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of financial institution failure, the Town's deposits and/or investments may not be returned. The Town does not believe that it has a significant custodial credit risk as substantially all investments securities are registered and held in the name of the Town. Additionally, the Towns deposit policy requires that deposits be placed in financial institutions that are FDIC insured up to $100,000, rated "well capitalized" on its most recent audited financial statement/SEC filings if deposits exceed $100,000, and if the capital ratios are currently acceptable but appear to be in jeopardy, the Town will engage an outside rating agency to determine status of the institution. The Town also ensures that all deposits greater than $100,000 are collateralized.

5. PROPERTY TAXES

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

During the year ended June 30, 2007, the Town received $2,165,338 from the State of Rhode Island as payment in accordance with legislation regarding the phase-out of motor vehicle tax. Under the law, excise tax on motor vehicles and trailers were originally supposed to be phased out entirely over a seven-year period commencing with the 1999-2000 fiscal year. Based on fiscal problems with the State budget over the last few years the program had been reduced to a maximum exemption of $4,500 per vehicle. The exemption amount has been increased to $6,000 per vehicle for the fiscal year ended June 30, 2007 in accordance with legislation passed as part of the State's budget for the fiscal year ended June 30, 2007. The phase-out program freezes the tax rate at $18.71 which was the rate in fiscal year 1997-1998. The exemption remained at $6,000 per vehicle for the 2007-2008 fiscal year.

The State of Rhode Island has also passed legislation to phase-out wholesale and retail inventory tax over a ten-year period effective July 1, 1999. The phase-out of this tax was supposed to be supplemented through an increase in General Revenue Sharing. The General Revenue Sharing was supposed to be increased from the effective rate of 1% on June 30, 1998 to 4.7% on June 30, 2009. Based on fiscal problems with the State budget over the last few years the program did not increase as scheduled in the 2006 or 2007 fiscal years. In fiscal 2004, 2.7% of total State tax revenues were earmarked for General Revenue Sharing to cities and towns. In fiscal 2005 an additional $1 million was added to the total General Revenue Sharing to cities and towns rather than the planned increase to 3% of the State tax revenues. In fiscal 2006 General Revenue Sharing was increased to 3% of the State tax revenues. Revenue sharing was frozen at the same dollar amount for the 2006-2007 fiscal year.

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

Net property taxes levied for the fiscal year 2007 were based on a net assessed value of approximately $4,193,188,291 at December 31, 2005 and amounted to approximately $57,666,000. Collections through June 30, 2007 amounted to approximately $56,831,500, which represents approximately 98.6% of the total tax levy.

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5. PROPERTY TAXES (Continued)

The Town recognizes property tax revenues in accordance with Section P70, "Property Taxes" of the Codification of Governmental Accounting and Financial Reporting Standards on the Fund statements. Unpaid property taxes as of June 30, 2007 ($1,705,436) are recorded as a receivable, net of an allowance for uncollectible property taxes of $957,021. Those net property taxes receivable which were not collected within the 60 days immediately following June 30, 2007 are recorded as deferred revenue and amounted to $447,355 at June 30, 2007. Property taxes recognized as revenue on the Fund statements for the fiscal year ended June 30, 2007 (due to their collection within the 60 days immediately following June 30, 2007) amounted to $301,060.

On June 30, 2007, the Town levied property taxes for its next fiscal year based on the December 31, 2006 assessment as follows (unaudited):

	Taxable Assessment	Exemptions	Net Taxable Assessments	Rate Per $1,000	Net Levy
Real property	$4,869,542,901	$13,695,100	$4,855,847,801	$11.51	$55,901,005
Motor vehicle	113,969,417	561,854	113,407,563	18.71	2,121,857
Tangible property	228,956,798	0	228,956,798	11.51	2,635,775
Wholesale and retail inventory	17,486,558	0	17,486,558	1.94	33,924
Total	$5,229,955,674	$14,256,954	$5,215,698,720		$60,692,561

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

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2007 was as follows:

	Balances 7/1/06	Additions	Retirements & Disposals	Balances 6/30/07
Governmental Activity:				
Nondepreciable Assets:				
Land	$ 12,339,801	$ 0	$ 0	$12,339,801
Construction in progress	6,756,853	3,584,728	3,293,925	7,047,656
Depreciable Assets:				
Buildings	30,110,637	1,850	0	30,112,487
Building improvements	36,938,104	694,901	0	37,633,005
Equipment	9,845,403	1,037,996	103,546	10,779,853
Vehicles	4,361,168	464,587	246,743	4,579,012
Infrastructure	28,603,468	1,867,705	0	30,471,173
Land improvements	8,856,818	101,687	0	8,958,505
Total cost	137,812,252	7,753,454	3,644,214	141,921,492
Accumulated Depreciation:				
Land improvements	(1,175,273)	(65,526)	0	(1,240,799)
Buildings	(10,334,101)	(605,923)	0	(10,940,024)
Building improvements	(10,582,099)	(1,026,384)	0	(11,608,483)
Equipment	(6,126,878)	(740,191)	(70,863)	(6,796,206)
Vehicles	(2,001,963)	(426,102)	(201,399)	(2,226,666)
Infrastructure	(12,349,744)	(838,708)	0	(13,188,452)
Total accumulated depreciation	(42,570,058)	(3,702,834)	(272,262)	(46,000,630)
Net capital assets	$ 95,242,194	$4,050,620	$3,371,952	$95,920,862

(CONTINUED)

6. CAPITAL ASSETS (Continued)

	Balances 7/1/06	Additions	Retirements & Disposals	Balances 6/30/07
Business- type Activities:				
Nondepreciable Assets:				
Land	$ 708,907	$ 0	$ 0	$ 708,907
Construction in progress	3,049,892	0	856,670	2,193,222
Depreciable Assets:				
Land improvements	478,871	0	0	478,871
Buildings	10,507,763	0	0	10,507,763
Building improvements	1,615,216	1,048,665	0	2,663,881
Equipment	5,726,533	64,445	13,143	5,777,835
Vehicles	495,826	20,870	29,000	487,696
Infrastructure	19,074,162	3,473	0	19,077,635
Total cost	41,657,170	1,137,453	898,813	41,895,810
Accumulated Depreciation:				
Land improvements	(306,646)	(11,136)	0	(317,782)
Buildings	(5,431,566)	(204,657)	0	(5,636,223)
Building improvements	(435,875)	(59,107)	0	(494,982)
Equipment	(3,323,868)	(188,960)	(13,143)	(3,499,685)
Vehicles	(392,455)	(26,610)	(29,000)	(390,065)
Infrastructure	(6,531,893)	(232,885)	0	(6,764,778)
Total accumulated depreciation	(16,422,303)	(723,355)	(42,143)	(17,103,515)
Net capital assets	$25,234,867	$414,098	$ 856,670	$24,792,295

Depreciation expense for the year ended June 30, 2007 was charged to the following functions/programs of the Town:

Governmental Activities:	
General government	$ 166,597
Education	1,700,887
Public safety	441,165
Public works	1,047,369
Recreation	245,526
Public libraries	101,290
Total	$3,702,834

Business-type Activities:	
Wastewater Fund	$ 591,124
Solid Waste Fund	21,230
Water Fund	108,341
School Cafeteria Fund	2,660
Total	$ 723,355

(CONTINUED)

6. CAPITAL ASSETS (Continued)

The following is a summary of Construction in Progress for the Governmental Activities at June 30, 2007:

Public Works Improvements	$ 102,767
Bridge Improvement	144,651
Saugatucket Walkway	296,358
Recreation Improvements	136,409
Downtown Intermodal Enhancement Project	13,739
Open Space	4,703
School Improvement	31,412
West Kingston Landfill Closeout	6,317,617
Total	$7,047,656

The following is a summary of Construction in Progress for the Business-Type Activities at June 30, 2007:

Solid Waste Fund	$2,193,222

7. DUE FROM FEDERAL AND STATE GOVERNMENTS

Due from/to federal and state governments represent balances on contracts and grants as well as for services provided and consisted of the following at June 30, 2007:

	Due From	Due To
General Fund:		
State of Rhode Island	$ 0	$ 45,367
Town of New Shoreham	5,433	
EPA Waste Management Project:		
Federal Government	502,789	0
School Unrestricted Fund:		
State of Rhode Island	83,748	0
Other Governmental Funds:		
Town of Narragansett	57,650	0
University of Rhode Island	140,882	0
State of Rhode Island	1,128,852	0
Wastewater Fund:		
University of Rhode Island	0	36,283
Town of Narragansett	0	8,831
Solid Waste:		
Town of Narragansett	0	293
School Cafeteria Fund:		
State of Rhode Island	44,279	0
Total all fund types	$1,963,633	$90,774

(CONTINUED)

8. LONG-TERM DEBT

(a) At June 30, 2007, the Town's long-term debt outstanding and activity consisted of the following:

Description	Date Issued	Original Principal	Maturity Date	Interest Rate	Outstanding June 30, 2006	Additions	Retirements	Outstanding June 30, 2007	Due Within One Year
Governmental Activities:									
General obligation bonds:									
School/public improvement	06/15/98	$2,075,000	06/15/18	4.2% - 6.5%	$1,235,000		$105,000	$1,130,000 (a)	$105,000
Refunding	06/15/98	8,240,000	12/15/11	4.15% - 5.75%	3,350,000		610,000	2,740,000 (b)	600,000
Public improvement	06/15/99	2,060,000	06/15/19	3.5% - 5.2%	1,325,000		105,000	1,220,000 (c)	105,000
School	06/15/00	10,000,000	06/15/20	5.50% - 6.25%	2,000,000		500,000	1,500,000 (d)	500,000
School public improvement	06/15/02	3,925,000	06/15/22	3.0% - 4.9%	3,105,000		205,000	2,900,000 (e)	205,000
Advance refunding	10/01/02	6,740,000	06/01/14	2.5% - 5.0%	4,285,000		590,000	3,695,000 (f)	585,000
School/Open Space	06/15/03	1,400,000	06/15/23	3.0% - 5.0%	1,190,000		70,000	1,120,000 (g)	70,000
Advance refunding	06/15/03	6,560,000	11/15/15	2.0% - 2.25%	4,205,000		745,000	3,460,000 (h)	650,000
School/Open Space/Public Improv.	06/15/04	2,875,000	06/15/24	3.75% - 5.0%	2,585,000		145,000	2,440,000 (i)	145,000
School improvements	06/15/05	1,000,000	06/15/25	3.25% - 5.5%	950,000		50,000	900,000 (j)	50,000
Advance refunding	06/15/05	9,440,000	06/15/20	3.25% - 5.5%	8,985,000		330,000	8,655,000 (k)	340,000
Advance refunding	06/15/06	5,000,000	06/15/26	4.0% - 5.0%	5,000,000		250,000	4,750,000 (l)	250,000
School/Open Space/Public Imp.	06/15/07	2,200,000	06/15/27	4.0% - 5.5%	0	2,200,000	0	2,200,000 (m)	110,000
Total general obligations bonds		$61,515,000			38,215,000	2,200,000	3,705,000	36,710,000	3,715,000
Compensated absences					3,731,937	1,824,408	1,504,556	4,051,789	1,510,000
Claims and judgments					1,910,420	0	68,600	1,841,820	7,345
Governmental activities long-term Liabilities					$43,857,357	$4,024,408	$5,278,156	$42,603,609	$5,232,345

(CONTINUED)

8. LONG-TERM DEBT (Continued)

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

Description	Date Issued	Original Principal	Maturity Date	Interest Rate	Outstanding June 30, 2006	Additions	Retirements	Outstanding June 30, 2007	Due Within One Year
Business Type Activities:									
General obligation bonds:									
Wastewater fund	08/19/92	$ 920,000	09/01/12	5.88%	$ 389,699	$ 0	$ 50,428	$ 339,271	$ 52,082
Wastewater fund	11/13/02	500,000	09/01/23	1.2%	456,000	0	22,000	434,000	22,000
Solid waste fund	09/03/02	2,000,000	09/01/22	1.64%	1,765,601	0	82,544	1,683,057	84,850
Solid waste fund	11/22/05	950,000	09/01/25	1.34%	950,000	0	40,000	910,000	41,000
Total bonds		$4,370,000			3,561,300	0	194,972	3,366,328	199,932
Compensated absences					168,607	108,977	94,484	183,100	94,500
Business-type activities, long-term liabilities					$3,729,907	$108,977	$289,456	$3,549,428	$294,432

a) The bonds maturing on 06/15/09 and thereafter will be subject to redemption prior to maturity at the Town's option on and after 06/15/2008.
b) The bonds are not subject to redemption prior to maturity.
c) The bonds maturing on 06/15/10 and thereafter will be subject to redemption prior to maturity at the Town's option on and after 06/15/2009
d) The bonds maturing on 06/15/11 and thereafter will be subject to redemption prior to maturity at the Town's option on and after 6/15/2010. $5,000,000 of these bonds were refunded as part of the advance refunding dated 6/15/2005.
e) The bonds maturing on or after June 15, 2013, shall be subject to redemption prior to their stated dates of maturity at the Town's option on or after June 15, 2012.
f) The bonds mature on 06/01/14 and are not subject to redemption prior to maturity.
g) The bonds maturing on 6/15/14 and thereafter will be subject to redemption prior to maturing at the Town's option on or after 6/15/13.
h) The bonds maturing on 11/15/14 and thereafter will be subject to redemption prior to maturing at the Town's option on or after 11/15/13.
i) The bonds maturing on or after June 15, 2015 shall be subject to redemption prior to maturity at the Town's option on or after June 15, 2014.
j) The bonds maturing on or after June 15, 2016 shall be subject to redemption prior to maturity at the Town's option on or after June 15, 2015.
k) The bonds maturing on or after June 15, 2016 shall be subject to redemption prior to maturity at the Town's option on or after June 15, 2015.
l) The bonds maturing on or after June 15, 2017 shall be subject to redemption prior to maturity at the Town's option on or after June 15, 2016.
m) The bonds maturing on or after June 15, 2018 shall be subject to redemption prior to maturity at the Town's option on or after June 15, 2017.

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8. LONG-TERM DEBT (Continued)

(b) Additional Debt Information

Of the Town's $40,076,328 total bonds payable (including bonds payable of the wastewater and solid-waste enterprise funds), $8,013,858 is subject to its legal debt limits. The $8,013,858 outstanding does not exceed the Town's legal debt limit of approximately $125,800,000, which is 3% of the assessed value ($4,193,188,300) of taxable property of the Town. The total long-term debt of the Town ($46,153,037) represents 1.1% of the assessed value of the taxable property of the Town at June 30, 2007.

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

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

(c) Debt Service Requirements

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

Year ending June 30:	Governmental Activities		Business-Type Activities		
	Principal	Interest	Principal	Interest	Total
2008	$ 3,715,000	$ 1,443,868	$ 199,932	$ 61,460	$ 5,420,260
2009	3,590,000	1,288,293	205,015	57,364	5,140,672
2010	3,545,000	1,142,696	210,217	53,119	4,951,032
2011	3,440,000	1,005,123	215,547	48,723	4,709,393
2012	3,180,000	880,827	221,006	44,167	4,326,000
2013 – 2017	11,310,000	2,905,157	929,183	163,917	15,308,257
2018 – 2022	5,880,000	1,115,809	977,110	82,615	8,055,534
2023 – 2027	2,050,000	214,174	408,318	11,257	2,683,749
Total	$36,710,000	$9,995,947	$3,366,328	$522,622	$50,594,897

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8. LONG-TERM DEBT (Continued)

(d) Advanced and Current Refundings and Defeased Debt

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

As of June 30, 2007, the in-substance defeased bonds outstanding were as follows. This debt as well as the escrow trust fund assets are not reflected in the financial statements of the Town of South Kingstown, Rhode Island.

School improvement bonds - 6/15/2000	$5,000,000
Total defeased bonds	$5,000,000

(e) Schedule of long-term debt by purpose at June 30, 2007 is as follows:

	Amount	Percent
School and public improvements	$36,710,000	80%
Superfund remediation project	2,593,057	6%
Sewer wastewater projects	773,271	2%
Claims and judgments	1,841,820	4%
Compensated absences	4,234,889	8%
Total	$46,153,037	100%

9. INFORMATION FOR BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS

(a) Solid Waste

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

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

(b) Wastewater Operations

The Town operates a wastewater operations facility which serves certain sections of the Town as well as the University of Rhode Island (URI) and the Town of Narragansett. URI and the Town of Narragansett share in the cost of operations based upon their relative usage of the facilities. Such intergovernmental charges amounted to approximately $1,104,500 during 2007.

The Town recognizes revenue for excess usage occurring during the fiscal year although the corresponding billings take place after the fiscal year end (September, 2007). At June 30, 2007, the Town recorded a receivable totaling approximately $217,000. The receivable reflects amounts billed for excess usage as of June 30, 2007.

(c) Water Fund

The Town recognizes revenue for excess usage occurring during the fiscal year although the corresponding billings take place after the fiscal year end (September, 2007). At June 30, 2007, unbilled service charges amounted to approximately $122,000.

(d) School Cafeteria Fund

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

(e) Financial Information

The following summarized financial information is not required as each of these enterprise funds are classified as a major fund and stated separately in the statements of net assets and revenues, expenses and changes in fund net assets. This summarized information as of and for the year ending June 30, 2007 is presented for the reader's informational purposes only:

	Solid Waste Fund	Wastewater Operations	Water Fund	School Cafeteria Fund	Total
Operating revenues	$950,248	$2,660,233	$749,067	$787,352	$5,146,900
Operating grants	0	0	0	234,927	234,927
Contributions from property owners	0	0	0	0	0
Depreciation and amortization expense	21,230	592,525	108,341	2,660	724,756
Operating income (loss)	58,378	(292,511)	35,283	(308,554)	(507,404)
Change in net assets	55,443	(206,174)	78,033	(73,207)	(145,905)
Transfer-in (out)	(37,040)	0	0	0	(37,040)
Capital asset additions	0	45,814	234,969	0	280,783
Net working capital	1,366,554	1,492,190	785,583	(45,640)	3,598,687
Total assets	4,139,394	20,650,058	5,162,710	152,780	30,104,942
Bonds payable	2,593,057	773,271	0	0	3,366,328
Total net assets	1,402,498	18,743,509	5,043,118	(30,530)	25,158,595

(CONTINUED)

10. FUND EQUITY BALANCES (DEFICITS)

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

(a) Fund Balances

Reservations of fund balances at June 30, 2007 were as follows:

MAJOR GOVERNMENTAL FUNDS:	
General fund:	
Reserved for encumbrances	$ 47,092
Reserved for prepaids	8,035
School Unrestricted Fund:	
Reserved for encumbrances	36,303
Reserved for professional development	32,701
School Trust Fund:	
Reserved for endowments	14,762,205
NONMAJOR GOVERNMENTAL FUNDS:	
Special Revenue Funds:	
Reserved for prepaids	3,272
Reserved for encumbrances	84,345
Capital Project Funds:	
Reserved for encumbrances	532,430
Permanent Funds:	
Reserved for endowments	977,826
Total reservations of fund balances	$16,484,209

Designations of unreserved fund balances at June 30, 2007 were as follows:

General fund:	
Designated for fiscal 2008 operations	$1,200,000
Designated for Superfund site cleanup	1,000,000
School unrestricted fund:	
Designated for fiscal 2008 operations	335,000
Non-Major Special Revenue funds:	
Designated for Elderly Services	30,000
Designated for Neighborhood Guild	16,980
Designated for Peacedale Office Building	23,697
Total designations of unreserved fund balances	$2,605,677

(CONTINUED)

10. FUND EQUITY BALANCES (DEFICITS) (Continued)

(b) Net Assets

Unrestricted net assets at June 30, 2007 include the following designations:

Enterprise funds:	
Designated for superfund	$395,000
Total designations of unrestricted net assets	$395,000

(c) Fund Deficits

There following funds had deficit fund equity balances at June 30, 2007:

Nonmajor Governmental Funds:	
Capital Project Funds:	
Downtown Intermodal Enhancement Project	$13,300
Business-Type Activities:	
School Cafeteria	$30,530

The following individual funds had deficits for the year ending June 30, 2007:

Business-Type Activities:	
Wastewater	$206,174
School Cafeteria	73,207
Total deficits Business-Type Activities	$279,381
Non-major Governmental Activities:	
Special Revenue Funds:	
Elderly Services	$ 23,166
Neighborhood Guild	10,781
State Homeland Security	584
Capital Project Funds:	
Bike Path Maintenance	1,981
Downtown Intermodal Enhancement Project	13,300
Impact Fee Reserve Fund	200,233
Library Building Construction	11,597
Middle School Playfields	46,000
Public Works Improvement Fund	206,410
Recreation Development & Restoration Fund	3,120
Recreation Improvement Fund	130,809
Saugatucket River Walkway Construction	17,370
Permanent Funds:	
Gertrude S. Parker Trust	559
Total deficits non-major governmental activities	$665,910

(CONTINUED)

11. INTERFUND BALANCES AND TRANSFERS

Interfund balances represent short-term advances from one fund (primarily the General Fund) to another fund. The advances may represent balances resulting from operating advances or reimbursement for expenditures paid by one fund on behalf of another fund. The composition of interfund balances at June 30, 2007 is as follows:

Governmental Funds:	Due From Other Funds	Due to Other Funds
Major Governmental Funds:		
General Fund	$ 573,640	$9,696,466
School Unrestricted Fund	4,700,786	70,239
School Trust Funds	0	90,359
EPA Waste Management Project	0	5,810
Non-major Governmental Funds:		
Alcohol Grant	0	4,980
Animal Shelter Benefit Fund	459,994	0
Asset Forfeiture Fund	2,267	0
Community Development Block Grants	0	19,604
Drug Free Communities Grant	0	5,505
Elderly Services	0	60,575
EMS Billing Services	0	1,533
Federal Forfeiture	607	0
Governor Justice Commission Grants	0	6,166
Historical & Vital Recording Fees	112,134	0
Municipal Planning Services Reserve	47,000	0
Neighborhood Guild	110,210	0
Onsite Wastewater Plan Implementation	0	430
Peacedale Office Building	2,230	0
Property Revaluation Reserve Fund	97,294	0
RI Emergency Management Grant	1,057	0
RIPTIDE	0	1,157
Seat Belt Enforcement Grant	0	335
SIGS	0	38,325
South Road School Reserve	228,450	0
State Homeland Security Grant	0	58,059
Stormwater Management Plan	0	2,690
Substance Abuse	7,579	0
Tobacco Compliance Investigation	0	945
School Restricted Fund	70,744	106,381
Animal Shelter Addition Fund	80,000	0
Bike Path Maintenance Fund	6,576	0
Bridge Improvement Fund	175,478	0
Capital Equipment & Replacement Fund	180,000	0
Data Processing Improvement Fund	81,813	0
Downtown Intermodal Enhancement Project	0	13,300
Impact Fee Reserve Fund	1,176,191	0
Land Use Reserve Fund	135,476	0
Library Building Construction	48,817	0
Open Space Reserve Fund	504,533	0

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11. INTERFUND BALANCES AND TRANSFERS (Continued)

Governmental Funds:	Due From Other Funds	Due to Other Funds
Non-major Governmental Funds:		
Police Building Construction Fund	156,321	0
Public Works Improvement Fund	635,750	0
Recreation Development & Restoration Fund	151,403	0
Recreation Improvement Fund	44,177	0
School Improvement Fund	0	12,175
Senior Services Center Construction Fund	75,000	0
Town Hall Improvement Fund	55,259	0
West Kingston Landfill Fund	601	42,294
Oliver Watson Home Fund	0	725
Total governmental funds	9,921,387	10,238,053
Proprietary Funds:		
Solid Waste	42,294	95,765
Wastewater Fund	0	186,159
Internal Service Fund	611,959	0
Water Fund	0	55,663
School Cafeteria	0	0
Total proprietary funds	654,253	337,587
TOTAL ALL FUNDS	$10,575,640	$10,575,640

The principal purpose of interfund transfers is to provide a financing source to various funds that may not have the ability to cover all operating costs with revenue generated by the fund. The composition of interfund transfers for the year ended June 30, 2007 is as follows:

Transfer Out	General Fund	School Unrestricted Fund	Non-major Governmental Funds	Enterprise Funds	Total Transfer Out
General Fund		$43,352,497	$1,703,866		$45,056,363
School Unrestricted Fund			288,756		288,756
School Trust Fund	$ 17,726	20,817	404,593		443,136
Non-major Governmental Funds	1,215,598				1,215,598
Enterprise Funds			37,040		37,040
Total transfer in	$1,233,324	$43,373,314	$2,434,255	$ 0	$47,040,893

(CONTINUED)

12. DEFINED BENEFIT PENSION PLANS

(a) General Municipal Employees' Pension Plan

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

The payroll for employees covered by the System for the year ended June 30, 2007 was approximately $11,676,000 and the Town wide payroll was approximately $45,593,000.

Plan Description

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

Contributions Required and Contributions Made

General employees are required by State Statute to contribute 7 percent of their annual earnings until the maximum benefit (75 percent of final average salary) is accrued. The Town is required to contribute based on an actuarially computed amount and as provided by State Statute for each participating municipality. The actuarial method used is the entry age normal cost with part of each municipality's unfunded actuarial liability funded over a fixed amortization period and the balance funded over the projected future payroll of active members. Due to large fluctuations in the contribution rates of certain municipalities, the plan has adopted a procedure which would allow a unit the option of paying a smoothed contribution rate. The smoothed contribution rate equals the previous fiscal year's contribution rate plus the greater of 2 percent or one eighth of the increase in contribution rate plus the cost of any benefit improvements. The actuarially determined contribution amount for the Town was determined as described above and was based on an actuarial valuation as of June 30, 2004.

(CONTINUED)

12. DEFINED BENEFIT PENSION PLANS (Continued)

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

The annual required contribution for the Town which equals the annual pension cost for the year ended June 30, 2007 was approximately $563,000 for general employees. This contribution represents 4.82% of covered payroll. General municipal employees were required to contribute approximately $817,400. This contribution represents 7% of covered payroll for the period July 1, 2006 to June 30, 2007.

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

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2005	$35,600	100%	$0
2006	$329,700	100%	$0
2007	$563,000	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, 2005 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) Municipal Police and EMT Pension Plan

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

The payroll for employees covered by the System for the year ended June 30, 2007 was approximately $3,287,000 ($2,620,000 for police officers and $667,000 for EMT's), and the Town wide payroll was approximately $45,593,000.

(CONTINUED)

12. DEFINED BENEFIT PENSION PLANS (Continued)

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

Plan Description

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

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

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

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

Contributions Required and Contributions Made

Police and EMT personnel are required by State Statute to contribute 9 percent until the maximum benefit (75 percent of final average salary) is accrued. The Town is required to contribute based on an actuarially computed amount and as provided by State Statute for each participating municipality. The actuarial method used is the entry age normal cost with part of each municipality's unfunded actuarial liability funded over a fixed amortization period and the balance funded over the projected future payroll of active members. Due to large fluctuations in the contribution rates of certain municipalities, the plan has adopted a procedure which would allow a unit the option of paying a smoothed contribution rate. The smoothed contribution rate equals the previous fiscal year's contribution rate plus the greater of 2 percent or one eighth of the increase in contribution rate plus the cost of any benefit improvements. The actuarially determined contribution amount for the Town was determined as described above and was based on an actuarial valuation as of June 30, 2004.

The annual required contribution for the Town which equals the annual pension cost for the year ended June 30, 2007 was approximately $430,000, which consisted of the Town's contribution for police of $364,000 and EMTs of $66,000. These contributions represent 13.89% and 9.89% of covered payroll respectively. Employees were required to contribute approximately $296,000 ($236,000 for police employees and $60,000 for EMTs). This contribution represents 9% of covered payroll.

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

(CONTINUED)

12. DEFINED BENEFIT PENSION PLANS (Continued)

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

Trend Information

Municipal Police Pension Plan:

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2005	$56,500	100%	$0
2006	$244,000	100%	$0
2007	$364,000	100%	$0

EMT Pension Plan:

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2005	$83,800	100%	$0
2006	$67,000	100%	$0
2007	$66,000	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, 2005 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)

12. DEFINED BENEFIT PENSION PLANS (Continued)

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

	General Municipal Employees Pension Plan		Municipal Police and EMT Pension Plan	
Valuation Date	6/30/04		6/30/04	
Actuarial Cost Method	Entry Age Normal Cost		Entry Age Normal Cost	
Amortization Method	Level Percent Closed – 30 year from June 30, 1999		Level Percent Closed –30 year from 6/30/99	
Remaining Amortization Period	N/A – No unfunded actuarial accrued liability		N/A – No unfunded actuarial accrued liability	
Asset Valuation Method	5-year Smoothed Market Value		5-Year Smoothed Market Value	
Actuarial assumptions:				
Investment rate of return	8.25%, compounded annually		8.25%, compounded annually	
Projected Salary Increases	4.5% to 9%, compounded annually		5.0% to 15.5%, compounded annually	
Inflation Adjustment	3%		3%	
Cost-of-living Adjustments	3%, not compounded, beginning on the January 1 following participant's retirement		3%, not compounded, beginning on the January 1 following participant's retirement	
Participant Information **(June 30, 2005)**	Active Employees	364	Active Employees	70
	Retirees and beneficiaries	110	Retirees and beneficiaries	27
		474		97

Note: As of January 1, 2001, COLA B was put into place for General Municipal Employees.

(CONTINUED)

12. DEFINED BENEFIT PENSION PLANS (Continued)

(c) Teacher's Pension Plan

All South Kingstown School Department certified school personnel participate in the Employees' Retirement System of the State of Rhode Island ("System"), a cost-sharing multiple-employer defined benefit plan. The payroll for employees covered by the System for the year ended June 30, 2007 was approximately $26,214,000, which consisted of $139,000 for employees charged to federal programs and $26,075,000 for all other employees. The School Department's total payroll was approximately $33,579,000. The Town wide payroll for the year ended June 30, 2007 was approximately $45,593,000.

Plan Description

The following eligibility and benefit provisions are established by State Statute. All South 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. 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 11.62%, 9.72%, and 8.72% for all full-time certified employees for fiscal years 2007, 2006, and 2005, respectively. The required contributions include (a) normal costs; (b) payments to amortize the unfunded frozen actuarial accrued liability as of June 30, 1999 over 30 years; and (c) interest on the unfunded frozen actuarial liability. Normal cost is determined using the entry age normal cost method with frozen initial liability. A variety of significant actuarial assumptions are used and these assumptions are summarized below:

(a) ***Mortality*** – 1994 Group Annuity Mortality Tables
(b) ***Investment return*** – 8.25 percent, compounded annually.
(c) ***Salary Increase*** - Salaries will increase at a rate of 4.5 – 17.0 percent, compounded annually.
(d) ***Retirement age*** - Teachers are assumed to retire at the later of age 61 or completion of the service requirements.
(e) ***Cost of living adjustments*** – 3.0 percent compounded annually beginning on the January 1st following a participant's third anniversary of retirement.

(CONTINUED)

12. DEFINED BENEFIT PENSION PLANS (Continued)

(c) Teacher's Pension Plan (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 2007, actuarial required contributions were 19.64% of the participant's salary. This resulted in contribution rates paid by the State on behalf of the School Department of 8.02% of non-federally reimbursable payrolls totaling $2,091,234 for the fiscal year ended June 30, 2007. The School Department contributed the remaining 11.62% of the required 19.64%.

The School Department does not have any investments or related party investments with the State Plan. The School Department's contributions for the year ended June 30, 2005 represented approximately 2.8% percent of total contributions required of all participating entities for the fiscal year ended June 30, 2005 (latest available information).

The amounts contributed to the plan were as follows:

Years Ending June 30,	Employee	Town's Portion of Annual Required Contributions	Percentage Contributed
2007	$2,490,307	$3,060,000	100%
2006	$2,348,541	$2,381,832	100%
2005	$2,229,690	$2,031,847	100%

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

Trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the State of Rhode Island's Employee Retirement System's June 30, 2005 annual financial report, which may be obtained from the administrative offices of the State of Rhode Island Retirement Board, 40 Fountain Street, Providence, Rhode Island. This report is the most recent report available from the State, who administers the Plan.

13. DEFERRED COMPENSATION PLAN

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

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14. HEALTH CARE MANAGEMENT FUND

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

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

- Prospective Premium Basis – which is a fully insured plan and;
- Cost Plus Basis – under which the Town pays for the actual cost of covered health care services plus a fee to the provider for the administration of the program.

Since fiscal 1999, the Town has used a "prospective premium" financing plan to finance the cost of its health and dental insurance benefits.

All funds of the Town participate in the program and make payments to the Health Care Management Fund (an Internal Service Fund) based on recommendations made by the Plan Administrator. Billings from the Health Care Management Fund to other Town funds for fiscal year 2007 were approximately $9,200,000.

When applicable, the Town's Finance Department oversees the self-insured program and claims payment services are provided by Blue Cross and Blue Shield of Rhode Island (Plan Administrator).

15. COMMITMENTS AND CONTINGENCIES

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

The Town has been notified by the E.P.A. that two former landfills have been placed on the Superfund list. The Rose Hill Regional Landfill was previously operated by the Towns of South Kingstown and Narragansett, Rhode Island. A "Record of Decision" (ROD) was issued in December 1999, which delineates EPA's approved remediation strategy for the site. Consent Decree negotiations with EPA began in November 2000 and were completed in January 2003. The Towns have paid $4,125,000 to settle all past and future federal liabilities associated with the Rose Hill site. South Kingstown's $2,000,000 payment to the Federal Government was funded with a 20-year general obligation bond sold in September 2002 at an interest rate of 1.648%. Repayment of the debt service associated with this bond will be provided from funds held in reserve within the Solid Waste Fund and from property taxes. The Town of South Kingstown also paid $62,500 for its share of federal natural resource damages. The Consent Decree also requires reimbursement of 30% of the State of Rhode Island costs associated with the remediation of this landfill site and ongoing operation and maintenance costs. This cost of $3,668,951 will also be shared equally between the two Towns. The Town of South Kingstown's share of the estimated cost of reimbursing the State, over a 27-year period beginning in Fiscal Year 2011 is $1,834,475. In addition, the Town paid $504,932 for state natural resource damages resulting from this landfill. Accordingly, $1,834,475 has been reported as accrued claims and judgments in the government-wide financial statements at June 30, 2007.

(CONTINUED)

15. COMMITMENTS AND CONTINGENCIES (Continued)

In addition to the Rose Hill Regional Landfill site, the West Kingston/URI Disposal Area Landfills, located on Plains Road, was added to the NPL on July 29, 1992. The West Kingston town dump began operation in the 1950's and ceased operations in 1978. The University of Rhode Island (URI) and the Towns of South Kingstown and Narragansett have agreed to participate in the remediation of the site under State landfill closure regulations. Cost estimates for planning and implementing a site remediation at this location are estimated at $6,336,041. The estimated municipal share to the two towns associated with this remediation plan is estimated to be $2,679,582 or $1,339,791 per community. As of June 30, 2007 the Town of South Kingstown has paid $1,332,446 towards its share of these costs. Accordingly, $7,345 has been reported as accrued claims and judgments in the government-wide financial statements at June 30, 2007. This amount has been reported as a current liability due to the fact that the Town expects to pay the obligation during the fiscal year ending June 30, 2008.

In addition, at June 30, 2007, the Town had several other lawsuits pending. The total maximum damages being sought from the Town relating to these cases are not known. In the opinion of the Town officials and the Town's legal counsel, the Town's ultimate liability with respect to these cases, if any, will be immaterial.

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

On August 30, 2002, the Town entered into an agreement with the Rhode Island Clean Water Finance Agency to finance the Town's Community Septic System Loan Program. The loan agreement provides the Town with a $300,000 non-restoring line-of-credit. The proceeds of the loan shall be used by the Town for the establishment of an operation of a Community Septic System Loan Program. The Program provides for the Town to make loans to property owners of the Town for the repair or replacement of failed or failing septic systems. The individual loans to be made to property owners shall be underwritten by the Town with the assistance of the Rhode Island Housing Mortgage Finance Corporation (RIHMFC). RIHMFC, on behalf of the Town, shall perform all administrative functions related to servicing the individual loans, including disbursing loans to property owners and collecting and remitting borrower loan payments. The loan has a zero interest rate to the Town and 4% to property owners. The Town is only required to make principal repayments in the event that individual property owners default on their loans. Accordingly, the potential liability has not been accrued (reported) in the Town's financial statements. As of June 30, 2007, there are $300,000 in outstanding loans and an available line-of-credit balance of $0.

In June 2005 the Town Council authorized entering into a second agreement with the Rhode Island Clean Water Finance Agency to finance the Town's Community Septic System Loan Program. The loan agreement provides the Town with an additional $1,000,000 non-restoring line-of-credit that will be funded in three increments of $300,000 and a final increment of $100,000. Each increment will be funded only upon the complete drawdown of all prior increments. The proceeds of the loan shall be used by the Town towards the operation of the Community Septic System Loan Program. The terms of the loan program are consistent with the terms described in the above noted paragraph except that the new agreement has a 2% (versus 4%) interest rate to property owners. As of June 30, 2007, there are $341,312 in outstanding loans and an available line-of-credit balance of $258,688 on the second of the three $300,000 increments. Accordingly, the total available balance under this $1,000,000 non-restoring line-of-credit is $658,688 at June 30, 2007.

(CONTINUED)

16. OPERATING LEASES

The Town has an operating lease for copier equipment for the School Department. The lease term is for 60 months and requires minimum monthly payments of $7,853. Total lease expenditures incurred under this agreement were approximately $94,000 for the year ended June 30, 2007.

Future minimum lease payments under this agreement are as follows:

2008	$ 94,240
2009	94,240
2010	31,412
Total	$219,892

17. OTHER POST EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 12, the Town provides postemployment benefits (health, dental, and life insurance) in accordance with union contracts. These benefits, by employee group, are described below.

School Employees

The Town of South Kingstown School Department pays 100% of the cost of life, dental, and health insurance benefits for teachers and administrator retirees for a period of up to five years after retirement or until the retiree reaches the age of 70.

EMS Employees

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

Police Employees

The Town is obligated to provide health insurance coverage until the retiree reaches age 65, or until the retiree or spouse obtains an alternative health insurance plan.

Town Employees

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

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

(CONTINUED)

17. OTHER POST EMPLOYMENT BENEFITS (Continued)

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

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

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

Public Works Employees

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

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

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

Expenditures for Other Post Employment Benefits

The expenditures for these postretirement benefits are recognized on a pay-as-you-go basis, as the monthly premiums for the benefits become due. During the year ended June 30, 2007, expenditures of approximately $843,000 were recognized for postretirement benefits. Of this amount, $4,819 was paid for life insurance premiums, $516,467 was paid for health and dental insurance for 54 school retirees, $230,668 was paid for health insurance for 19 police retirees, $4,515 was paid for dental insurance for 5 police retirees, $82,531 was paid for health insurance premiums for 6 public works retirees, and $4,000 was paid for health insurance premiums for one Town retiree.

18. CONSTRUCTION COMMITMENTS

As of June 30, 2007, the Town had approximately $533,000 of contractual commitments with respect to unfinished capital projects. It is anticipated that these projects will be completed during the next fiscal year.

(CONCLUDED)

TOWN OF SOUTH KINGSTOWN

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

Required Supplementary Information
Schedule of Funding Progress
June 30, 2007
UNAUDITED

	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Funding Excess (Deficit)	Funded Ratio	Covered Payroll	Funding Excess (Deficit) as A percentage of Covered Payroll
General municipal employees pension plan.....	6/30/2003	$ 30,662,509	$ 27,328,781	$ 3,333,728	112.2%	$ 9,787,115	34.1%
	6/30/2004	$ 30,821,463	$ 29,817,072	$ 1,004,391	103.4%	$ 10,187,695	9.9%
	6/30/2005	$ 31,283,650	$ 33,072,044	$ (1,788,394)	94.6%	$ 10,367,494	-17.3%
Municipal police pension plan.....	6/30/2003	$ 16,815,268	$ 15,533,180	$ 1,282,088	108.3%	$ 2,267,781	56.5%
	6/30/2004	$ 16,629,649	$ 16,777,616	$ (147,967)	99.1%	$ 2,389,710	-6.2%
	6/30/2005	$ 16,681,847	$ 17,934,085	$ (1,252,238)	93.0%	$ 2,384,560	-52.5%
EMT pension plan.....	6/30/2003	$ 1,024,277	$ 810,860	$ 213,417	126.3%	$ 507,008	42.1%
	6/30/2004	$ 1,177,048	$ 930,747	$ 246,301	126.5%	$ 580,428	42.4%
	6/30/2005	$ 1,351,701	$ 1,144,190	$ 207,511	118.1%	$ 610,973	34.0%

The information included in this schedule of funding progress was obtained from the annual actuarial valuation report of the State of Rhode Island's Employee Retirement System for each of the dates indicated. The June 30, 2005 report is the most recent report available as of the date of the audited financial statements. The State of Rhode Island's Employee Retirement System is currently in the process of compiling the information to complete the June 30, 2006 report.

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TOWN OF SOUTH KINGSTOWN

OTHER SUPPLEMENTARY INFORMATION

TOWN OF SOUTH KINGSTOWN

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

TOWN FUNDS

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

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

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

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

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

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

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

(CONTINUED)

TOWN OF SOUTH KINGSTOWN

NONMAJOR GOVERNMENTAL FUNDS (Continued)

SPECIAL REVENUE FUNDS (Continued)

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

Alcohol Grant

Animal Shelter Benefit Fund

Asset Forfeiture Fund

Drug Free Communities Grant

Federal Forfeiture Fund

Governor's Justice Commission Grants

Historical and Vital Recording Fees

Municipal Planning Services Reserve

Onsite Wastewater Plan Implementation

RI Emergency Management Grant

RIPTIDE

Seat Belt Enforcement Grants

SIGS

South Road School Reserve Fund

State Homeland Security Grant

Stormwater Management Plan

Substance Abuse

Tobacco Compliance Investigation Project

Wastewater Management Grants

SCHOOL FUNDS

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

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

(CONCLUDED)

TOWN OF SOUTH KINGSTOWN

NONMAJOR GOVERNMENTAL FUNDS (Continued)

CAPITAL PROJECTS FUNDS

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

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

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

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

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

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

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

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

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

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

(CONTINUED)

TOWN OF SOUTH KINGSTOWN

NONMAJOR GOVERNMENTAL FUNDS (Continued)

CAPITAL PROJECTS FUNDS (Continued)

Middle School Playfields Construction Fund – This fund is used to account for the construction of athletic fields at the Broad Rock Middle School.

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

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

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

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

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

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

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

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

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

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

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

(CONCLUDED)

TOWN OF SOUTH KINGSTOWN

NONMAJOR GOVERNMENTAL FUNDS (Continued)

PERMANENT FUNDS

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

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

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

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

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

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

(CONCLUDED)

EXHIBIT 1

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2007

	SPECIAL REVENUE FUNDS								
	Alcohol Grant	Animal Shelter Benefit Fund	Asset Forfeiture Fund	Community Development Block Grants	Drug Free Communities Grant	Elderly Services	EMS Billing Services Fund	Federal Forfeiture Fund	Governor Justice Commission Grants
ASSETS									
Cash and cash equivalents		$ 662,233				$ 153,369	$ 372,825	$ 989	
Investments									
Accounts and other receivable						22,012			
Due from federal & state governments	$ 4,980		$ 4,976	$ 232,466	$ 48,999				$ 50,462
Prepaids									
Due from other funds		459,994	2,267					607	
TOTAL ASSETS	$ 4,980	$ 1,122,227	$ 7,243	$ 232,466	$ 48,999	$ 175,381	$ 372,825	$ 1,596	$ 50,462
LIABILITIES									
Accounts payable						$ 9,784	$ 3,968		
Retainage payable									
Accrued liabilities		$ 8,760		$ 22,800	$ 1,543	11,497			
Due to federal & state governments									
Due to other funds	$ 4,980			19,604	5,505	60,575	1,533		$ 6,166
Deferred revenue			$ 7,243	190,062	41,951			$ 1,596	44,296
TOTAL LIABILITIES	4,980	8,760	7,243	232,466	48,999	81,856	5,501	1,596	50,462
FUND BALANCES									
Reserved for prepaids	-	-		-	-	-	-		-
Reserved for encumbrances				38,745	10,000				31,800
Reserved for endowments									
Unreserved, designated						30,000	-		
Unreserved, undesignated	-	1,113,467	-	(38,745)	(10,000)	63,525	367,324	-	(31,800)
TOTAL FUND BALANCES	-	1,113,467	-	-	-	93,525	367,324	-	-
TOTAL LIABILITIES AND FUND BALANCES	$ 4,980	$ 1,122,227	$ 7,243	$ 232,466	$ 48,999	$ 175,381	$ 372,825	$ 1,596	$ 50,462

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2007

	SPECIAL REVENUE FUNDS								
	Historical & Vital Recording Fees	Municipal Planning Services Reserve	Narragansett Library Association	Neighborhood Guild	Onsite Wastewater Plan Implementation	Peacedale Office Building	Property Revaluation Reserve Fund	RI Emergency Management Grant	RIPTIDE
ASSETS									
Cash and cash equivalents			$ 21,200	$ 31,292		$ 202,608			
Investments			45,555						
Accounts and other receivable				7,888					
Due from federal & state governments					$ 16,132		$ 388		$ 28,625
Prepaids				3,272					
Due from other funds	$ 112,134	$ 47,000		110,210		2,230	97,294	$ 1,057	
TOTAL ASSETS	$ 112,134	$ 47,000	$ 66,755	$ 152,662	$ 16,132	$ 204,838	$ 97,682	$ 1,057	$ 28,625
LIABILITIES									
Accounts payable				$ 27,378		$ 4,944			
Retainage payable									
Accrued liabilities				8,812	$ 235	3,575			
Due to federal & state governments									
Due to other funds					430				$ 1,157
Deferred revenue				38,542	15,467	3,678		$ 1,057	27,468
TOTAL LIABILITIES	$ -	$ -	$ -	74,732	16,132	12,197	$ -	1,057	28,625
FUND BALANCES									
Reserved for prepaids	-	-	-	3,272	-	-	-	-	-
Reserved for encumbrances						3,800	-		
Reserved for endowments									
Unreserved, designated				16,980		23,697			
Unreserved, undesignated	112,134	47,000	66,755	57,678	-	165,144	97,682	-	-
TOTAL FUND BALANCES	112,134	47,000	66,755	77,930	-	192,641	97,682	-	-
TOTAL LIABILITIES AND FUND BALANCES	$ 112,134	$ 47,000	$ 66,755	$ 152,662	$ 16,132	$ 204,838	$ 97,682	$ 1,057	$ 28,625

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2007

	SPECIAL REVENUE FUNDS							
	Seat Belt Enforcement Grants	SIGS	South Road School Reserve Fund	State Homeland Security Grant	Stormwater Management Plan	Substance Abuse	Tobacco Compliance Investigation Project	Wastewater Management Grants
ASSETS								
Cash and cash equivalents								
Investments								
Accounts and other receivable								
Due from federal & state governments	$ 4,582	$ 38,325		$ 59,434	$ 2,690	$ 642	$ 945	
Prepaids								
Due from other funds	-		$ 228,450			7,579		
TOTAL ASSETS	$ 4,582	$ 38,325	$ 228,450	$ 59,434	$ 2,690	$ 8,221	$ 945	$ -
LIABILITIES								
Accounts payable								
Retainage payable								
Accrued liabilities						$ 2,599		
Due to federal & state governments								
Due to other funds	$ 335	$ 38,325		$ 58,059	$ 2,690		$ 945	
Deferred revenue	4,247			1,375		5,622		
TOTAL LIABILITIES	4,582	38,325	$ -	59,434	2,690	8,221	945	$ -
FUND BALANCES								
Reserved for prepaids	-	-			-	-	-	-
Reserved for encumbrances		-						
Reserved for endowments								
Unreserved, designated								
Unreserved, undesignated	-	-	228,450	-	-	-	-	-
TOTAL FUND BALANCES	-	-	228,450	-	-	-	-	-
TOTAL LIABILITIES AND FUND BALANCES	$ 4,582	$ 38,325	$ 228,450	$ 59,434	$ 2,690	$ 8,221	$ 945	$ -

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2007

	SPECIAL REVENUE FUNDS			CAPITAL PROJECT FUNDS					
	Nancy Brown Memorial Fund	School Restricted Fund	Total Special Revenue Funds	Animal Shelter Addition Fund	Bike Path Maintenance Fund	Bridge Improvement Fund	Capital Equipment & Replacement Fund	Data Processing Improvement Fund	Downtown Intermodal Enhancement Project Fund
ASSETS									
Cash and cash equivalents	$ 3,104		$ 1,447,620			$ 200,000			
Investments			45,555						
Accounts and other receivable			29,900						
Due from federal & state governments		$ 106,381	600,027						
Prepaids			3,272						
Due from other funds		70,744	1,139,566	$ 80,000	$ 6,576	175,478	$ 180,000	$ 81,813	
TOTAL ASSETS	$ 3,104	$ 177,125	$ 3,265,940	$ 80,000	$ 6,576	$ 375,478	$ 180,000	$ 81,813	$ -
LIABILITIES									
Accounts payable			$ 46,074		$ 471	$ 60,865			
Retainage payable			-			3,058			
Accrued liabilities		$ 12,459	72,280						
Due to federal & state governments			-						
Due to other funds		106,381	306,685						$ 13,300
Deferred revenue		58,285	440,889						
TOTAL LIABILITIES	$ -	177,125	865,928	$ -	471	63,923	$ -	$ -	13,300
FUND BALANCES									
Reserved for prepaids	-	-	3,272	-	-	-	-	-	-
Reserved for encumbrances			84,345			328,802			5,700
Reserved for endowments			-						
Unreserved, designated			70,677						
Unreserved, undesignated	3,104	-	2,241,718	80,000	6,105	(17,247)	180,000	81,813	(19,000)
TOTAL FUND BALANCES	3,104	-	2,400,012	80,000	6,105	311,555	180,000	81,813	(13,300)
TOTAL LIABILITIES AND FUND BALANCES	$ 3,104	$ 177,125	$ 3,265,940	$ 80,000	$ 6,576	$ 375,478	$ 180,000	$ 81,813	$ -

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2007

	CAPITAL PROJECT FUNDS								
	Impact Fee Reserve Fund	Land Use Reserve Fund	Library Building Construction	Middle School Playfields Construction Fund	Open Space Reserve Fund	Police Building Construction Fund	Public Works Improvement Fund	Recreation Development & Restoration Fund	Recreation Improvement Fund
ASSETS									
Cash and cash equivalents	$ 53,250	$ 162,871	$ 101,332		$ 748,716		$ 300,000		
Investments									
Accounts and other receivable									
Due from federal & state governments									
Prepaids									
Due from other funds	1,176,191	135,476	48,817		504,533	$ 156,321	635,750	$ 151,403	$ 44,177
TOTAL ASSETS	$ 1,229,441	$ 298,347	$ 150,149	$ -	$ 1,253,249	$ 156,321	$ 935,750	$ 151,403	$ 44,177
LIABILITIES									
Accounts payable			$ 25,840			$ 4,465	$ 97,629	$ 17,899	$ 15,246
Retainage payable							5,138		5,340
Accrued liabilities									
Due to federal & state governments									
Due to other funds									
Deferred revenue									
TOTAL LIABILITIES	$ -	$ -	25,840	-	$ -	4,465	102,767	$ 17,899	$ 20,586
FUND BALANCES									
Reserved for prepaids	-	-	-	-	-	-	-	-	-
Reserved for encumbrances					18,000		121,389		
Reserved for endowments									
Unreserved, designated									
Unreserved, undesignated	$ 1,229,441	298,347	124,309	-	1,235,249	151,856	711,594	133,504	23,591
TOTAL FUND BALANCES	1,229,441	298,347	124,309	-	1,253,249	151,856	832,983	133,504	23,591
TOTAL LIABILITIES AND FUND BALANCES	$ 1,229,441	$ 298,347	$ 150,149	$ -	$ 1,253,249	$ 156,321	$ 935,750	$ 151,403	$ 44,177

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2007

	CAPITAL PROJECT FUNDS							PERMANENT FUNDS	
	Saugatucket River Walkway Construction Fund	School Improvement Fund	Senior Services Center Construction Fund	Town Hall Improvement Fund	Wastewater Construction Fund	West Kingston Landfill Fund	Total Capital Project Funds	Hazard Memorial Trust	Gertrude S. Parker Trust
ASSETS									
Cash and cash equivalents	$ 31,143	$ 136,856	$ 118,793		$ 4,048,317	$ 490,212	$ 6,391,490	$ 151,450	$ 10,343
Investments							-	262,925	
Accounts and other receivable							-	2	
Due from federal & state governments	528,825					198,532	727,357		
Prepaids							-		
Due from other funds			75,000	$ 55,259		601	3,507,395		
TOTAL ASSETS	$ 559,968	$ 136,856	$ 193,793	$ 55,259	$ 4,048,317	$ 689,345	$ 10,626,242	$ 414,377	$ 10,343
LIABILITIES									
Accounts payable	$ 2,000	$ 8,005	$ 3,000			$ 34,989	270,409		
Retainage payable						221,194	234,730		
Accrued liabilities							-		
Due to federal & state governments							-		
Due to other funds		12,175				42,294	67,769		
Deferred revenue	$ 501,225					390,267	891,492		
TOTAL LIABILITIES	503,225	20,180	3,000	$ -	$ -	688,744	1,464,400	$ -	$ -
FUND BALANCES									
Reserved for prepaids	-	-	-	-	-	-	-		
Reserved for encumbrances	8,875	9,990	21,250			18,424	532,430		
Reserved for endowments							-	3,915	
Unreserved, designated									
Unreserved, undesignated	47,868	106,686	169,543	55,259	4,048,317	(17,823)	8,629,412	410,462	10,343
TOTAL FUND BALANCES	56,743	116,676	190,793	55,259	4,048,317	601	9,161,842	414,377	10,343
TOTAL LIABILITIES AND FUND BALANCES	$ 559,968	$ 136,856	$ 193,793	$ 55,259	$ 4,048,317	$ 689,345	$ 10,626,242	$ 414,377	$ 10,343

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2007

	PERMANENT FUNDS				
	Oliver Watson Home Fund	Walter W. Watson Trust	Kingston Free Library Trust Fund	Total Permanent Funds	Total Nonmajor Governmental Funds
ASSETS					
Cash and cash equivalents	$ 249,544	$ 185,990	$ 82,568	$ 679,895	$ 8,519,005
Investments			684,233	947,158	992,713
Accounts and other receivable				2	29,902
Due from federal & state governments				-	1,327,384
Prepaids				-	3,272
Due from other funds				-	4,646,961
TOTAL ASSETS	$ 249,544	$ 185,990	$ 766,801	$ 1,627,055	$ 15,519,237
LIABILITIES					
Accounts payable	$ 35			$ 35	$ 316,518
Retainage payable				-	234,730
Accrued liabilities				-	72,280
Due to federal & state governments				-	-
Due to other funds	725			725	375,179
Deferred revenue				-	1,332,381
TOTAL LIABILITIES	760	$ -	$ -	760	2,331,088
FUND BALANCES					
Reserved for prepaids				-	3,272
Reserved for encumbrances				-	616,775
Reserved for endowments	166,771	40,339	766,801	977,826	977,826
Unreserved, designated					70,677
Unreserved, undesignated	82,013	145,651		648,469	11,519,599
TOTAL FUND BALANCES	248,784	185,990	766,801	1,626,295	13,188,149
TOTAL LIABILITIES AND FUND BALANCES	$ 249,544	$ 185,990	$ 766,801	$ 1,627,055	$ 15,519,237

(CONCLUDED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2007

	SPECIAL REVENUE FUNDS								
	Alcohol Grant	Animal Shelter Benefit Fund	Asset Forfeiture Fund	Community Development Block Grants	Drug Free Communities Grant	Elderly Services	EMS Billing Services Fund	Federal Forfeiture Fund	Governor Justice Commission Grants
REVENUES:									
Interest and investment income		$ 35,586				$ 1,769			
Fines and charges							$ 589,664		
Fees and assessments		14,275				83,188			
Intergovernmental	$ 9,072		$ 2	$ 167,857	$ 56,343	265,332		$ 1,011	$ 13,741
Contributions									
Other		18,275				1,906			
Total revenues	9,072	68,136	2	167,857	56,343	352,195	589,664	1,011	13,741
EXPENDITURES:									
Current:									
Recreation									
Education									
Other expenses	9,072	295	2	167,857	56,343	740,227	226,614	1,011	13,741
Debt Service:									
Debt service principal									
Interest expense									
Capital improvements									
Total expenditures	9,072	295	2	167,857	56,343	740,227	226,614	1,011	13,741
Excess (deficiency) of revenues over (under) expenditures	-	67,841	-	-	-	(388,032)	363,050	-	-
OTHER FINANCING SOURCES (USES)									
Issuance of bonded debt									
Transfers in						364,866			
Transfers out							(245,000)		
Total other financing sources (uses)	-	-	-	-	-	364,866	(245,000)	-	-
Net change in fund balances	-	67,841	-	-	-	(23,166)	118,050	-	-
Fund balances - beginning of year	-	1,045,626	-	-	-	116,691	249,274	-	-
Fund balances - end of year	$ -	$ 1,113,467	$ -	$ -	$ -	$ 93,525	$ 367,324	$ -	$ -

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2007

	SPECIAL REVENUE FUNDS								
	Historical & Vital Recording Fees	Municipal Planning Services Reserve	Narragansett Library Association	Neighborhood Guild	Onsite Wastewater Plan Implementation	Peacedale Office Building	Property Revaluation Reserve Fund	RI Emergency Management Grant	RIPTIDE
REVENUES:									
Interest and investment income			$ 4,896	$ 3,935		$ 9,800			
Fines and charges				447,305		61,647			
Fees and assessments	$ 45,206								
Intergovernmental					$ 3,170		$ 183,308	$ 3,200	$ 12,834
Contributions			71,133	20,077		5,369			
Other									
Total revenues	45,206	$ -	76,029	471,317	3,170	76,816	183,308	$ 3,200	12,834
EXPENDITURES:									
Current:									
Recreation				811,016					
Education									
Other expenses	8,912		20		3,170	54,216	215,294	3,200	12,834
Debt Service:									
Debt service principal				65,338					
Interest expense				10,337					
Capital improvements						17,553			
Total expenditures	8,912	-	20	886,691	3,170	71,769	215,294	3,200	12,834
Excess (deficiency) of revenues over (under) expenditures	36,294	-	76,009	(415,374)	-	5,047	(31,986)	-	-
OTHER FINANCING SOURCES (USES)									
Issuance of bonded debt									
Transfers in		47,000		404,593			35,000		
Transfers out			(72,302)						
Total other financing sources (uses)	-	47,000	(72,302)	404,593	-	-	35,000	-	-
Net change in fund balances	36,294	47,000	3,707	(10,781)	-	5,047	3,014		-
Fund balances - beginning of year	75,840	-	63,048	88,711	-	187,594	94,668	-	-
Fund balances - end of year	$ 112,134	$ 47,000	$ 66,755	$ 77,930	$ -	$ 192,641	$ 97,682	$ -	$ -

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2007

	SPECIAL REVENUE FUNDS							
	Seat Belt Enforcement Grants	SIGS	South Road School Reserve Fund	State Homeland Security Grant	Stormwater Management Plan	Substance Abuse	Tobacco Compliance Investigation Project	Wastewater Management Grants
REVENUES:								
Interest and investment income								
Fines and charges			$ 131,075					
Fees and assessments								
Intergovernmental	$ 4,280	$ 139,110		$ 136,216	$ 4,785	$ 46,892	$ 1,736	
Contributions								
Other								
Total revenues	4,280	139,110	131,075	136,216	4,785	46,892	1,736	$ -
EXPENDITURES:								
Current:								
Recreation								
Education								
Other expenses	4,280	139,110			4,785	46,892	1,736	
Debt Service:								
Debt service principal								
Interest expense								
Capital improvements			12,000	136,800				
Total expenditures	4,280	139,110	12,000	136,800	4,785	46,892	1,736	-
Excess (deficiency) of revenues over (under) expenditures	-	-	119,075	(584)	-	-	-	-
OTHER FINANCING SOURCES (USES)								
Issuance of bonded debt								
Transfers in								
Transfers out								
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Net change in fund balances	-	-	119,075	(584)	-	-	-	-
Fund balances - beginning of year	-	-	109,375	584	-	-	-	-
Fund balances - end of year	$ -	$ -	$ 228,450	$ -	$ -	$ -	$ -	$ -

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2007

	SPECIAL REVENUE FUND			CAPITAL PROJECT FUNDS					
	Nancy Brown Memorial Fund	School Restricted Fund	Total Special Revenue Funds	Animal Shelter Addition Fund	Bike Path Maintenance Fund	Bridge Improvement Fund	Capital Equipment & Replacement Fund	Data Processing Improvement Fund	Downtown Intermodal Enhancement Project Fund
REVENUES:									
Interest and investment income	$ 12		$ 55,998						
Fines and charges			1,229,691						
Fees and assessments			142,669			$ 250			
Intergovernmental		$ 1,492,410	2,541,299						
Contributions			96,579						
Other			20,181						
Total revenues	12	1,492,410	4,086,417	$ -	$ -	250	$ -	$ -	$ -
EXPENDITURES:									
Current:									
Recreation			811,016						
Education		1,746,006	1,746,006						
Other expenses			1,709,611						
Debt Service:									
Debt service principal			65,338						
Interest expense			10,337						
Capital improvements			166,353		1,981	76,439			13,300
Total expenditures	-	1,746,006	4,508,661	-	1,981	76,439	-	-	13,300
Excess (deficiency) of revenues over (under) expenditures	12	(253,596)	(422,244)	-	(1,981)	(76,189)	-	-	(13,300)
OTHER FINANCING SOURCES (USES)									
Issuance of bonded debt			-			200,000			
Transfers in		253,596	1,105,055			75,000	180,000	10,000	
Transfers out			(317,302)						
Total other financing sources (uses)	-	253,596	787,753	-	-	275,000	180,000	10,000	-
Net change in fund balances	12	-	365,509	-	(1,981)	198,811	180,000	10,000	(13,300)
Fund balances - beginning of year	3,092	-	2,034,503	80,000	8,086	112,744	-	71,813	-
Fund balances - end of year	$ 3,104	$ -	$ 2,400,012	$ 80,000	$ 6,105	$ 311,555	$ 180,000	$ 81,813	$ (13,300)

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2007

	CAPITAL PROJECT FUNDS								
	Impact Fee Reserve Fund	Land Use Reserve Fund	Library Building Construction	Middle School Playfields Construction Fund	Open Space Reserve Fund	Police Building Construction Fund	Public Works Improvement Fund	Recreation Development & Restoration Fund	Recreation Improvement Fund
REVENUES:									
Interest and investment income		$ 8,752		$ 2,554	$ 2,757		$ 21,915		
Fines and charges									
Fees and assessments	$ 321,113				363,868		20,000		
Intergovernmental									
Contributions			$ 25,219						
Other									
Total revenues	321,113	8,752	25,219	2,554	366,625	$ -	41,915	$ -	$ -
EXPENDITURES:									
Current:									
Recreation									
Education									
Other expenses					5,318				
Debt Service:									
Debt service principal									
Interest expense									
Capital improvements			36,816			16,546	1,228,325	140,120	130,809
Total expenditures	-	-	36,816	-	5,318	16,546	1,228,325	140,120	130,809
Excess (deficiency) of revenues over (under) expenditures	321,113	8,752	(11,597)	2,554	361,307	(16,546)	(1,186,410)	(140,120)	(130,809)
OTHER FINANCING SOURCES (USES)									
Issuance of bonded debt					700,000		300,000		
Transfers in						75,000	680,000	137,000	
Transfers out	(521,346)			(48,554)	(300,000)				
Total other financing sources (uses)	(521,346)	-	-	(48,554)	400,000	75,000	980,000	137,000	-
Net change in fund balances	(200,233)	8,752	(11,597)	(46,000)	761,307	58,454	(206,410)	(3,120)	(130,809)
Fund balances - beginning of year	1,429,674	289,595	135,906	46,000	491,942	93,402	1,039,393	136,624	154,400
Fund balances - end of year	$ 1,229,441	$ 298,347	$ 124,309	$ -	$ 1,253,249	$ 151,856	$ 832,983	$ 133,504	$ 23,591

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2007

	CAPITAL PROJECT FUNDS							PERMANENT FUNDS	
	Saugatucket River Walkway Construction Fund	School Improvement Fund	Senior Services Center Construction Fund	Town Hall Improvement Fund	Wastewater Construction Fund	West Kingston Landfill Fund	Total Capital Project Funds	Hazard Memorial Trust	Gertrude S. Parker Trust
REVENUES:									
Interest and investment income	$ 3,230	$ 4,874	$ 6,193		$ 209,907		$ 260,182	$ 48,328	$ 441
Fines and charges							-		
Fees and assessments					225,897		931,128		
Intergovernmental	27,600					$ 221,172	248,772		
Contributions	7,000						32,219		
Other							-		
Total revenues	37,830	4,874	6,193	$ -	435,804	221,172	1,472,301	48,328	441
EXPENDITURES:									
Current:									
Recreation							-		
Education							-		1,000
Other expenses							5,318	47,206	
Debt Service:									
Debt service principal							-		
Interest expense							-		
Capital improvements	55,200	953,745	3,000			258,212	2,914,493		
Total expenditures	55,200	953,745	3,000	-	-	258,212	2,919,811	47,206	1,000
Excess (deficiency) of revenues over (under) expenditures	(17,370)	(948,871)	3,193	-	435,804	(37,040)	(1,447,510)	1,122	(559)
OTHER FINANCING SOURCES (USES)									
Issuance of bonded debt		1,000,000					2,200,000		
Transfers in		35,160	75,000	25,000		37,040	1,329,200		
Transfers out							(869,900)		
Total other financing sources (uses)	-	1,035,160	75,000	25,000	-	37,040	2,659,300	-	-
Net change in fund balances	(17,370)	86,289	78,193	25,000	435,804	-	1,211,790	1,122	(559)
Fund balances - beginning of year	74,113	30,387	112,600	30,259	3,612,513	601	7,950,052	413,255	10,902
Fund balances - end of year	$ 56,743	$ 116,676	$ 190,793	$ 55,259	$ 4,048,317	$ 601	$ 9,161,842	$ 414,377	$ 10,343

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2007

	PERMANENT FUNDS				
	Oliver Watson Home Fund	Walter W. Watson Trust	Kingston Free Library Trust Fund	Total Permanent Funds	Total Nonmajor Governmental Funds
REVENUES:					
Interest and investment income	$ 14,830	$ 11,005	$ 83,823	158,427	$ 474,607
Fines and charges				-	1,229,691
Fees and assessments				-	1,073,797
Intergovernmental				-	2,790,071
Contributions				-	128,798
Other				-	20,181
Total revenues	14,830	11,005	83,823	158,427	5,717,145
EXPENDITURES:					
Current:					
Recreation				-	811,016
Education				1,000	1,747,006
Other expenses	4,478	2,315	7,683	61,682	1,776,611
Debt Service:					
Debt service principal				-	65,338
Interest expense				-	10,337
Capital improvements				-	3,080,846
Total expenditures	4,478	2,315	7,683	62,682	7,491,154
Excess (deficiency) of revenues over (under) expenditures	10,352	8,690	76,140	95,745	(1,774,009)
OTHER FINANCING SOURCES (USES)					
Issuance of bonded debt				-	2,200,000
Transfers in				-	2,434,255
Transfers out			(28,396)	(28,396)	(1,215,598)
Total other financing sources (uses)	-	-	(28,396)	(28,396)	3,418,657
Net change in fund balances	10,352	8,690	47,744	67,349	1,644,648
Fund balances - beginning of year	238,432	177,300	719,057	1,558,946	11,543,501
Fund balances - end of year	$ 248,784	$ 185,990	$ 766,801	$ 1,626,295	$ 13,188,149

(CONCLUDED)

TOWN OF SOUTH KINGSTOWN

AGENCY FUNDS

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

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

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

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

Statement of Changes in Assets and Liabilities
Agency Funds
Year ended June 30, 2007

	Beginning Balance	Additions	Deductions	Ending Balance
Unclaimed Estates				
ASSETS:				
Cash	$ 6,007	$ 18,326		$ 24,333
TOTAL ASSETS	$ 6,007	$ 18,326	$ -	$ 24,333
LIABILITIES:				
Deposits held in custody for others	$ 6,007	$ 18,326		$ 24,333
TOTAL LIABILITIES	$ 6,007	$ 18,326	$ -	$ 24,333
Student Activities Fund				
ASSETS:				
Cash	$ 268,404	$ 957,173	$ 992,421	$ 233,156
Investments	10,212	75		10,287
TOTAL ASSETS	$ 278,616	$ 957,248	$ 992,421	$ 243,443
LIABILITIES:				
Deposits held in custody for others	$ 278,616	$ 957,248	$ 992,421	$ 243,443
TOTAL LIABILITIES	$ 278,616	$ 957,248	$ 992,421	$ 243,443
Total - All Agency Funds				
ASSETS:				
Cash	$ 274,411	$ 975,499	$ 992,421	$ 257,489
Investments	10,212	75	-	10,287
TOTAL ASSETS	$ 284,623	$ 975,574	$ 992,421	$ 267,776
LIABILITIES:				
Deposits held in custody for others	284,623	975,574	992,421	267,776
TOTAL LIABILITIES	$ 284,623	$ 975,574	$ 992,421	$ 267,776

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TOWN OF SOUTH KINGSTOWN

CAPITAL ASSETS

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULES BY SOURCE
JUNE 30, 2007
(WITH COMPARATIVE TOTALS FOR 2006)

	2007	2006
Governmental funds capital assets:		
Land	$ 12,339,801	$ 12,339,801
Buildings	30,112,487	30,110,637
Improvements	46,591,510	45,794,922
Machinery and equipment	15,358,865	14,206,571
Infrastructure	30,471,173	28,603,468
Construction in progress	7,047,656	6,756,853
Total governmental funds capital assets	$ 141,921,492	$ 137,812,252
Investments in governmental funds capital assets by source:		
General fund	$ 9,050,905	$ 8,140,080
Special revenue funds	6,465,074	6,162,846
Capital project funds	126,405,513	123,509,326
Total governmental funds capital assets	$ 141,921,492	$ 137,812,252

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
JUNE 30, 2007

Function and activity	Land	Building	Improvements	Machinery And Equipment	Infrastructure	Construction in Progress	Total
General government:							
Council				$ 52,050			$ 52,050
Clerk			$ 99,977	121,057			221,034
Manager				79,565			79,565
Building and grounds	$ 54,298	$ 200,361	1,658,867	59,917			1,973,443
Finance and administration				221,089			221,089
Planning				133,513			133,513
Inspector				57,097			57,097
Other - unclassified	46,500	22,049		36,683			105,232
Total general government	100,798	222,410	1,758,844	760,971	-		2,843,023
Schools	337,705	20,334,627	36,077,439	6,060,224			62,809,995
Public Safety:							
Police	542,982	5,066,775		1,865,818			7,475,575
Fire and alarms	48,000	105,677	6,646	496,590	387,260		1,044,173
Emergency management				701,547			701,547
Total public safety	590,982	5,172,452	6,646	3,063,955	387,260		9,221,295
Streets and highways	10,250	777,822	487,641	3,007,882	30,047,328		34,330,923
Recreation and parks	11,170,066	1,771,443	5,136,379	1,663,130	36,585		19,777,603
Public libraries	75,000	129,000	2,837,097	501,693			3,542,790
Elderly services	55,000	1,704,733	287,464	301,010			2,348,207
Construction in progress						$ 7,047,656	7,047,656
Total general capital assets	$ 12,339,801	$ 30,112,487	$ 46,591,510	$ 15,358,865	$ 30,471,173	$ 7,047,656	$ 141,921,492

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Function and Activity	Balance July 1, 2006	Additions & Transfers In	Deductions & Transfers Out	Balance June 30, 2007
General government:				
Council	$ 50,244	$ 1,806		$ 52,050
Clerk	221,760	1,137	$ 1,863	221,034
Manager	72,068	31,619	24,122	79,565
Buildings and grounds	1,973,194	4,031	3,782	1,973,443
Finance and administration	200,038	22,349	1,298	221,089
Planning	138,536	16,668	21,691	133,513
Inspector	57,419	3,609	3,931	57,097
Other - unclassified	105,232			105,232
Total general government	2,818,491	81,219	56,687	2,843,023
Schools	61,539,718	1,270,277		62,809,995
Public safety:				
Police	7,265,686	342,620	132,731	7,475,575
Fire and alarms	1,034,543	9,630		1,044,173
Emergency management	645,542	56,005		701,547
Total public safety	8,945,771	408,255	132,731	9,221,295
Streets and highways	32,301,382	2,143,964	114,423	34,330,923
Recreation and parks	19,606,433	249,679	78,509	19,777,603
Public libraries	3,502,427	40,363		3,542,790
Elderly services	2,341,177	7,699	669	2,348,207
Construction in progress	6,756,853	3,584,728	3,293,925	7,047,656
Total general capital assets	$ 137,812,252	$ 7,786,184	$ 3,676,944	$ 141,921,492

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TOWN OF SOUTH KINGSTOWN

OTHER EXHIBITS

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

SCHEDULE OF PROPERTY TAXES RECEIVABLE FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Year	Mill Rate	Property Taxes Receivable July 1, 2006	Current Year Assessment	Transfers Addendums (Net)	Abatements and Adjustments	Amount to be Collected	Collections Net of Refunds	Property Taxes Receivable June 30, 2007
2006	$13.65		$ 57,665,644	$ 247,913	$ 392,144	$ 57,521,413	$ 56,831,449	$ 689,964
2005	13.13	$ 634,790			1,105	633,685	523,578	110,107
2004	12.58	104,186				104,186	44,778	59,408
2003	19.91	64,943				64,943	25,163	39,780
2002	19.02	44,019				44,019	8,424	35,595
2001	17.90	38,582				38,582	2,346	36,236
2000	20.75	49,682				49,682	1,616	48,066
1999	20.75	45,344				45,344	1,723	43,621
1998	19.38	55,180				55,180	1,899	53,281
1997	18.71	42,880				42,880	1,249	41,631
1996	17.79	50,249				50,249	927	49,322
1995	16.84	47,781				47,781	659	47,122
1994	15.92	36,824				36,824	100	36,724
1993	27.31	82,667				82,667	231	82,436
1992	26.92	74,204				74,204	336	73,868
1991	26.92	76,932				76,932	334	76,598
1990	24.54	82,711				82,711	313	82,398
1989	22.92	55,695				55,695	98	55,597
1988	21.96	43,746				43,746	64	43,682
Subtotal		1,630,415	$ 57,665,644	$ 247,913	$ 393,249	$ 59,150,723	$ 57,445,287	1,705,436
Less: estimated allowance for uncollectable accounts		934,093						957,021
Net property taxes receivable		$ 696,322						$ 748,415

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

SCHEDULE OF PROPERTY TAXES RECEIVABLE
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Schedule of Net Assessed Property Value by Category
Assessed December 31, 2005

Description of Property	Valuations	Levy
Real property	$ 3,878,512,967	$ 52,941,733
Motor vehicles	115,287,225	2,157,024
Tangible property	196,074,415	2,676,416
Wholesale and retail inventory	15,560,824	60,376
Total	4,205,435,431	57,835,550
Exemptions and adjustments	12,247,140	169,906
Net assessed value	$ 4,193,188,291	$ 57,665,644

Reconciliation of Current Year Property Tax Revenue

Current year collections	$ 57,445,287
Revenue received 60 days subsequent to fiscal year ending June 30, 2006	301,060
Subtotal	57,746,347
Prior year revenue received in current year (2006 60 day rule)	(286,181)
Current year property tax revenue	$ 57,460,166

(CONCLUDED)

TOWN OF SOUTH KINGSTOWN

STATISTICAL SECTION

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

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

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

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

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

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

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

SCHEDULE 1
NET ASSETS BY COMPONENT
LAST FOUR FISCAL YEARS

	Fiscal Year ended June 30			
	2004	**2005**	**2006**	**2007**
Governmental activities				
Invested in capital assets, net of related debt	$ 35,095,122	$ 37,770,093	$ 57,027,194	$ 59,210,862
Restricted	14,820,823	15,107,822	15,430,240	17,131,006
Unrestricted	11,658,131	14,219,435	19,337,021	22,077,926
Total governmental activities net assets	61,574,076	67,097,350	91,794,455	98,419,794
Business-type activities				
Invested in capital assets, net of related debt	20,150,773	20,470,817	21,673,567	21,425,967
Restricted	-	-	-	-
Unrestricted	4,270,116	3,754,258	3,630,933	3,732,628
Total business-type activities net assets	24,420,889	24,225,075	25,304,500	25,158,595
Primary government				
Invested in capital assets, net of related debt	55,245,895	58,240,910	78,700,761	80,636,829
Restricted	14,820,823	15,107,822	15,430,240	17,131,006
Unrestricted	15,928,247	17,973,693	22,967,954	25,810,554
Total primary government net assets	$ 85,994,965	$ 91,322,425	$ 117,098,955	$ 123,578,389

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

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

	2004	2005	2006	2007
Expenses				
Governmental activities:				
General government	6,478,353	7,164,843	7,794,143	8,559,664
Public safety	5,812,407	5,975,342	6,163,017	6,701,924
Public works	1,989,518	2,437,890	2,726,315	3,221,185
Human service agency contributions	193,082	197,073	183,015	178,356
Public libraries	885,097	916,825	953,482	988,273
Education	51,922,916	52,654,614	55,630,802	60,131,860
Recreation	2,108,450	2,138,627	2,281,584	2,319,532
Interest on long-term debt	1,746,861	1,658,708	1,499,745	1,560,963
Total governmental activities	71,136,684	73,143,922	77,232,103	83,661,757
Business-type activities:				
Wastewater	2,682,339	2,747,416	2,792,376	2,972,625
Solid Waste	965,564	891,292	893,562	948,464
Water	665,256	658,923	679,376	713,784
School Cafeteria	1,004,783	970,996	1,056,629	1,095,906
Total business-type activities	5,317,942	5,268,627	5,421,943	5,730,779
Total primary government expense	76,454,626	78,412,549	82,654,046	89,392,536
Program Revenues				
Governmental activities:				
Charges for services:				
General government	3,741,721	3,734,779	4,534,120	3,794,768
Public safety	783,362	784,245	806,200	1,001,582
Public works	56,300	58,050	59,500	61,100
Public libraries	48,856	29,117	28,106	28,478
Education	1,218,151	1,010,984	1,203,376	1,141,449
Recreation	818,419	847,241	885,410	820,278
Operating grants and contributions	14,260,623	14,490,072	15,030,606	16,188,793
Capital grants and contributions	882,697	729,799	4,186,452	292,834
Total governmental activities program revenues	21,810,129	21,684,287	26,733,770	23,329,282
Business-type activities:				
Charges for services:				
Wastewater	2,279,726	2,354,188	2,474,993	2,660,233
Solid Waste	991,645	928,736	956,613	950,248
Water	721,987	765,853	814,374	749,067
School Cafeteria	802,956	747,852	795,794	787,352
Operating grants and contributions	221,205	210,425	202,997	234,927
Capital grants and contributions			404,100	-
Total business-type activities	5,017,519	5,007,054	5,648,871	5,381,827
Total primary government program revenues	26,827,648	26,691,341	32,382,641	28,711,109

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

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

	2004	2005	2006	2007
Net (Expense)/Revenue				
Governmental activities	(49,326,555)	(51,459,635)	(50,498,333)	(60,332,475)
Business-type activities	(300,423)	(261,573)	226,928	(348,952)
Total primary government net expense	(49,626,978)	(51,721,208)	(50,271,405)	(60,681,427)
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Property taxes	50,181,817	51,441,569	$ 54,828,438	$ 58,032,552
Motor vehicle phase-out taxes	1,578,608	1,578,608	$ 1,828,726	$ 2,165,338
Telephone and hotel taxes	472,963	425,192	$ 389,466	$ 337,594
Grants and aid not restricted for a specific program	2,030,561	2,131,825	2,400,435	2,396,341
Unrestricted investment earnings	1,439,078	1,373,108	2,084,407	4,000,792
Miscellaneous	79,826	-	7,385	-
Transfers	9,040	32,607	1,087,993	25,197
Total governmental activities	55,791,893	56,982,909	62,626,850	66,957,814
Business-type activities:				
Unrestricted investment earnings	69,906	98,366	155,843	228,244
Capital contributions		-	-	-
Transfers	(9,040)	(32,607)	(1,087,993)	(25,197)
Total business type activities	60,866	65,759	(932,150)	203,047
Total primary government	55,852,759	57,048,668	61,694,700	67,160,861
Change in Net Assets				
Governmental activities	6,465,338	5,523,274	12,128,517	6,625,339
Business-type activities	(239,557)	(195,814)	(705,222)	(145,905)
Total primary government	$ 6,225,781	$ 5,327,460	$ 11,423,295	$ 6,479,434

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

SCHEDULE 3
FUND BALANCES, GOVERNMENTAL FUNDS, LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year ended June 30									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Fund										
Reserved	$ 66,111	$ 115,285	$ 24,680	$ 271,551	$ 162,147	$ 88,958	$ 258,879	$ 366,988	$ 286,935	$ 55,127
Unreserved	4,461,322	5,837,542	6,130,639	7,045,572	7,360,947	7,795,115	8,641,616	9,587,047	10,875,912	12,145,834
Total general fund	$ 4,527,433	$ 5,952,827	$ 6,155,319	$ 7,317,123	$ 7,523,094	$ 7,884,073	$ 8,900,495	$ 9,954,035	$11,162,847	$12,200,961
All Other Governmental Funds										
Reserved	$ 9,659,790	$ 10,128,929	$ 18,115,874	15,891,233	16,168,151	$ 15,149,953	$ 15,536,672	$ 15,131,361	$16,183,103	$16,419,082
Unreserved, reported in:										
Special revenue funds	750,810	1,257,006	854,751	$ 577,866	$ 1,465,978	1,880,251	2,106,195	2,257,829	2,974,177	3,957,611
Capital project funds	4,863,888	5,920,301	6,059,052	5,529,961	3,281,197	3,640,449	4,238,921	5,207,698	6,481,448	8,629,412
Permanent funds	6,652,440	7,659,373	9,208,375	1,692,663	1,618,618	1,427,198	1,377,532	1,341,590	1,363,510	1,390,975
Total all other governmental funds	$ 21,926,928	$ 24,965,609	$ 34,238,052	$ 23,691,723	$ 22,533,944	$ 22,097,851	$ 23,259,320	$ 23,938,478	$27,002,238	$30,397,080

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

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

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

	Fiscal Year ended June 30									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Revenues:										
Property Taxes and Interest	$ 33,510,028	$ 35,947,388	$ 37,557,960	$ 39,247,159	$ 43,288,150	$ 46,800,191	$ 50,233,102	$ 51,575,179	$54,798,227	$57,995,337
Intergovernmental revenues	10,716,720	12,104,178	12,834,987	14,361,314	16,056,626	16,541,331	17,862,153	17,736,296	22,294,882	19,128,068
Licenses, Fees and Rents	657,949	708,262	761,209	790,718	968,096	2,469,755	2,880,916	2,783,009	3,171,720	2,350,971
Interest on Investments	722,445	799,963	925,366	1,095,358	533,019	949,062	1,425,040	1,359,435	2,076,026	3,978,764
Fines and Charges	-	-	-	-	-	909,323	877,648	930,264	1,135,148	1,229,691
Department Revenue	702,970	791,060	828,854	1,023,493	1,063,885	1,068,252	1,066,283	1,084,946	1,047,988	1,115,818
Other Revenue	857,156	1,120,994	1,580,235	2,163,352	2,401,353	2,984,787	1,808,323	1,594,264	1,712,282	1,679,028
State On-behalf Pension	926,121	1,031,988	1,140,593	963,493	880,401	1,101,980	1,273,501	1,420,597	1,393,981	2,091,234
Total revenues	48,093,389	52,503,833	55,629,204	59,644,887	65,191,530	72,824,681	77,426,966	78,483,990	87,630,254	89,568,911
Expenditures:										
Current:										
General Government	$ 1,705,340	$ 1,905,740	$ 2,079,172	$ 2,082,797	$ 2,156,132	$ 2,276,905	$ 2,334,443	$ 2,402,451	$ 2,392,210	$ 2,562,378
Public Safety	3,543,734	3,706,514	4,082,622	4,502,947	5,001,159	5,099,458	5,562,051	5,562,270	5,894,514	6,105,953
Public Services	1,439,892	1,582,308	1,637,910	1,490,040	1,739,524	1,969,076	1,707,808	2,110,290	1,789,493	2,140,379
Public Health Contributions	146,883	157,986	174,189	186,255	178,375	189,848	193,082	197,073	183,015	178,356
Recreation	1,262,544	1,373,466	1,507,849	1,534,520	1,638,812	1,741,754	1,878,405	1,900,685	2,023,334	2,056,094
Public Libraries	576,913	572,823	612,545	669,061	698,361	740,319	771,119	835,864	840,886	873,701
Educational	30,163,605	32,451,503	35,841,036	38,305,841	42,978,657	46,184,080	49,194,399	49,817,652	53,788,014	58,544,022
Capital Improvements	434,813	234,557	378,645	349,325	349,840	7,320,140	5,254,478	3,322,808	11,582,846	3,418,724
Miscellaneous	2,193,409	2,885,603	2,980,503	3,413,333	3,875,439	4,619,348	4,820,342	5,107,218	4,444,692	4,178,706
Debt Service: (3)	4,409,373	4,489,883	4,545,380	5,292,943	5,101,165					
Principal						3,290,000	3,430,000	3,485,000	3,690,000	3,705,000
Interest						1,922,446	1,730,728	1,813,748	1,422,690	1,506,605
State On-behalf Pension	926,121	1,031,988	1,140,593	963,493	880,401	1,101,980	1,273,501	1,420,597	1,393,981	2,091,234
Total expenditures	46,802,627	50,392,371	54,980,444	58,790,555	64,597,865	76,455,354	78,150,356	77,975,656	89,445,675	87,361,152
Excess of revenues over (under) expenditures	1,290,762	2,111,462	648,760	854,332	593,665	(3,630,673)	(723,390)	508,334	(1,815,421)	2,207,759
Other Financing Sources (Uses):										
Proceeds from borrowing	10,315,000	2,060,000	10,000,000	-	3,925,000	3,400,000	2,875,000	1,191,757	5,000,000	2,200,000
Sale of property	-	-	-	-	-	-	-	-	-	
Operating transfers in	8,529,573	305,829	386,848	1,036,993	1,144,990	37,164,994	39,548,069	40,612,725	44,856,027	47,029,050
Operating transfers out	(9,188,517)	(1,042,206)	(1,352,416)	1,395,136	1,293,406	(36,819,578)	(39,539,029)	(40,580,118)	(43,768,034)	(47,003,853)
Total other financing sources (uses)	9,656,056	1,323,623	9,034,432	2,432,129	6,363,396	3,745,416	2,884,040	1,224,364	6,087,993	2,225,197
Net change in fund balances	$ 10,946,818	$ 3,435,085	$ 9,683,192	$ 3,286,461	$ 6,957,061	$ 114,743	$ 2,160,650	$ 1,732,698	$ 4,272,572	$ 4,432,956
Debt service as a percentage of noncapital expenditures (2)	9.51%	8.95%	8.32%	9.06%	7.94%	7.54%	7.08%	7.10%	6.57%	6.29%

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

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

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

	Assessed Value								
Fiscal Year Ended June 30	Residential Property	Commercial Property	Industrial/Utility Property	Tangible Personal Property	Inventory	Motor Vehicles	Less Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
1998	2,008,261,842			95,133,335		111,168,960	442,663,636	1,771,900,501	18.71
1999	2,043,546,427			116,758,355		119,022,183	447,745,425	1,831,581,540	19.38
2000	2,076,477,542			105,938,527	13,768,068	114,751,744	455,353,032	1,855,582,849	20.01
2001	1,657,555,684			109,895,821	13,641,517	111,244,812	5,498,809	1,886,839,025	20.28
2002	2,159,199,575			127,992,436	13,909,628	106,082,003	6,206,558	2,400,977,084	17.91
2003	2,193,240,385			143,671,593	13,945,979	96,355,727	5,737,017	2,441,476,667	18.97
2004	2,239,411,642			148,938,058	13,543,983	106,447,929	5,350,774	2,502,990,838	19.80
2005	3,745,585,540			168,745,467	13,501,930	105,413,915	13,297,618	4,019,949,234	12.72
2006	3,424,405,234	357,510,070	35,424,900	181,242,171	13,543,398	123,721,946	12,799,139	4,123,048,580	13.27
2007	3,476,869,197	365,358,470	36,285,300	196,074,415	15,560,824	115,287,225	12,247,140	4,193,188,291	13.75

Source: Town of South Kingstown, Rhode Island Assessor

Notes:
The Town's tax rate increase cannot exceed 5.5% of the prior year's rate under administrative guidelines unless the State of Rhode Island approves such increase.
The Town had a full revaluation of real property in 2004 (effective 2005). The full revaluation is required by state law every 9 years. Statistical updates are required every 3 years.
Property is assessed at actual value; therefore, the assessed values are equal to actual value. Tax rates are per $1,000 of assessed value.
Total Direct Rate represents the weighted average of all individual direct rates applied by the Town. Prior to 2000, all property was taxed at the same rate.

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

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

	2007			1998		
	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value
American Power Conversion	$ 48,960,754	1	1.17%	$ 25,600,469	1	1.44%
Grandville At The Commons LP	28,620,200	2	0.68%			
Narragansett Electric	16,630,020	3	0.40%	10,345,170	2	0.58%
CNL Retirement HB2 South	14,821,234	4	0.35%			
APC America Inc	13,908,500	5	0.33%			
Jerry Brown Farm Assn Inc	12,070,700	6	0.29%			
Wakefield Mall LLC	11,460,600	7	0.27%	9,022,900	3	0.51%
Green Tree Realty LLC	10,081,700	8	0.24%			
SCC Investments LLC	9,312,400	9	0.22%			
Hallkeen CDT Kingston LTD Part	7,482,700	10	0.18%			
United Water Company				5,769,020	4	0.33%
Belmar Housing Associates LP				5,001,800	5	0.28%
South Farm Limited Partnership				4,646,400	6	0.26%
AKG Inc				4,577,300	7	0.26%
Peace Dale United Housing				4,171,900	8	0.24%
Horizon of South Kingstown				3,728,100	9	0.21%
Belmont Shoppers Park Inc				3,414,800	10	0.19%
Total	$ 173,348,808		4.13%	$ 76,277,859		4.30%

Source: Town of South Kingstown Assessor

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

SCHEDULE 7
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

FISCAL YEAR	ACTUAL TAX RATE	GROSS LEVY	ADDENDUMS & ADJUSTMENTS	ABATEMENTS & ADJUSTMENTS	NET LEVY	UNCOLLECTED END OF YEAR LEVY (1)	UNCOLLECTED % OF NET LEVY	UNCOLLECTED AS OF 8/31/07	UNCOLLECTED % OF NET LEVY
2006-07	13.65	$57,665,644	$254,096	$392,143	$57,527,597	$400,959	0.70%	400959	0.00%
2005-06	13.13	54,722,908	138,292	485,545	54,375,655	358,734	0.66%	358,734	0.66%
2004-05	12.58	51,148,277	225,887	398,797	50,975,367	318,634	0.63%	97,646	0.19%
2003-04	19.91	49,568,970	236,967	252,693	49,553,244	412,527	0.83%	61,405	0.12%
2002-03	19.02	46,304,107	274,347	216,205	46,362,249	507,464	1.09%	43,294	0.09%
2001-02	17.90	43,002,755	188,010	356,879	42,833,886	545,782	1.27%	38,530	0.09%
2000-01	20.75	38,854,143	177,991	217,115	38,815,019	547,386	1.41%	49,682	0.13%
1999-00	20.12	37,136,424	151,323	142,368	37,145,379	545,324	1.47%	45,344	0.12%
1998-99	19.38	35,496,057	170,674	146,431	35,520,300	615,143	1.73%	55,180	0.16%
1997-98	18.71	33,152,276	121,908	128,768	33,145,416	654,502	1.97%	42,879	0.13%

Source: Town of South Kingstown Tax Collector

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

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

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

General Bonded Debt

Fiscal Year June 30,	General Obligation Bonds	Taxable Assessed Value	Percent of Taxable Assessed Value	U.S. Census Estimated Population	Per Capita
1998	36,420,000	1,771,900,501	2.06%	27,150	1,341
1999	35,765,000	1,831,581,540	1.95%	27,550	1,298
2000	42,950,000	1,855,582,849	2.31%	27,921	1,538
2001	39,810,000	1,886,839,025	2.11%	27,921	1,426
2002	40,620,000	2,400,977,084	1.69%	29,177	1,392
2003	41,230,000	2,441,476,667	1.69%	29,634	1,391
2004	40,599,011	2,502,990,838	1.62%	29,637	1,370
2005	36,905,000	4,019,949,234	0.92%	30,629	1,205
2006	38,215,000	4,123,048,580	0.93%	30,708	1,244
2007	36,710,000	4,193,188,291	0.88%	30,863	1,189

Business-Type Activities

Fiscal Year June 30,	Wastewater Bonds	Solid Waste Bonds	Total Primary Government	Personal Income	Percent of Personal Income *	Per Capita
1998	839,531		37,259,531	26,682	0.0716%	1,372
1999	700,580		36,465,580	27,965	0.0767%	1,324
2000	660,351		43,610,351	29,538	0.0677%	1,562
2001	618,803		40,428,803	30,851	0.0763%	1,448
2002	575,892		41,195,892	32,767	0.0795%	1,412
2003	531,573		41,761,573	34,002	0.0814%	1,409
2004	985,800		41,584,811	34,932	0.0840%	1,403
2005	916,525	1,845,898	39,667,423	36,149	0.0911%	1,295
2006	845,699	2,715,600	41,776,299	38,161	0.0913%	1,360
2007	773,271	2,593,058	40,076,329	40,291	0.1005%	1,299

Notes:
Details regarding the Town's outstanding debt can be found in the Notes to Financial Statements.
* See Schedule 11 for personal income and population data used to calculate these ratios.

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

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

		Overlapping Rates			
Fiscal Year Ended June 30	Total Direct Tax Rate	Union Fire District	Indian Lake Fire District	Kingston Fire District	Total
1998	18.71	0.77	1.11	1.00	21.59
1999	19.38	0.58	1.11	1.00	22.07
2000	20.01	0.55	1.11	1.00	22.67
2001	20.28	0.60	1.11	1.00	22.99
2002	17.91	0.82	1.11	0.83	20.67
2003	18.97	0.54	1.49	0.95	21.95
2004	19.80	0.61	1.35	1.00	22.76
2005	12.72	0.41	1.35	0.62	15.10
2006	13.27	0.45	1.05	0.62	15.39
2007	13.75	0.54	1.13	0.67	16.09

Notes:

The Town's basic tax rate increase cannot exceed 5.5% of the prior year's rate unless the State of Rhode Island approves such increase.

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

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

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

SCHEDULE 10
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

	Fiscal Year ended June 30									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Total assessed value	$ 1,771,900,501	$ 1,831,581,540	$ 1,855,582,849	$ 1,886,839,025	$ 2,400,977,084	$ 2,441,476,667	$ 2,502,990,838	$ 4,019,949,234	$ 4,123,048,580	$ 4,193,188,291
Rhode Island General Law debt limitation as % of assessed value	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Debt limit	53,157,015	54,947,446	55,667,485	56,605,171	72,029,313	73,244,300	75,089,725	120,598,477	123,691,457	125,795,649
Total net debt applicable to the limit	4,995,714	4,993,750	4,573,214	4,167,678	4,922,142	6,269,607	7,319,813	6,686,300	7,755,901	8,013,858
Legal debt margin	$ 48,161,301	$ 49,953,696	$ 51,094,271	$ 52,437,493	$ 67,107,171	$ 66,974,693	$ 67,769,912	$ 113,912,177	$ 115,935,556	$ 117,781,791
Total net debt applicable to the limit as a percentage of debt limit	9.40%	9.09%	8.22%	7.36%	6.83%	8.56%	9.75%	5.54%	6.27%	6.37%

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

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

SCHEDULE 11
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

Fiscal Year June 30,	(3) Population	Per Capita Personal Income (1)	School Enrollment	Unemployment Rate (2)
1998	27,150	26,682	4,198	3.7%
1999	27,550	27,965	4,349	3.4%
2000	27,921	29,538	4,350	3.4%
2001	27,921	30,851	4,358	3.5%
2002	29,177	32,767	4,321	3.6%
2003	29,634	34,002	4,214	4.1%
2004	29,637	34,932	4,190	4.5%
2005	30,629	36,149	4,056	4.3%
2006	30,708	38,161	3,875	4.3%
2007	30,863	40,291	3,803	4.4%

(1) Per Bureau of Economic Analysis - Washington County. This statistic is presented based on release date, e.g., the $40,291 pci released April 2007 represents 2005 data.

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

(3) The non-census year statistics are estimates calculated by the Town Manager's Office.

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

SCHEDULE 12
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

2007				1998			
Employer	Employees	Rank	Percentage of Total Town Employment	Employees	Employees	Rank	Percentage of Total Town Employment
University of Rhode Island	2,486	1	16.3%	University of Rhode Island	2,700	1	20.2%
American Power Conversion	1,144	2	7.5%	American Power Conversion	1,500	2	11.2%
South County Hospital	900	3	5.9%	South County Hospital	600	3	4.5%
Town of South Kingstown (1)	800	4	5.2%	Town of South Kingstown (1)	584	4	4.4%
Shaw's Supermarket	160	5	1.0%	Health Care Assistance	170	5	1.3%
Arnold Lumber Co., Inc.	140	6	0.9%	N.E. Tel and Tel	120	6	0.9%
ProStaff-APC	130	7	0.9%	TRT Heating Products	100	7	0.7%
HealthTouch	110	8	0.7%				
South Kingstown Nursing & Rehab Center	110	9	0.7%				
Modine Manufacturing	100	10	0.7%				
Total	6,080		39.8%	Total	5,774		43.3%

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

Source: Rhode Island Economic Development Corporation

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

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

	Fiscal Year ended June 30,							
	2000	2001	2002	2003	2004	2005	2006	2007
General Government:	38	38	38	37	37	37	37	38
Public Safety:								
Police - Officers	43	47	53	54	54	56	54	54
Police - Civilians	21	22	22	22	22	22	22	22
Emer. Medical Services	13	13	17	17	17	17	17	17
Communications	1	1	1	1	1	3	3	3
	78	83	93	94	94	97	96	96
Public Works:								
Streets & Highways	20	20	20	20	20	20	20	19
Administration	4	4	4	4	4	4	4	4
	23	24	24	24	24	24	24	23
Parks & Recreation	8	9	10	10	10	11	11	12
Libraries	11	12	12	12	12	12	12	12
TOTAL GENERAL FUND	**158**	**166**	**176**	**177**	**177**	**181**	**180**	**181**
Water	5	5	4	4	4	4	4	4
Wastewater	19	19	19	19	19	19	19	18
Neighborhood Guild	5	5	5	6	6	5	5	5
Senior Services	9	9	9	9	9	9	9	9
Other	1	1	1	1	1	1	1	1
Public education:								
Certified		336	371	374	383	379	371	381
Non-certified		160	194	199	212	205	195	207
Administrative		23	25	23	23	22	21	21
		519 *	590	596	618	606	587	608
Total	197	724	804	812	834	825	805	827

Source: Town Budgets and School Department Budgets

* First year this information is available

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

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

Function/Program	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Police:										
Physical arrests	992	839	601	520	1,048	1,178	1,258	1,179	856	738
Traffic violations	4,134	3,382	4,684	9,655	9,257	9,020	9,739	6,814	6,755	7,621
Parking violations	733	896	760	698	585	845	1,140	1,263	716	715
Emergency Medical Services:										
Number of calls answered	1,655 (1)	1,781	1,809	1,949	1,943 (3)	2,075	2,221	2,191	2,531	2,487
Animal Control:										
Number of complaints	996	986	1,149	1,590	1,537	1,303	1,403	1,386	1,288	1,447
Number of impoundments	642	825	1,015	828	695	738	755	673	614	588
Communications:										
Fire alarm activations							204 *	193	186	261
Streets & Highways:										
Street Sweeping (miles)	134	145	145	149	149	149	150	150	150	150
Road regrading (miles)		45 *	45	45	45	45	45	45	45	45
Street plowing/deicing (OT hours)	777	1,240	949	2,043	598	2,147	2,657	4,574	2,314	931
Culture & Recreation:										
Programs/Classes (enroll/attend)	39,257 *	44,737	47,192	57,925	58,664	54,924	64,222	61,584	66,846	60,707
Grounds maintained (acres)	300	399	399	379	379	401	451	451	451	451
Libraries:										
Volumes in Collection	64,459	66,426	67,103	66,416	68,873	68,673	68,550	65,542	66,469	66,865
Volumes borrowed	250,428	250,526	255,640	272,064	296,165	318,959	316,232	306,506	295,807	306,722
Reference requests filled	13,973	17,058	23,432	27,616	29,072	30,168	30,502	28,840	29,139	28,052
Water:										
New connections	64	40	29	0	76	30	15	11	15	0
Average daily consumption (2) (thousands of gallons)	342	350	397	358	376	380	340	400	340	313
Wastewater:										
Average daily sewage treatment (thousands of gallons)	2,936	2,585	2,765	2,901	2,446	2,819	2,715	2,992	2,985	2,967
Senior Services:										
Adult Day Care services (client days)	4,314	4,219	4,043	3,829	3,667	3,956	4,125	3,573	4,017	3,834
Senior transportation (trips)	11,070	9,448	8,887	9,117	7,940	8,897	8,953	8,935	9,124	8,293
Congregate meals served	10,536	10,533	11,083	12,897	17,161	15,840	15,011	14,645	15,136	15,379

Sources: Various Town departments
* First year information is available

Notes:
Indicators are not available for the general government function.
(1) Effective July 1, 1997, the Town expanded EMS staffing to 24 hours per day
(2) Consumption is calculated from billed usage
(3) Effective July 1, 2001, the Town expanded EMS staffing to a satellite station at the Public Services building on Route 1.

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

SCHEDULE 15
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

Function/Program	Fiscal Year 1998	Fiscal Year 1999	Fiscal Year 2000	Fiscal Year 2001	Fiscal Year 2002	Fiscal Year 2003	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	12	12	12	13	14	15	15	16	16	16
Public works:										
Streets (miles)						145 *	145	145	147	147
Streetlights	1,400	1,400	1,400	1,400	1,400	1,410	1,410	1,410	1,410	1,410
Culture and recreation:										
Park acreage	320	320	320	320	320	410	440	440	440	440
Tennis courts	12	12	12	12	12	19	25	25	25	25
Community centers	1	1	1	1	1	1	1	1	1	1
Libraries	3	3	3	3	3	3	3	3	3	3
Water:										
Water mains (miles)	44	44	44	45	45	45	45	48	48	48
Fire hydrants	250	253	253	253	253	253	253	253	253	253
Storage capacity (thousands of gallons-treated)	800	800	800	800	800	800	800	800	800	800
Wastewater:										
Sanitary sewers (miles)	45	45	45	45	50	52	53	54	54	54
Storm drains (miles)								46 *	46	47
WWTF avg. daily design flow (thous. of gallons)	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000

Sources: Various town departments

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

* first year this information was available

TOWN OF SOUTH KINGSTOWN

SINGLE AUDIT SECTION

This section contains information regarding federal grant activity for the year ended June 30, 2007, which was audited in accordance with generally accepted auditing standards and "Government Auditing Standards" issued by the Comptroller General of the United States and under the guidelines of the Single Audit Act of 1984 as amended by the Single Audit Act Amendments of 1996 and the United States Office of Management and Budget's Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations."

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

Federal Grantor **Pass-Through Grantor** Program title	Federal CFDA Number		Expenditures
U.S. Department of Housing and Urban Development			
Governor's Office of Housing & Energy & Intergovernmental Relations			
Community Development Block Grants - Small Cities Program	14.219		$ 167,857
U.S. Department of Transportation			
Seat-Belt Enforcement	20.604		4,280
U.S. Department of Health			
Rhode Island Department of Health			
Underage Drinking and Alcohol Grant	93.XXX		9,072
Block Grants for Community Mental Health	93.958		56,343
Tobacco Compliance Investigation Grant	93.XXX		1,736
Total U.S. Department of Health			67,151
U.S. Environmental Protection Agency			
Stormwater Management Plan	66.XXX		4,785
Onsite Wastewater Plan Implementation	66.XXX		3,170
EPA Wastewater Management Project	66.606		229,706
Total U.S. Department of Environmental Protection Agency			237,661
U.S. Department of Justice			
State of Rhode Island Governors Justice Commission			
Governor Justice Commission Grant	16.XXX		13,741
U.S. Department of Homeland Security			
Rhode Island Emergency Management Agency			
Homeland Security Grant Program	97.067		141,826
Total U.S. Department of Homeland Security			141,826
U.S. Department of Education			
RI Department of Education			
Title I	84.010		181,906
Title II	84.367		185,768
Title II Technology	84.318		920
Title IV	84.186		12,017
Title V	84.298		3,982
Project IDEA - Part B	84.027A	*	882,001
Perkins	84.048		25,853
Early learning (89-313) - preschool	84.173	*	25,315
Total U.S. Department Education			1,317,762
U.S. Department of Agriculture			
State of RI Department of Education			
Food Commodities	10.556		50,000
National Lunch Program	10.555		234,927
Total U.S. Department of Agriculture			284,927
Total Federal Expenditures			$ 2,235,205

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

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2007

1. General

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

2. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting.

3. Determination of Major Programs

The determination of major federal financial assistance programs was based upon the overall level of expenditures for all federal programs for the Town of South Kingstown, Rhode Island. As such, the threshold for determining Type A and Type B programs is defined as those with program expenditures greater than $300,000 or 3 percent of total expenditures when the total expenditures are over $10,000,000. For the fiscal year ended June 30, 2007, the following programs were considered major programs:

Project IDEA – Part B.....	CFDA #84.027A
Early Learning (89-313) Preschool.....	CFDA #84.173

These programs are in a cluster and therefore considered one program for compliance requirements.

Braver PC
Accountants & Advisors

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

To the Honorable Town Council
South Kingstown, Rhode Island

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, the statement of revenues, expenditures and changes in fund balances – budget and actual – budgetary basis, and the aggregate remaining fund information as of and for the year ended June 30, 2007, which collectively comprise the Town of South Kingstown, Rhode Island's basic financial statements and have issued our report thereon dated December 7, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town of South Kingstown, Rhode Island's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town of South Kingstown, Rhode Island's financial statements that is more than inconsequential will not be prevented or detected by the Town of South Kingstown, Rhode Island's internal control.

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Town of South Kingstown, Rhode Island, in a separate letter dated December 7, 2007.

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

Braun PC

Providence, Rhode Island
December 7, 2007

Braver PC
Accountants & Advisors

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

To the Honorable Town Council
South Kingstown, Rhode Island

Compliance

We have audited the compliance of the Town of South Kingstown, Rhode Island, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The Town of South Kingstown, Rhode Island's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Town of South Kingstown, Rhode Island's management. Our responsibility is to express an opinion on the Town of South Kingstown, Rhode Island's compliance based on our audit.

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

In our opinion, the Town of South Kingstown, Rhode Island, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

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Providence

Internal Control Over Compliance

The management of the Town of South Kingstown, Rhode Island is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town of South Kingstown, Rhode Island's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do no express an opinion on the effectives of the Town of South Kingstown, Rhode Island's internal control over compliance.

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

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

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

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

Braver PC

Providence, Rhode Island
December 7, 2007

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expressed an unqualified opinion on the basic financial statements of the Town of South Kingstown, Rhode Island.

2. No significant deficiencies relating to the audit of the financial statement were reported in the Independent Auditor's Report.

3. No instances of noncompliance material to the financial statements of the Town of South Kingstown, Rhode Island were disclosed during the audit.

4. No significant deficiencies relating to the audit of the major federal award programs were reported.

5. The auditor's report on compliance for the major federal award programs for the Town of South Kingstown, Rhode Island expresses an unqualified opinion.

6. There were no audit findings relative to the major federal award program for the Town of South Kingstown, Rhode Island.

7. The programs tested as major programs were:

Project IDEA – Part B	CFDA #84.027A
Early Learning (89-313) – preschool	CFDA #84.173

8. The threshold for distinguishing Type A and B programs is described in Note 3 to the Schedule of Expenditures of Federal Awards.

9. The Town of South Kingstown, Rhode Island was determined to be a low-risk auditee.

B. FINDINGS – RELATED TO AUDIT OF FINANCIAL STATEMENTS

Current Year Findings:

None noted.

Prior Year Findings:

None noted.

C. FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS

Current Year Findings:

None noted.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2007

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