

**TOWN OF
CHARLESTOWN, RHODE ISLAND**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**FOR THE YEAR ENDED
JUNE 30, 2011**

Prepared by:

Patricia M. Anderson

Treasurer

TOWN OF CHARLESTOWN, RHODE ISLAND

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2011**

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COMPREHENSIVE ANNUAL FINANCIAL REPORT
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TOWN OF CHARLESTOWN

INTRODUCTORY SECTION

Patricia M. Anderson
Treasurer
PAnderson@CharlestownRI.org



TOWN OF CHARLESTOWN

4540 South County Trail
Charlestown
Rhode Island 02813
Phone (401) 364-1235
Fax (401) 364-1238

December 21, 2011

To the Honorable Town Council:

The Comprehensive Annual Financial Report of the Town of Charlestown is hereby submitted for the fiscal year ended June 30, 2011, in accordance with the Town Charter, Section C-72. Responsibility for the accuracy of data, and completeness of the presentation, including disclosures, rests with management. To the best of our knowledge, the information contained herein is accurate and representative of the financial position of the Town of Charlestown. It clearly reflects the operation of the Town as measured by the financial activity of its various funds.

This document provides a summary of related costs for providing services to its citizenry, as well as changes in fund balance and financial resources for the year ended June 30, 2011. The Comprehensive Annual Financial Report is a joint effort between Town Management and our auditing firm, Cayer Caccia, LLP Certified Public Accountants.

The Comprehensive Annual Financial Report is presented in three sections. The introductory section is not audited and includes this letter of transmittal; an organizational chart and a listing of the Town of Charlestown's principal elected and appointed officials. The financial section includes the Government-wide Financial Statements, the Statement of Net Assets, Statement of Activities, Business Activities statements and all required supplemental information including the Management Discussion and Analysis as required by Governmental Accounting Standards Board Statement No. 34.

A single audit section relating to federal financial assistance is not required for the 2011 fiscal year. In 1996, the US Office of Management and Budget issued Circular A-133 rescinding Circular A-128 as it related to Audits of State and Local Governments. The Single Audit applies in years that the Town of Charlestown expends \$500,000 or more in federal funds.

Copies of this report are on file in the Town Clerk's Office and the Cross Mills Public Library for public inspection. Individuals wishing to obtain a copy may do so by submitting a written request to the Treasurer's Office at 4540 South County Trail, Charlestown, Rhode Island 02813. This report is forwarded to the Rhode Island Auditor General's Office, as prescribed by state law, and to state, local and other miscellaneous agencies such as the Town's financial advisors.

In accordance with Federal Law and U.S. Department of Agriculture policy, this institution is prohibited from discrimination on the basis of race, color, national origin, sex, age or disability. (Not all prohibited bases apply to all programs.) To file a complaint of discrimination, write USDA Director, Office of Civil Rights, 1400 Independence Avenue SW, Washington, DC 20250-9410, or call 800.795.3272 (voice) or 202.720.6382 (TDD). This institution is an equal opportunity provider and employer.

Community Description

The Town of Charlestown, incorporated on August 22, 1738, is a seaside community located in the southwest portion of Rhode Island. It encompasses thirty-six square miles of land, six miles of inland water and approximately six miles of coastline along Block Island Sound. The Town is a physically diverse community with flourishing beach colonies, unique village centers, and large tracts of open space. The Town is a perennial vacation and tourist location offering exceptional swimming, camping and fishing opportunities. Consequently, between the months of May to September the Town's population swells to more than twenty thousand, including seasonal inhabitants.

Charlestown's year-round population, according to the year 2010 census was 7,827, a decrease of 24 from the year 2000. In 1970, year-round residents totaled 3,200, 1980 totaled 4,800, an increase of 1,600 residents. In 1990, the population of year-round residents had grown to 6,478, increasing another 1,678, or 35%. The 2000 census showed an increase of 21% to a total year-round resident count of 7,851. In 2010, the population dropped to 7,827 or a decrease of 0.3%.

The Town of Charlestown has operated under a Council-Administrator government since November 1980. Pursuant to the Charter and subject only to the limitations imposed by the State Constitution, all powers of the Town, except those vested in the Financial Town Meeting, are vested in the Town Council, the governing body. The Town Council determines policies, enacts laws, and appoints the Town Administrator. The Town Administrator executes the laws, and controls the government under the authority of the Town Council. The Town Council consists of five members, elected at large. They serve a term of two years and thereafter until their successors are elected and qualified.

Major Initiatives

The government's staff and committees, following specific direction of the Governing Council and Administrator, were involved in a variety of projects throughout the year.

The Governing Council identifies needs to meet citizen's demands for services and to safeguard the environment with conformity to applicable local, state and federal law. Following is a list of undertakings initiated, or completed, during the 2010-2011 fiscal year:

During 2011, the Town continued its computerization of land evidence records as an on-going project. These records have been indexed back to 1738. In April, the records were available on-line.

Business licensing was updated into a new database that was available for the annual license renewals.

Beginning in November, the Town started video streaming the Council meetings. Council minutes back to 2002 have been loaded onto the Town's website.

The Town has upgraded the computer system and the HVAC system at the police station.

The Town has completed the salt and sand shed that is located behind the Town Hall and continues to work on crack sealing the Town's roads. Rubberized asphalt chip seal and asphalt stoneseal was completed on designated roads. The Town also completed work on the Richard's Trails parking lot.

The Dog Park at Ninigret Park has been completed. Funding for the Dog Park was from a loan from the Ninigret Park fund and fundraising. The taxpayers approved the bond issues to finance the construction of two beach facilities to be located at the two beaches. Preliminary work has started with the completion of the facilities planned for the start of the beach season.

The Town continued to manage all of the Town facilities at the lowest possible cost to the taxpayers of Charlestown. The Town maintained sound capital investment in new equipment and improved Town facilities as allotted for within the 2011 budget.

On July 1, 2000 the town opened a newly constructed Residential Collection Center that replaced the previous Landfill Facility. The Town then initiated the capping and covering of the closed facility. In fiscal year 2001, \$435,000 was allocated for this closure from the unreserved General fund in lieu of bonding the project. At June 30, 2006, the capping of the landfill was at a standstill due to a problem found by RIDEM with the covering used to cap the landfill. The Town had entered into a Consent Agreement with RIDEM whereby the Town agreed to remove a portion of the initial covering and replace it with appropriate material. As of June 30, 2009, the Town had performed the proper remediation and was determined by RIDEM to be in compliance with its order. On June 20, 2008, the RIDEM issued a Release and Discharge of Violation to finalize the closure of the landfill.

The Town continued to maintain an excellent working relationship with all units representing employees within the structure of government for the Town. Bargaining agreements with all of the Town's unions and the professional management group expire as of June 30, 2012. Negotiations with the four units will start soon for contracts to run from July 1, 2012 until June 30, 2015.

The electors of the Town as well as the Rhode Island General Assembly have authorized the Town to issue not more than \$1,000,000 in bonds or other debt to finance Affordable Housing initiatives. The Town has also been authorized to issue not more than \$2,000,000 for the purchase of open space property. On June 6, 2011, the electors of the Town approved the Town to issue not more than \$1,190,000 in bonds to finance the construction of two beach facilities at the Town Beach and Blue Shutters Beach.

Charlestown owes much of its identity to the unparalleled caliber of its recreational virtues. The Town boasts of a vast catalog of federal, state, local and non-profit facilities intended to both preserve and provide public access to open space.

The Town owns and operates two public beaches; a one-hundred and seventy-two acre multi-faceted park complete with professional bicycle course, walking trails, basketball and tennis courts, fresh and salt water access, softball and soccer fields, a playground and festival area. The festival area accommodates seasonal family-oriented activities. Other significant facilities include:

- a. US Fish & Wildlife Refuge Area
- b. Burlingame State Park
- c. Ninigret Conservation Area
- d. Quonochontaug Breachway
- e. Kimball Wildlife Refuge
- f. Wicklund and Columbia Parks
- g. Cross Mills Library
- h. School House Pond
- i. South Farm

Community Development

Charlestown is very mindful of its current physical and economic assets and recognizes that various outstanding needs must be met. Consequently, the Town attempts to address issues that it feels are vital to its future. The Town has a substantial investment in maintaining affordable housing in the community. Since 1996 Charlestown has been awarded more than \$1.3 million through the Community Development Block Grant Program (CDBG), a federally funded program. A portion of each of the grants, distributed through the Community Development Consortium of East Greenwich, is allocated to housing rehabilitation for low and moderate-income families. The Town continues to contract with the Consortium to handle all aspects of these grants, except the writing thereof.

Mr. Geoffrey Marchant, who heads the Consortium, is also in charge of the Shannock Village Revitalization project between the Towns of Charlestown and Richmond. This project has been awarded approximately \$1.2 million since 2000. Additionally, Mr. Marchant is coordinating the improvement and expansion of the Shannock Water District for Charlestown and Richmond. Mr. Marchant has also secured \$431,000 TEA-21 enhancement funding for the "Columbia Heights Housing & Streetscape Plan." Additional federal funds of approximately \$1.8 million were obtained for use by the Shannock Water District. Both of these projects are being worked on in conjunction with each other.

Financial Management

The Town's Management is responsible for maintaining and establishing internal controls designed to ensure that the government's assets are protected from loss or misuse and to provide financial accountability that conforms to accepted accounting principles. An internal control structure provides reasonable accountability for the everyday operation of the government and its various departments. Reasonable accountability recognizes that: (1) the cost of a control does not exceed the benefit; and (2) valuation of costs and benefits requires judgment on the part of management.

The Treasurer's department manages all funds for the Town of Charlestown. The General Fund, primarily funded with tax dollars and miscellaneous departmental revenues, includes the operation of all departments within the Town except for the two enterprise funds that are self-funded through an established fee structure. Financial statements are issued monthly to the governing Council and management and are on record in the Treasurer's office for public inspection. Cash and investments are monitored weekly and reported monthly. The unreserved, undesignated fund balance, which the Town has maintained over several years, enables a smooth transition from one fiscal year to another, as cash flow is maintained at a level sufficient for governmental operation before tax collections. The Town has many special revenue funds in which revenue deposited is restricted for particular expenditures.

Management also maintains extensive budgetary controls to ensure that the monies allocated through tax dollars are expended in the manner for which they were intended.

Risk Management

During 2011 the Town experienced minimal losses on insurance claims and anticipates a similar situation in 2012. The Town has taken steps to maintain adequate and cost effective insurance coverage for all related municipal services and facilities. Our insurance carrier reviews all Town facilities each year so that we minimize exposure to any risk of liability. In addition, the Town is subject to an annual review by the Occupational Safety and Health Administration (OSHA) to detect any existing or potential hazards to municipal employees or citizens while on Town property.

In July of 1991 the Town entered into an insurance contract with Rhode Island Interlocal Risk Management Trust for all of its insurance needs. The Trust is a member owned and operated insurance alternative; it has 58 member municipalities, schools, and public agencies. The Trust monitors and evaluates existing and developing risk exposure for all the municipalities it covers. Through the Trust, local governments jointly self-insure risks arising from worker's compensation and liability claims. The Town's member deductible per occurrence is \$2,500 except for Public Officials' Liability of \$5,000 per occurrence. Worker's compensation coverage has no deductible.

Independent Audit

State law requires an annual audit of Town finances by an independent certified public accountant. The accounting firm of Cayer Caccia, LLP was awarded the bid to conduct the Town's audit for the fiscal year ending June 30, 2011 through 2013 in response to the Town's request for proposal issued in 2011.

Sincerely,



Patricia M. Anderson
Treasurer

MUNICIPAL OFFICERS

Town Council

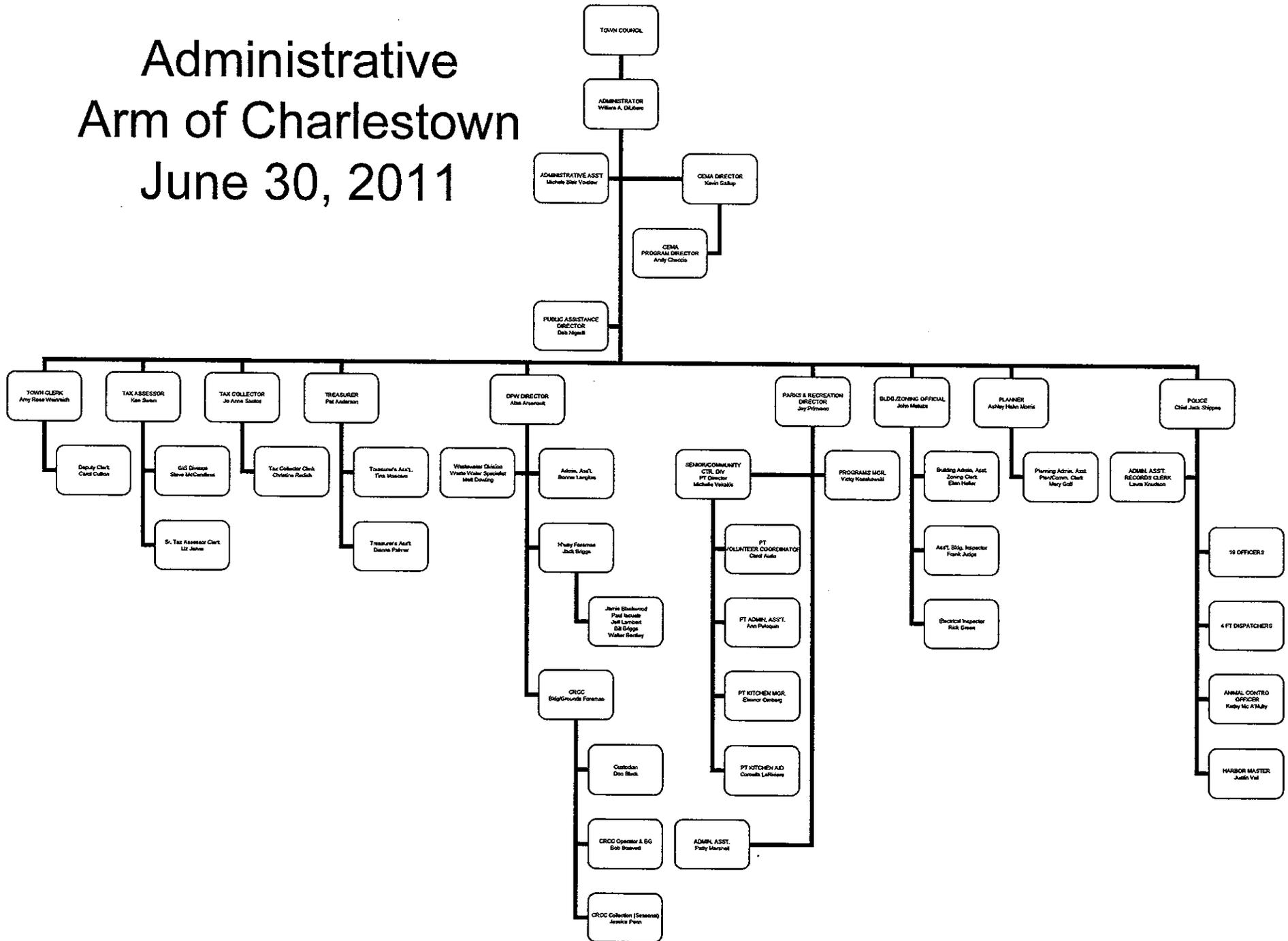
Thomas B. Gentz, President
Daniel J. Slattery, Vice President
Gregory J. Avedesian
Lisa A. DiBello
Majorie Frank

Town Officials

Town Administrator
Chief of Police
Town Clerk
Treasurer
Tax Assessor
Tax Collector
Building & Zoning Official
Public Works Director
Parks & Recreation Director
Town Planner
Animal Control Officer
Harbormaster
Town Solicitor
Probate Solicitor
Solicitor Indian Affairs
Emergency Management
Town Moderator
Sealer of Weights & Measures
Custodian of Cemeteries
Public Assistance
GIS

William DiLibero
Jack Shippee
Amy Rose Weinreich
Patricia Anderson
Kenneth J. Swain
Jo-Anne Santos
Joseph Warner
Alan A. Arsenault
John Primiano
Ashley Hahn-Morris
Kathy M. McA'Nulty
Justin Vail
Peter Ruggiero
Robert Craven
Joseph Larisa, Jr.
Kevin Gallup
Henry Walsh
Bernard Augustine
Francis Fenner
Deb Nigrelli
Steven McCandless

Administrative Arm of Charlestown June 30, 2011



TOWN OF CHARLESTOWN

FINANCIAL SECTION



Gerard R. Cayer
CPA, MST, CVA

Mark V. Caccia
CPA, MST, CVA

Donna T. Caccia
CPA, MST, CFP™

INDEPENDENT AUDITOR'S REPORT

To the Honorable Town Council
Charlestown, 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 Charlestown, Rhode Island, as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Charlestown, 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 the 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 of the Town of Charlestown, Rhode Island, as of June 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2 to the financial statements, the Town adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in 2011. As a result of this required implementation, the following funds previously classified as special revenue funds are now reported as part of the General Fund: Ad Hoc Withdrawal Committee, Revaluation Fund, Reserve for Employee Severance Benefits, Facilities Maintenance, Employee Vending, GIS Project and Tax Anticipation Note Interest. In addition, fund balance classifications in the governmental fund financial statements have been changed to reflect the five new classifications under GASB Statement No. 54.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2011, on our consideration of the Town of Charlestown, Rhode Island's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, historical pension and other post-employment benefit information, and budgetary comparison information on pages 3 through 16 and 64 through 71 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Charlestown, Rhode Island's financial statements as a whole. The introductory section, and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

December 21, 2011

Cayer Caccia, LLP

Town of Charlestown, Rhode Island

Management's Discussion and Analysis

The Town of Charlestown's Management Discussion and Analysis is designed to assist the reader in focusing on significant issues. It provides an overview of the Town's financial activity and changes in financial position for the current year only. This is the ninth year that the Town has presented its financial statements under the new reporting model required by the Governmental Accounting Standards Board (GASB) Statement Number 34. Since the Management Discussion and Analysis (M D & A) is designed to focus on the current year's activities, resulting changes and currently known facts, it should be read in conjunction with the Transmittal Letter and the Financial Statements (beginning on page 17).

Highlights

Financial Highlights

The Town's net assets increased by \$242,429 (or 1.0%). Governmental net assets increased by \$228,434, (or 0.9%), while the business type activities net assets increased by \$13,995, (or 4.2%). In 2010, governmental net assets increased by \$2,637,713, (or 12.1%), while the business-type activities net assets increased by \$14,389, (or 4.5%).

Governmental fund revenues for the year ending June 30, 2011 totaled \$24,534,374 including charges for services at \$1,057,093, operating grants and contributions at \$1,984,745, capital grants and contributions at \$124,033 with the balance of revenue from property taxes, revenue sharing, investment interest, and contributions not restricted to specific programs of \$21,368,503.

Business-type activities revenues for the year ending June 30, 2011 totaled \$248,844 including charges for services of \$223,350, investment income of \$494, and transfers of \$25,000.

Governmental fund expenditures and transfers for the fiscal year totaled \$24,280,940 and \$25,000, respectively. Business type activities expenses for the fiscal year totaled \$234,849.

On the GAAP basis, expenditures and other financing uses were \$23,575,735 for the general fund; \$1,025,431 for the non-major governmental funds; and \$234,849 for business-type funds.

Use of the Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 17 through 19) provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements start on page 20. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. The remaining statements provide financial information about activities for which the Town acts solely as a trustee or agent for the benefit of those outside of the government.

The financial statement focus is on both the Town as a whole and its government-wide funds, as well as its business type activities. All these perspectives allow the user to address relevant questions, broaden the basis for comparison, and enhance the accountability.

Reporting the Town as a whole:

One of the most important questions asked about Town finances is "Is the Town as a whole better or worse financially as a result of this year's activities"? The Statement of Net Assets and Statement of Activities reports information in a way that gives the reader the answer to the above question. Statements include all assets and liabilities using the accrual method of accounting, similar to that of private business. All current revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's net assets and changes therein. The Town's net assets are the difference between actual assets and liabilities against said assets. This measures the Town's financial health or financial position. Over time, increases or decrease in net assets is an indicator of whether the financial health of the Town is improving or declining. Other non-financial factors to consider are changes in the Town's property tax base and the condition of town roads and buildings when assessing the overall financial picture. In the Statement of Net Assets and Statement of Activities the Town is divided into two sections: Governmental and Business-type (Enterprise) activities.

Significant Funds

The analysis of the Town's most significant fund begins on page 20. The Fund Financial Statements provide detailed information on the general fund, not the Town as a whole. Some funds are required to be established by State law or by bond covenants. However, the Town Council mainly through the Financial Town Referendum establishes other funds to help control and manage money for a particular purpose or project. Individual funds track costs more closely than in the general everyday use of funds (i.e. road paving, engineering) or to show that all legal responsibilities for using certain grants, and other miscellaneous funds donated or sent to the Town through other sources than property taxes.

Proprietary funds are those that the Town charges its customers for a service it provides – such as the Collection Center where taxpayers deliver their rubbish and recyclables or Coastal Ponds for the registration and use of pond moorings for ocean front property owners. Proprietary funds are like little businesses and are accounted for individually in order to know whether the funding for the service is adequate for the service provided.

The Town may be a trustee for certain types of funds or a fiduciary for certain activities. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purpose. At the present time the Town has only one fiduciary fund for the other post-employment benefit trust fund.

Town as a Whole

Analysis as a Whole

Included below is a condensed Statement of Net Assets for the Town. The condensed format allows the reader to view the overall financial position of the Town. The amounts reported for fiscal year 2010 have been retroactively reported to comply with the implementation of GASB Statement No. 54.

Governments Wide Statements

Statement of Net Assets As of June 30:

	Governmental Activities		Business Type Activities		Total Primary Government	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Current and Other Assets	\$10,416,298	\$10,263,695	\$195,432	\$172,790	\$10,611,730	\$10,436,485
Capital Assets	21,923,034	22,366,779	172,188	184,521	22,095,222	22,551,300
Total Assets	32,339,332	32,630,474	367,620	357,311	32,706,952	32,987,785
Current Liabilities	1,825,837	2,182,201	13,552	13,127	1,839,389	2,195,328
Long Term Liabilities	5,902,868	6,066,080	6,786	10,897	5,909,654	6,076,977
Total Liabilities	7,728,705	8,248,281	20,338	24,024	7,749,043	8,272,305
Invested in Capital Assets						
Net of Related Debt	16,684,328	16,719,198	168,275	173,843	16,852,603	16,893,041
Restricted for Other Purpose	3,066,559	3,181,393	10,000	10,000	3,076,559	3,191,393
Unrestricted	4,859,740	4,481,602	169,007	149,444	5,028,747	4,631,046
Total Net Assets	\$24,610,627	\$24,382,193	\$347,282	\$333,287	\$24,957,909	\$24,715,480

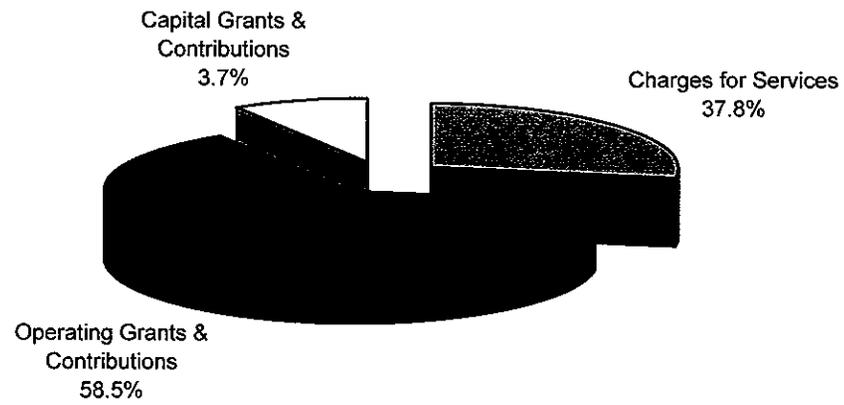
Net Assets equal Total Assets less Total Liabilities

**Changes in Net Assets
For fiscal Year Ended
June 30:**

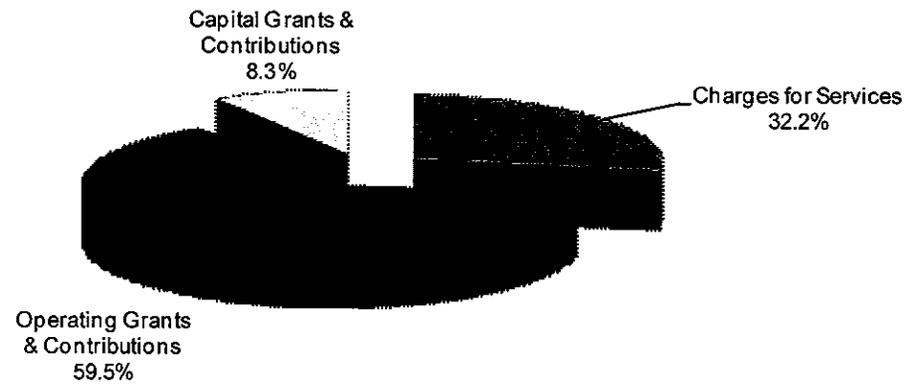
	Governmental Activities		Business Type Activities		Total Primary Government	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenue:						
Program Revenue:						
Charges for services	\$ 1,057,093	\$ 942,482	\$ 223,350	\$ 231,285	\$ 1,280,443	\$ 1,173,767
Operating Grants & Contributions	1,984,745	2,170,552			1,984,745	2,170,552
Capital Grants & Contributions	124,033	304,150			124,033	304,150
Total Program Revenue	3,165,871	3,417,184	223,350	231,285	3,389,221	3,648,469
General Revenue:						
Property Tax	21,209,274	20,901,205			21,209,274	20,901,205
Unrestricted Investment Earnings	19,229	25,184	494	681	19,723	25,865
Contributions not restricted to specific Programs	140,000				140,000	
Total General Revenue	21,368,503	20,926,389	494	681	21,368,997	20,927,070
Total Revenue	24,534,374	24,343,573	223,844	231,966	24,758,218	24,575,539
Expenses:						
General Government	1,926,137	1,624,697			1,926,137	1,624,697
Public Safety	2,513,919	2,500,262			2,513,919	2,500,262
Public Works	2,214,498	564,584			2,214,498	564,584
Education	14,017,779	13,724,263			14,017,779	13,724,263
Parks & Recreation	437,138	371,206			437,138	371,206
Public Health & Asst	421,215	418,931			421,215	418,931
Community Development	307,160	296,941			307,160	296,941
Other	2,229,651	1,949,478	234,849	242,577	2,464,500	2,192,055
Interest on Long Term Debt	213,443	230,498			213,443	230,498
Total Expenses	24,280,940	21,680,860	234,849	242,577	24,515,789	21,923,437
Excess (deficiency) Of Revenue Over Expenditures Before Transfers	253,434	2,662,713	(11,005)	(10,611)	242,429	2,652,102
Transfers	(25,000)	(25,000)	25,000	25,000		
Change in Net Assets	228,434	2,637,713	13,995	14,389	242,429	2,652,102
Net Assets Beginning	24,382,193	21,744,480	333,287	318,898	24,715,480	22,063,378
Net Assets Ending	\$ 24,610,627	\$ 24,382,193	\$ 347,282	\$ 333,287	\$ 24,957,909	\$ 24,715,480

This is the ninth year Charlestown is reporting fixed assets in its financials and infrastructure additions are included. Infrastructure, roads, culverts, bridges, etc. were inventoried, valued and reported in the financials for fiscal year 2011. The following pie charts delineate the preceding chart by percentages. Sometimes it is easier to envision the totals when looking at it as pie slices.

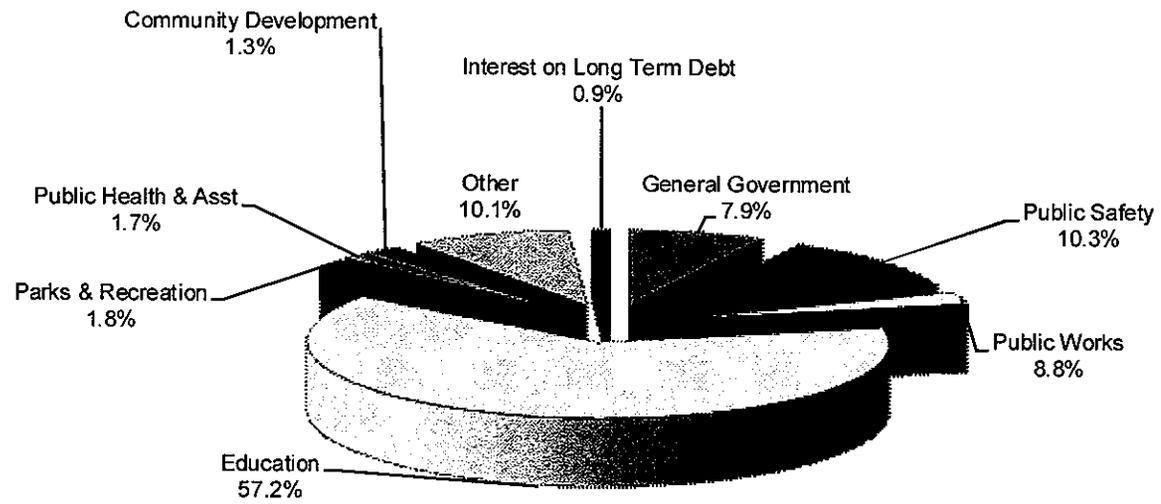
2011 Program Revenues



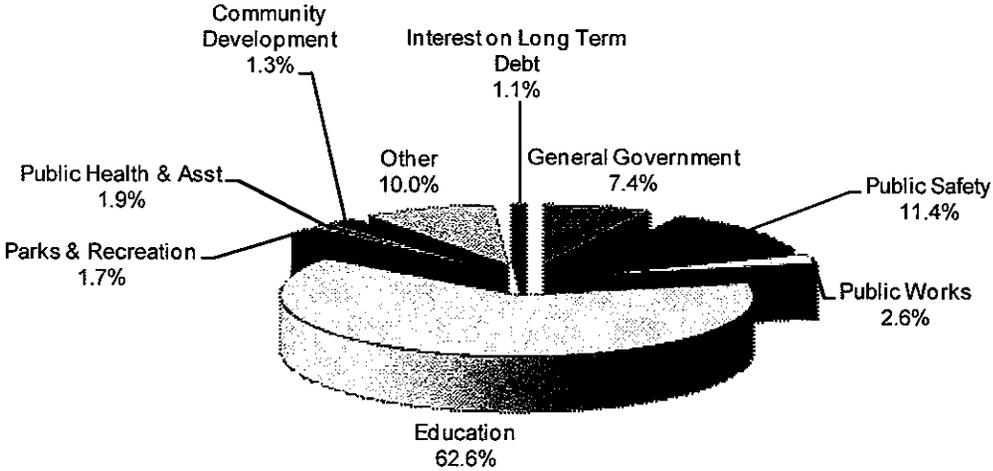
2010 Program Revenues



2011 Expenses



2010 Expenses



Normal Impacts:

There are six basic transactions that affect comparability of Net Assets.

1. Net results of activities – will increase or decrease current and unrestricted
2. Borrowing of Capital – increases current assets and long term debt
3. Spending Borrowed Proceeds on New Capital – reduces current assets and increases capital. Also, a second impact occurs – increase in invested capital assets and an increase in related net debt – note the investment in capital assets will not change the capital asset net of debt.
4. Spending of non-borrowed Current Assets on New Capital – will (a) reduce current assets and increase capital assets and (b) reduce unrestricted net assets and increase invested in capital assets, net of debt.
5. Principal Payment on Debt – a) reduce current assets and long-term debt and (b) reduce unrestricted assets and increase invested capital assets, net of debt.
6. Reduction of Assets through Depreciation – reduces capital assets and invested in capital assets, net of debt.

Changes in net assets of the Town's activities as a whole (includes governmental and business activities) was \$242,429 and \$2,652,102 for fiscal year 2011 and 2010, respectively, resulting from the difference between expenses and revenues. For fiscal year 2011, expenses net of their pertinent revenues were \$21,126,568, while revenue not attributed to any activity in the government were \$21,368,997, therefore netting an increase of \$242,429 in net assets. For fiscal year 2010, expenses net of their pertinent revenues was \$18,274,968, while revenues not attributed to any activity in the government were \$20,927,070, therefore netting an increase of \$2,652,102 in net assets.

Business type Activities:

The change in net assets for the business type activities for fiscal year 2011 and 2010 was \$13,995 and \$14,389, respectively.

Town's Funds:

General Fund & Other Governmental funds:

The Town implemented the provisions of Governmental Accounting Standards Board Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54) in fiscal year 2011. GASB 54 establishes criteria for classifying fund balances into specifically defined classifications and clarifies the definitions for governmental funds. GASB 54 defines the following five categories of fund balance:

Nonspendable – items that cannot be spent because they are not in a spendable form, or legally or contractually required to be maintained intact.

Restricted – items that are restricted by external parties or imposed by grants, laws or legislation.

Committed – items that have been committed by formal action by the entity's highest level of decision-making authority.

Assigned – items that have been allocated by committee action where the government's intent is to use the funds for a specific purpose.

Unassigned – items that have no restrictions placed on them.

The components of the fund balance as of June 30, 2010 have been retroactively restated to comply with this statement. As a result of this pronouncement, \$439,293 of Special Revenue Funds' fund balance have been reclassified to the General Fund at the beginning of fiscal year 2011.

At the end of June 2011, the general fund balance sheet showed a fund balance of \$7,843,219. This figure results from all assets allocated to the fund less its liabilities, as presented on page 21. Of this total, \$347,915 was nonspendable for tax sale property and prepaid expenditures, \$1,649,755 was restricted mainly for amounts not due within one year, and reappropriated fund balance for subsequent year's expenditures and \$5,845,549 was unassigned. The Town was also required to show any other major funds which are determined by criteria listed by the GASB. The other major funds of the Town for fiscal year 2011 were the Buckeye Brook Road Phase II project and Columbia Heights Streetscapes Enhancement. At the end of June 2011, the Buckeye Brook Road Phase II showed a fund deficit of \$(650,849). The Columbia Heights Streetscapes Enhancement fund had no fund balance at the end of June 2011. Other governmental funds had a fund balance of \$907,288 of which \$1,518 was nonspendable for perpetual care, \$1,059,871 was restricted mainly for education and capital projects, \$138,403 was committed for parks and recreation and \$(292,504) was unassigned. The total fund balance for the aforementioned funds is \$8,099,658. See Schedule B-1.

At the end of June 2010, the general fund balance sheet showed a fund balance of \$7,274,769 (as retroactively reported due to the implementation of GASB Statement No. 54). This figure results from all assets allocated to the fund less its liabilities. Of this total, \$90,760 was nonspendable for tax sale property, \$1,687,629 was restricted mainly for amounts not due within one year and reappropriated fund balance for subsequent year's expenditures, and \$5,496,380 was unassigned. The other major fund of the Town for fiscal year 2010 was the Buckeye Brook Road Phase II project. At the end of June 2010, the Buckeye Brook Road Phase II showed a fund deficit of \$(650,849). Other governmental funds had a fund balance of \$1,284,399 of which \$1,514 was nonspendable for perpetual care, \$1,401,490 was restricted mainly for education and capital projects, \$139,259 was committed for parks and recreation and \$(257,864) was unassigned. The total fund balance for the aforementioned funds is \$7,908,319.

Business type Activity:

The business type activities for the Town are the Collection Center and the Coastal Pond Management. These two entities combined had total net assets of \$347,282 at June 30, 2011, of which \$168,275 is invested in capital assets, net of related debt, \$10,000 is restricted and \$169,007 is unrestricted. At June 30, 2010, these two entities combined had total net assets of \$333,287 of which \$173,843 was invested in capital assets, net of related debt, \$10,000 was restricted and \$149,444 was unrestricted.

Required Supplemental Information

In addition to this MD&A and the basic financial statements, this report also presents certain Required Supplemental Information. For the Town of Charlestown, this Required Supplemental Information includes the Budgetary Comparison Schedule for the General Fund that can be found on "Schedule E-2" on page 65. The presentation under GASB 34 requires disclosure of both the original and final budget. The original budget is the first complete appropriated budget. The final budget is the original budget adjusted by all reserves, transfers, allocations, supplemental appropriations and other legally authorized legislative and executive changes applicable to the fiscal year.

Analysis of Significant Budget Variations in the General Fund

For the year ended June 30, 2011, the general fund revenues exceeded budget projections by \$544,785, or 2.3%. The general fund expenditures were less than the budget by \$378,185, or 1.6%. This resulted in a \$922,970 budgetary surplus in the General Fund for the year ending June 30, 2011.

The most significant revenue variances were the receipt of other revenues of \$112,958, the receipt of Motor Vehicle Phase Out revenue in the amount of \$40,265, additional School Aid in the amount of \$71,732 and the additional income of \$63,033 in interest on delinquent taxes. The most significant expense variances were a saving of \$92,764 in Education, \$76,922 for Landfill Monitoring and \$104,642 for the Highway Department.

For the year ended June 30, 2010, the general fund revenues exceeded budget projections by \$108,568 or 0.4%. The general fund expenditures were less than the budget by \$1,327,419 or 5.4%. This resulted in a \$1,435,987 budgetary surplus in the General Fund for the year ending June 30, 2010.

The most significant revenue variance was the loss of Motor Vehicle Phase Out in the amount of \$54,153. The most significant expense variance was a saving of \$82,717 for Employees Insurance and Benefits, \$151,597 for the Highway Department excluding \$250,000 of RI LEAP grant expenditures and \$275,740 for Educational expenses.

Capital Assets and Long-Term Debt

Capital Assets

The Town of Charlestown's investment in capital assets for its governmental and business type activities as of June 30, 2011 and 2010 amounted to \$22.1 and \$22.6 million, respectively (net of accumulated depreciation). This investment in capital assets includes construction-in-progress, land, buildings and improvements, motor vehicles, equipment and infrastructure.

The presentation below for the current fiscal year lists the major categories of capital assets for governmental activities and business-type activities. Infrastructure assets, assets that are long-lived and can be preserved for a significantly greater number of years than most capital assets and that normally are stationary in nature such as streets, sidewalks and curbing are subject to different rules under the standards established by GASB 34. For the fiscal year ended June 30, 2003, the Town was required to report all activity relating to infrastructure assets that occurred in that fiscal year. Retroactive reporting of all other infrastructure assets was required for the current fiscal year.

Capital Assets at June 30:
(In Millions)

	Governmental Activities		Business-Type Activities		Totals	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Motor Vehicles	\$ 2.9	\$ 3.0			\$ 2.9	\$ 3.0
Equipment	1.0	1.0	\$0.2	\$0.2	1.2	1.2
Infrastructure	43.6	43.3			43.6	43.3
Buildings and Improvements	7.3	6.9	0.1	0.1	7.4	7.0
Land and Land Improvements	7.3	7.2	0.2	0.2	7.5	7.4
Construction-in-progress	0.1	0.1			0.1	0.1
Total Assets	62.2	61.5	0.5	0.5	62.7	62.0
Less: Accumulated Depreciation	(40.3)	(39.1)	(0.3)	(0.3)	(40.6)	(39.4)
Net Capital Assets	\$21.9	\$22.4	\$0.2	\$0.2	\$22.1	\$22.6

The Town's investment in capital assets for its governmental and business type activities as of June 30, 2011 was \$62.7 million less accumulated depreciation of \$40.6 million for a net investment in capital assets of \$22.1 million.

The Town's investment in capital assets for its governmental and business type activities as of June 30, 2010 was \$62.0 million less accumulated depreciation of \$39.4 million for a net investment in capital assets of \$22.6 million.

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

- \$352,533 for Infrastructure
- \$ 79,192 for Public Safety vehicles
- \$112,350 for Public Works vehicles
- \$ 39,600 for general use vehicles
- \$ 39,600 for construction in progress
- \$334,906 for buildings and improvements
- \$154,155 for equipment

Additional information on the Town's capital assets can be found on Note 13 on page 55 - 56 of this report.

Long Term Debt

As of June 30, 2011, the Town had total long-term liabilities of \$6.3 million. Of that, \$4.8 million related to bonded debt guaranteed by the Town's assets, \$0.3 related to landfill monitoring costs; \$0.8 million related to compensated absences; and \$0.4 million related to leases payable.

As of June 30, 2010, the Town had total long-term liabilities of \$6.7 million. Of that, \$5.2 million related to bonded debt guaranteed by the Town's assets, \$0.3 related to landfill monitoring costs; \$0.7 million related to compensated absences; and \$0.5 million related to leases payable.

The business type activities had long-term liabilities \$10,699 at June 30, 2011. Of that, \$3,913 related to leases payable and \$6,786 related to compensated absences.

The business type activities had long-term liabilities \$17,662 at June 30, 2010. Of that, \$10,678 related to leases payable and \$6,984 related to compensated absences.

The Town's bond ratings are as follows:

- Moody's: Aa2

TOWN OF CHARLESTOWN

BASIC
FINANCIAL STATEMENTS

TOWN OF CHARLESTOWN, RHODE ISLANDSTATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 7,958,343	\$ 202,044	\$ 8,160,387
Restricted cash and cash equivalents		15,878	15,878
Investments	500		500
Receivables:			
Taxes, net	795,745		795,745
Other receivables	49,612	14,083	63,695
Internal balances	37,573	(37,573)	
Due from other governments	846,539		846,539
Prepaid expenses	172,232	1,000	173,232
Tax sale property	175,683		175,683
Total current assets	10,036,227	195,432	10,231,659
Noncurrent assets:			
Capital assets:			
Non-depreciable	7,380,997	99,500	7,480,497
Depreciable, net	14,542,037	72,688	14,614,725
Bond issuance costs	42,587		42,587
Net other post-employment benefit asset	337,484		337,484
Total noncurrent assets	22,303,105	172,188	22,475,293
TOTAL ASSETS	32,339,332	367,620	32,706,952
LIABILITIES:			
Current liabilities:			
Accounts payable	375,475	9,639	385,114
Accrued interest	161,457		161,457
Retainage payable	9,948		9,948
Due to other governments	12,227		12,227
Current portion of long-term debt	398,251	3,913	402,164
Unearned revenue	777,280		777,280
Other liabilities	91,199		91,199
Total current liabilities	1,825,837	13,552	1,839,389
Noncurrent liabilities:			
Long-term debt, net	5,902,868	6,786	5,909,654
Total noncurrent liabilities	5,902,868	6,786	5,909,654
TOTAL LIABILITIES	7,728,705	20,338	7,749,043

(CONTINUED)

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF CHARLESTOWN, RHODE ISLANDSTATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities	Business-type Activities	Total
NET ASSETS:			
Invested in capital assets, net of related debt	16,684,328	168,275	16,852,603
Restricted - nonexpendable	349,433	10,000	359,433
Restricted for:			
Community development	45,002		45,002
Education	394,436		394,436
Capital projects	402,026		402,026
Debt service	7,500		7,500
Employee severance benefits	124,643		124,643
Special purposes	1,743,519		1,743,519
Unrestricted	4,859,740	169,007	5,028,747
TOTAL NET ASSETS	\$ 24,610,627	\$ 347,282	\$ 24,957,909

(CONCLUDED)

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF CHARLESTOWN, RHODE ISLANDSTATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

<i>Functions/Programs:</i>	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 1,926,137	\$ 627,200	\$ 324,627		\$ (974,310)		\$ (974,310)
Public safety	2,513,919	51,435	30,256		(2,432,228)		(2,432,228)
Public works	2,214,498			98,582	(2,115,916)		(2,115,916)
Education	14,017,779		1,414,099		(12,603,680)		(12,603,680)
Parks and recreation	437,138	378,458	25,801	25,451	(7,428)		(7,428)
Public health and assistance	421,215				(421,215)		(421,215)
Community development	307,160		189,962		(117,198)		(117,198)
Other	2,229,651				(2,229,651)		(2,229,651)
Interest on long-term debt	213,443				(213,443)		(213,443)
Total governmental activities	24,280,940	1,057,093	1,984,745	124,033	(21,115,069)		(21,115,069)
Business-type activities:							
Residential Collection Center	192,338	168,190				\$ (24,148)	(24,148)
Coastal Pond Management	42,511	55,160				12,649	12,649
Total business-type activities	234,849	223,350	0	0	0	(11,499)	(11,499)
Total	\$ 24,515,789	\$ 1,280,443	\$ 1,984,745	\$ 124,033	(21,115,069)	(11,499)	(21,126,568)
General revenues:							
Property taxes					21,209,274		21,209,274
Unrestricted investment earnings					19,229	494	19,723
Contributions not restricted to specific programs					140,000		140,000
Transfers					(25,000)	25,000	
Total general revenues and transfers					21,343,503	25,494	21,368,997
Change in net assets					228,434	13,995	242,429
Net Assets - beginning					24,382,193	333,287	24,715,480
Net Assets - ending					\$ 24,610,627	\$ 347,282	\$ 24,957,909

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF CHARLESTOWN, RHODE ISLAND

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	General Fund	Buckeye Brook Road Phase #2	Columbia Heights Streetscapes Enhancement	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and cash equivalents	\$ 7,172,921			\$ 785,422	\$ 7,958,343
Investments				500	500
Receivables:					
Taxes, net	795,745				795,745
Other	49,612				49,612
Due from:					
Other funds	949,433			515,166	1,464,599
Other governments	89,709		\$ 395,578	361,252	846,539
Prepaid expenditures	172,232				172,232
Tax sale property	175,683				175,683
TOTAL ASSETS	\$ 9,405,335	\$ 0	\$ 395,578	\$ 1,662,340	\$ 11,463,253
LIABILITIES AND FUND BALANCE:					
LIABILITIES:					
Accounts payable	\$ 274,993			\$ 100,482	\$ 375,475
Retainage payable	9,948				9,948
Due to:					
Other funds	495,120	\$ 650,849		281,057	1,427,026
Other governments	12,227				12,227
Deferred revenues	691,728		\$ 395,578	360,414	1,447,720
Other liabilities	78,100			13,099	91,199
TOTAL LIABILITIES	1,562,116	650,849	395,578	755,052	3,363,595

(CONTINUED)

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF CHARLESTOWN, RHODE ISLAND

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011**

	<u>General Fund</u>	<u>Buckeye Brook Road Phase #2</u>	<u>Columbia Heights Streetscapes Enhancement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
FUND BALANCE:					
Nonspendable	347,915			1,518	349,433
Restricted	1,649,755			1,059,871	2,709,626
Committed				138,403	138,403
Unassigned	5,845,549	(650,849)		(292,504)	4,902,196
TOTAL FUND BALANCE (DEFICIT)	<u>7,843,219</u>	<u>(650,849)</u>	<u>0</u>	<u>907,288</u>	<u>8,099,658</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 9,405,335</u>	<u>\$ 0</u>	<u>\$ 395,578</u>	<u>\$ 1,662,340</u>	<u>\$ 11,463,253</u>

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

(CONCLUDED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET (B-1)
TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS (A-1)
JUNE 30, 2011**

Amounts reported for governmental activities in the Statement of Net Assets differ because:

Total Fund Balance (B-1)	\$ 8,099,658
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	21,923,034
Net other post-employment benefit (OPEB) asset is not reported in the governmental funds. This amount represents accumulated plan contributions in excess of annual OPEB costs.	337,484
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(6,301,119)
Deferred 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.	670,440
Accrued interest payable is recorded in governmental activities, but is not recorded in the funds.	(161,457)
Bond issuance costs are reported as expenditures in the Governmental Funds financial statements. The cost and related accumulated amortization is reflected as an other asset on the government-wide financial statements.	42,587
Total Net Assets (A-1)	<u><u>\$ 24,610,627</u></u>

(CONCLUDED)

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF CHARLESTOWN, RHODE ISLAND

**STATEMENT OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES),
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011**

	<u>General Fund</u>	<u>Buckeye Brook Road Phase #2</u>	<u>Columbia Heights Streetscapes Enhancement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:					
General property taxes	\$ 21,118,075				\$ 21,118,075
Intergovernmental	1,746,526			\$ 384,743	2,131,269
Departmental	994,857				994,857
Investment income	17,672			1,557	19,229
Other	490			79,520	80,010
TOTAL REVENUES	<u>23,877,620</u>	<u>\$ 0</u>	<u>\$0</u>	<u>465,820</u>	<u>24,343,440</u>
EXPENDITURES:					
Current:					
General government	1,445,759			90,731	1,536,490
Public safety	2,082,317			30,463	2,112,780
Public works	1,259,827				1,259,827
Education	13,990,236				13,990,236
Parks and recreation	384,231			22,100	406,331
Public health and assistance	421,215				421,215
Community development				307,160	307,160
Other	2,229,651				2,229,651
Debt Service:					
Principal	329,732				329,732
Interest and other costs	434,560				434,560
Capital:					
Capital outlay	421,629			430,918	852,547
TOTAL EXPENDITURES	<u>22,999,157</u>	<u>0</u>	<u>0</u>	<u>881,372</u>	<u>23,880,529</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	<u>878,463</u>	<u>0</u>	<u>0</u>	<u>(415,552)</u>	<u>462,911</u>

(CONTINUED)

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF CHARLESTOWN, RHODE ISLAND

**STATEMENT OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES),
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011**

	General Fund	Buckeye Brook Road Phase #2	Columbia Heights Streetscapes Enhancement	Other Governmental Funds	Total Governmental Funds
OTHER FINANCING SOURCES (USES):					
Transfers in	124,059			182,500	306,559
Transfers out	(572,500)			(144,059)	(716,559)
Proceeds from capital leases	142,506				142,506
Landfill monitoring	(4,078)				(4,078)
NET OTHER FINANCING SOURCES (USES)	(310,013)	0	0	38,441	(271,572)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	568,450	0	0	(377,111)	191,339
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	7,274,769	(650,849)	0	1,284,399	7,908,319
FUND BALANCE (DEFICIT) AT END OF YEAR	\$ 7,843,219	\$ (650,849)	\$0	\$ 907,288	\$ 8,099,658

(CONCLUDED)

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF CHARLESTOWN, RHODE ISLAND

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, OTHER FINANCING SOURCES (USES) AND CHANGES IN FUND BALANCE (B-2)
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES (A-2)
YEAR ENDED JUNE 30, 2011**

Net Change in Fund Balances - Total Governmental Funds (B-2):	\$ 191,339
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.	(443,745)
The governmental funds report OPEB contributions as expenditures when paid. However, in the statement of activities, differences between OPEB plan contributions and OPEB costs for the year are reported as an OPEB asset.	37,936
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences.	392,502
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in governmental funds.	50,934
Adjustment to accrued interest payable related to long-term liabilities which is required to be recorded for government-wide financial statement presentation.	6,526
Bond issuance costs are reported as expenditures in the Governmental Funds financial statements. The cost and related accumulated amortization is reflected as an other asset on the Government-wide financial statements.	<u>(7,058)</u>
Change in Net Assets of Governmental Activities in the Statement of Activities (A-2)	<u><u>\$ 228,434</u></u>

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF CHARLESTOWN, RHODE ISLAND

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011

	Residential Collection Center	Coastal Pond Management	Totals
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 111,561	\$ 90,483	\$ 202,044
Restricted cash and cash equivalents		15,878	15,878
Receivables, net	13,908	175	14,083
Prepaid expenses	1,000		1,000
Total Current Assets	126,469	106,536	233,005
Noncurrent Assets:			
Net capital assets	172,188		172,188
Total Noncurrent Assets	172,188	0	172,188
TOTAL ASSETS	298,657	106,536	405,193
LIABILITIES:			
Current Liabilities:			
Accounts payable	6,947	2,692	9,639
Due to other funds	30,108	7,465	37,573
Capital leases payable	3,913		3,913
Total Current Liabilities	40,968	10,157	51,125
Noncurrent Liabilities:			
Accrued compensated absences	6,786		6,786
Total Noncurrent Liabilities	6,786	0	6,786
TOTAL LIABILITIES	47,754	10,157	57,911
NET ASSETS:			
Invested in capital assets, net of related debt	168,275		168,275
Restricted for endowment		10,000	10,000
Unrestricted	82,628	86,379	169,007
TOTAL NET ASSETS	\$ 250,903	\$ 96,379	\$ 347,282

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF CHARLESTOWN, RHODE ISLAND

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2011**

	Residential Collection Center	Coastal Pond Management	Totals
OPERATING REVENUES:			
Charges for usage and service	\$ 168,190	\$ 55,160	\$ 223,350
Total Operating Revenues	168,190	55,160	223,350
OPERATING EXPENSES:			
Operations	85,574	14,727	100,301
Personnel	94,911	27,304	122,215
Depreciation	11,853	480	12,333
Total Operating Expenses	192,338	42,511	234,849
OPERATING INCOME (LOSS)	(24,148)	12,649	(11,499)
NONOPERATING REVENUES:			
Investment income	294	200	494
Total Nonoperating Revenues	294	200	494
INCOME (LOSS) BEFORE TRANSFERS	(23,854)	12,849	(11,005)
TRANSFERS IN	25,000	0	25,000
CHANGE IN NET ASSETS	1,146	12,849	13,995
TOTAL NET ASSETS - BEGINNING	249,757	83,530	333,287
TOTAL NET ASSETS - ENDING	\$ 250,903	\$ 96,379	\$ 347,282

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF CHARLESTOWN, RHODE ISLAND

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2011**

	Residential Collection Center	Coastal Pond Management	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 165,585	\$ 54,985	\$ 220,570
Cash paid to suppliers	(83,466)	(12,558)	(96,024)
Cash paid to employees	(95,109)	(27,304)	(122,413)
Net cash provided by (used for) operating activities	(12,990)	15,123	2,133
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers from General Fund	25,000		25,000
Decrease in due to other funds	(125,280)	(70,002)	(195,282)
Net cash used for noncapital financing activities	(100,280)	(70,002)	(170,282)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Principal payment on capital lease payable	(6,765)		(6,765)
Net cash used for capital and related financing activities	(6,765)	0	(6,765)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest on investments	294	200	494
Net cash provided by investing activities	294	200	494
NET DECREASE IN CASH AND CASH EQUIVALENTS	(119,741)	(54,679)	(174,420)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	231,302	161,040	392,342
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 111,561	\$ 106,361	\$ 217,922
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ (24,148)	\$ 12,649	\$ (11,499)
Adjustments to reconcile:			
Depreciation	11,853	480	12,333
Increase in receivables, net	(2,605)	(175)	(2,780)
Decrease in prepaid expenses	1,000		1,000
Increase in accounts payable	1,108	2,169	3,277
Decrease in accrued compensated absences	(198)		(198)
Net cash provided by (used for) operating activities	\$ (12,990)	\$ 15,123	\$ 2,133

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF CHARLESTOWN, RHODE ISLAND

STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2011

	<u>Other Post-Employment Benefit Trust Fund</u>
ASSETS:	
Cash and cash equivalents	\$ 20,466
Investments, at fair value	<u>1,420,824</u>
Total assets	<u>1,441,290</u>
 LIABILITIES	
	<u>0</u>
 NET ASSETS:	
Held in trust for other post-employment benefits	<u>\$ 1,441,290</u>

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF CHARLESTOWN, RHODE ISLAND

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2011

	Other Post-Employment Benefit Trust Fund
ADDITIONS:	
Contributions:	
Employer contributions	\$ 385,000
Total contributions	<u>385,000</u>
Investment income:	
Interest and dividends	29,704
Net realized gains on sale of investments	4,749
Net increase in fair value of investments	207,174
Total investment income	<u>241,627</u>
Total additions	<u>626,627</u>
DEDUCTIONS:	
Benefits	0
Administrative expenses	0
Total deductions	<u>0</u>
CHANGE IN NET ASSETS	626,627
NET ASSETS - BEGINNING	814,663
NET ASSETS - ENDING	<u><u>\$ 1,441,290</u></u>

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

1. REPORTING ENTITY

In accordance with the requirements of Statement No. 14 of the Governmental Accounting Standards Board, *The Financial Reporting Entity*, the accompanying basic financial statements present the Town of Charlestown (the primary government).

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

Primary Government

The Town is a municipal corporation governed by a Council/Town Administrator form of government with a five-member Town Council headed by a Council President. The Town provides the following services as authorized by its charter: public safety, highway and streets, sanitation, health and social services, culture-recreation, public improvements, planning, zoning and inspection, and general administrative services.

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

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

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

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

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

Potential component unit:

- * **Chariho Regional School District.** Education services are provided to the Town by the Chariho School District. The District serves the Towns of Charlestown, Richmond and Hopkinton, and is a separate legal entity from its member Towns with no financial interdependency. The District has a separately elected governing authority, and a separate designation of management. In addition, the Town has no ability to significantly influence operations and no accountability over fiscal matters of the School District. As a result, the Town has no oversight responsibilities and the School District's separate financial statements are not included herein.

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

1. REPORTING ENTITY (Continued)

For the purpose of these financial statements, the financial reporting entity includes only the Town of Charlestown, Rhode Island. No other organizations satisfy the criteria necessary to be categorized as component units under the requirements of GASB Statement No. 14. The potential component unit discussed above has not been included within the Town's reporting entity due to the Town's lack of financial accountability and ability to significantly influence the operations of the Chariho Regional School District.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Recently Issued Accounting Standards

The Town implemented the following pronouncements for the year ended June 30, 2011:

→ GASB Statement No. 59 - Financial Instruments Omnibus.

The adoption of this pronouncement did not have an effect on the Town's financial statements.

The Town also implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* for the year ended June 30, 2011. This pronouncement establishes standards for fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Additionally, the definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type are clarified by the provisions in this Statement. Interpretations of certain terms within the definition of the special revenue fund type have been provided and, for some governments, those interpretations may affect the activities they choose to report in those funds. The capital projects fund type definition also was clarified for better alignment with the needs of preparers and users. Definitions of other governmental fund types have also been modified for clarity and consistency. As a result of this pronouncement, \$439,293 of Special Revenue Funds' fund balance have been reclassified to the General Fund at the beginning of fiscal year 2011.

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

→ GASB Statement No. 60 - Accounting and Financial Reporting for Service Concession Arrangements, effective for the Town's fiscal year ending June 30, 2013.

→ GASB Statement No. 61 - The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34, effective for the Town's fiscal year ending June 30, 2013.

→ GASB Statement No. 62 - Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, effective for the Town's fiscal year ending June 30, 2013.

→ GASB Statement No. 63 - Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position effective for the Town's fiscal year ending June 30, 2013.

Management is in the process of determining the impact of these pronouncements on the Town's financial statements.

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

Government-Wide Financial Statements

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds and component units that are fiduciary in nature. 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. Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, receivables and payables.

Fund Financial Statements

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

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

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

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

Special Revenue Funds

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

Capital Project Funds

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

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds (Continued)

Debt Service Funds

Accounts for servicing of general long-term debt not being financed by proprietary funds. The Town did not have any debt service funds at June 30, 2011.

Permanent Funds

Permanent Funds are used to account for assets held by the Town pursuant to a trust agreement. The principal portion of these funds 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. Operating revenues of the Proprietary Funds consist of customer/taxpayer charges for uses and services and certain other miscellaneous revenues. All other revenues of the Proprietary Funds are considered non-operating sources of revenue.

Fiduciary Funds (Not included in government-wide statements)

Other Post-Employment Benefit Trust Funds

Other post-employment benefit trust funds are used to account for resources legally held in trust for the payment of benefits other than pensions. The Other Post-Employment Benefit Trust Fund accumulates resources for future retiree health benefits for eligible retirees.

Agency Funds

Agency funds account for assets held by the Town in a purely custodial capacity. Since agency funds are custodial in nature (i.e. assets equal liabilities), they do not involve the measurement of results of operations. The Town did not have any agency funds at June 30, 2011.

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Major and Non-Major Funds

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

<u>Fund</u>	<u>Brief Description</u>
Major:	
General:	See above for description
Special Revenue:	Columbia Heights Streetscapes Enhancement: accounts for grant monies received for the revitalization plan for the Columbia Heights neighborhood.
Capital Projects:	Buckeye Brook Road Phase #2: accounts for the funds needed to reconstruct the remaining portion of Buckeye Brook Road (from the end of the 2006 reconstruction to Shumankanunc Hill Road), as approved at the Financial Town Meeting on June 4, 2007.
Proprietary:	Residential Collection Center: accounts for the operation and maintenance of the Residential Collection Center. Coastal Pond Management: accounts for the operation of the Coastal Pond Management Fund.
Non-Major:	
Special Revenue:	Police Grants – JAG, MEDS Grant - R.I. Dept. of Health, Frisbee Golf Course, School Impact Fees, Hazard Mitigation, Operation Blue Riptide, Mud Cove Recreation Development, Animal Spaying/Neutering, Ninigret Park Fund, Bicentennial Fund, Green Hill/Beach Road Infiltration Grant, Developer Bond Deposits, Open Space Fees, Charlestown Community Garden, Naval Airfield Memorial, Police Forfeiture, Municipal Planning, Emergency Management Performance Grant, Birthday Committee, Trail Improvement Grant - Mud Cove, Community Development Block Grant, Bulletproof Vest, Historical and Vital Records, Ninigret Dog Park, RIHPHC Preservation is Local Grant, Energy Efficient and Conservation Block Grant, Special Donations, South Farm Trails Grant, and Comprehensive Planning Grant.
Capital Projects:	DPW – Old Coach Road Reconstruction Phase I, DPW Salt/Sand Equipment Shed, Town Capital Maintenance Fund, Police Building Fund, DPW Road Engineering, Open Space Acquisitions, RI Leap, and Pond and Beach Preservation.
Permanent:	Zenis Ellis Trust, Cemetery Fund

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

2. 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.

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

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

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

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

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 on historical trends and the periodic aging of accounts receivable. The allowance for uncollectible accounts totaled \$338,200 for property taxes. Major receivable balances for the governmental activities include property taxes and intergovernmental grants and aid. 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. Nonexchange 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 receivables are based upon historical trends and the periodic aging of accounts receivable.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in certain governmental funds. Encumbrances do not constitute expenditures or liabilities under generally accepted accounting principles.

Investments

Investments are stated at fair value. For purposes of the statements of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents. The Town's cash and cash equivalents consist of cash on hand, demand deposits, money market accounts, and short-term investments with original maturities of three months or less from the date of acquisition. Substantially all of the Town's cash and cash equivalents are held in public deposit institutions or collateralized government investment pools, which are available on a daily basis.

Short-term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

Advances to Other Funds

Noncurrent portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Transfers

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

During fiscal year 2011, there were no transfers made as budgeted subsidies.

Bond Premiums and Issuance Costs

In the governmental fund financial statements, bond premiums and issuance costs are treated as period costs in the year of issue. Bond issuance costs are shown as an "expenditure" and bond premiums are reflected as an "other financing source".

In the government-wide statements, bond premiums and issuance costs are deferred and amortized over the term of the bonds. Bond premiums are presented as an addition of the face amount of the bonds payable whereas issuance costs are recorded as other assets.

The total bond premiums at June 30, 2011 were \$35,075, while the accumulated amortization was \$14,284. The total bond issuance costs at June 30, 2011 were \$94,528, while the accumulated amortization was \$51,941.

Materials and Supplies

The costs of governmental fund-type inventories are recorded as expenditures when purchased.

Prepaid Items

Prepaid items are accounted for under the allocation method whereby a prepaid asset is established at the date of payment and subsequently amortized over the accounting periods expected to benefit from the initial payment.

Property, Plant and Equipment

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

Government-Wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets, which are recorded at their estimated fair value at the date of donation. Infrastructure, such as streets and drainage systems, are capitalized. The capitalization threshold is any individual item with a total cost equal to or greater than \$5,000.

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Statements (Continued)

Prior to July 1, 2002, governmental funds infrastructure assets were not capitalized. During fiscal year 2007, the Town conducted a detailed study of all infrastructure assets in order to have a complete inventory of its infrastructure assets and be in compliance with GASB Statement No. 34. As of June 30, 2007, the government-wide financial statements include all infrastructure assets in accordance with GASB Statement No. 34.

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

<u>Classes</u>	<u>Useful Life</u>
Buildings and improvements.....	7 - 50 years
Land improvements	15 years
Equipment.....	3 - 30 years
Vehicles.....	3 - 10 years
Infrastructure.....	20 - 50 years

Fund Financial Statements

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

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.

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.

Compensated Absences

The Town's policy is to recognize the cost of sick leave and vacation pay in governmental funds at the time payments are made. Vested sick leave and accumulated vacation pay for governmental fund employees at June 30, 2011 amounted to \$777,413. The amount of earned but unpaid vacation and sick leave relating to governmental fund employees is recorded as long-term debt in the government-wide financial statements. The liability is calculated at the rate of pay in effect at June 30, 2011.

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets

Town ordinances require an annual budget for the General Fund. The practices used in the preparation of the budget differ in certain respects from the presentation of the actual results of operations prepared in accordance with GAAP. The actual results of operations, for purposes of the Statement of Revenues and Expenditures (Non-GAAP Budgetary Basis) Budget and Actual - General Fund has been adjusted to a basis consistent with the Town's budget. Transfers of appropriations between departments require the approval of the Town Council. All annual budget appropriations lapse at fiscal year end.

The adjustments necessary to reconcile actual revenues and expenditures reported on a budgetary basis to actual revenues and expenditures reported in accordance with generally accepted accounting principles are as follows:

	<u>Revenues and Transfers</u>	<u>Expenditures and Transfers</u>
Schedule of Revenues, Expenditures and Changes in Fund		
Balance (Non-GAAP Budgetary Basis) Budget and Actual (E-2) ..	\$24,427,256	\$23,504,286
Reappropriated fund balance.....	(340,000)	
Current year encumbrances		(15,777)
Prior year encumbrances.....		32,198
Activity of funds classified with the General Fund for purposes of GASB Statement No. 54.....	<u>56,929</u>	<u>55,028</u>
Statement of Revenues, Expenditures and Changes in Fund		
Balance (B-2).....	<u>\$24,144,185</u>	<u>\$23,575,735</u>

Use of Estimates

The preparation of financial statements requires management to make assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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".

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity Classifications (Continued)

Fund Statements

Governmental fund equity is classified as fund balance. Fund balances of the governmental funds are reported separately within classifications based on a hierarchy of the constraints placed on the use of those resources. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, and unrestricted, which includes committed, assigned, and unassigned fund balance classifications.

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not expected to be converted to cash, or legally or contractually required to be maintained intact.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action of the Town Council. Those committed amounts cannot be used for any other purpose unless the Town Council removes or changes the specified use by taking the same type of action it employed to previously commit those accounts.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the Town for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Town Council or a management official delegated that authority by formal Town Council action.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The Town applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

2. 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, other financing sources (uses) 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 \$443,745 difference are as follows:

Capital outlays	\$ 648,123
Depreciation expense, net.....	<u>(1,091,868)</u>
Net adjustment.....	<u>\$ (443,745)</u>

Another element of that reconciliation explains that "the issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes financial resources of governmental funds". The details of this \$392,502 difference are as follows:

Bonds payable.....	\$ 329,732
Less: deferred charge on refunding	(4,555)
Add: issuance premium	1,926
Capital leases payable	81,772
Compensated absences	(31,373)
Landfill monitoring	<u>15,000</u>
Net adjustment.....	<u>\$ 392,502</u>

3. DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk, Deposits - Custodial credit risk is the risk that in the event of bank failure, the Town's deposits may not be returned to it. The Town does not have a policy for custodial credit risk.

The Town maintains deposits at local financial institutions. At year end, the carrying amount of such deposits was \$3,668,005 while the bank balance was \$3,765,604 of which \$243,790 was covered by federal depository insurance and \$3,521,814 was collateralized. Rhode Island General Law 35-10.1 requires that public deposits which are time deposits with maturities greater than 60 days be insured or pledged by collateral. In addition, collateral must be insured or pledged for depository institutions, which do not meet minimum capital standards. The Town of Charlestown was in compliance with this law at June 30, 2011.

The carrying value of the Town's deposits and investments related to the Town's Statement of Net Assets (A-1) totals as follows:

Unrestricted cash deposits.....	\$3,668,011
Petty cash.....	3,075
Investments classified as cash equivalents	4,489,301
Investments classified as restricted cash equivalents.....	<u>15,878</u>
Total cash and cash equivalents – (A-1).....	<u>\$8,176,265</u>

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

3. DEPOSITS AND INVESTMENTS (Continued)

Investments

The Town accounts for its investments in accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," which requires that investments be reported at fair value. Fair values are established by quoted market values. Unrealized gains and losses from changes in fair value are recognized as investment income.

Investments included in the fiduciary fund for the Other Post-Employment Benefits (OPEB) trust fund are valued at fair value. Securities traded on national exchanges are valued at the latest reported sales prices.

Interest rate risk - The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Town minimizes its exposure to interest rate risk by investing in short-term, highly liquid investments.

The Town does not hold long-term investments other than those managed by the trustee of the OPEB trust fund. Managed investments are subject to interest rate risk. The risk associated with OPEB investments is mitigated by evaluation of the portfolio performance by the Town's Trust Investment Consortium. The Town receives monthly investment performance reports from the OPEB trust fund trustee and the Consortium meets quarterly to evaluate the trust's activity in comparison to the investment performance policies set forth in the OPEB trust investment policy statement.

Custodial Credit Risk, Investments - The Town does not have a formal custodial credit risk policy. Custodial credit risk is the risk that in the event of financial institution failure, the Town's investments may not be returned or the Town will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

Concentration of Credit Risk - At June 30, 2011, the Town had 100% of its non fiduciary fund investments concentrated in collateralized local government investment pools. The Collateralized Local Government Investment Pool (LGIP) invests public-sector funds only in U.S. Treasury and other U.S. Government securities permitted under Rhode Island law. The LGIP's provides collateral at a 102% minimum. The LGIP is fully compliant with all Rhode Island laws, investment guidelines and collateral requirements, and is managed within the guidelines of a registered SEC 2-a7-type fund.

The OPEB trust fund held the following investments, which represent five percent or more of the net assets available for benefits at June 30, 2011:

Vanguard Intermediate - Term Bond Index fund, fixed income mutual fund.....	\$77,883
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(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

3. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

In accordance with the Home Rule Charter of the Town, the responsibility for conducting investment transactions resides with the Town Treasurer after consultation with the Town Administrator. As outlined in the Town's investment manual, funds of the Town may be invested in the following instruments:

- U.S. Treasury Bills
- Short term obligations of U.S. Government agencies
- Treasury bills and notes maturing within one (1) year
- Insured or collateralized certificates of deposit
- Repurchase agreements collateralized by U.S. Treasury securities
- State investment pools
- Money market mutual funds whose portfolios consist of a majority of U.S. Government securities or in broadly diversified money market instruments which are based in Rhode Island
- A1/P1 rated commercial paper secured by an irrevocable line of credit
- BBB (S&P) and higher rated bonds issued by corporations and utilities

The OPEB trust fund trustee retains the discretion to invest and reinvest fund assets within the guidelines of the OPEB trust fund's "Investment Policy Statement and Implementation Strategy". The fund's primary investment objective is providing consistent long-term growth of principal and income without undue exposure to risk. The investment objective is to achieve a total return including appreciation which will satisfy the financial needs of the Post Retirement Plan, protect and increase its long-term inflation adjusted value, and minimize short run volatility.

As of June 30, 2011, investments other than those included in the Fiduciary Fund included:

<u>Description</u>	<u>Fair Value</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Rating</u>
Series H Bond	\$ 500	0.75%	N/A	
Collateralized Local Government Investment Pool	<u>4,505,179</u>	Varies Daily (1)	Daily	(not rated)
<i>Subtotal</i>	<u>\$4,505,679</u>			

(1) Average daily rate of 0.06% for June 2011.

Reconciliation to Government-wide Statement of Net Assets:

Investments	\$ 4,505,679
Less: investments classified as cash equivalents	<u>(4,505,179)</u>
<i>Total investments (A-1)</i>	<u>\$ 500</u>

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

3. DEPOSITS AND INVESTMENTS (Continued)

Reconciliation to Government-wide Statement of Net Assets (Continued):

Investments included in the Fiduciary Fund consisted of the following at June 30, 2011:

<u>Description</u>	<u>Fair Value</u>	<u>Percentage of Portfolio at Year End</u>	<u>Maturity</u>	<u>Credit Rating</u>
U.S. Government agencies:				
Federal Home Loan Bank.....	\$ 25,651	1.8%	1/10/18	AA+
Federal Farm Credit Bank	<u>24,582</u>	<u>1.7%</u>	10/13/20	AA+
Subtotal.....	<u>50,233</u>	<u>3.5%</u>		
Corporate bonds:				
Bank of America	25,512	1.8%	9/1/15	A
General Electric Capital Corp	26,992	1.9%	9/21/15	AA+
General Electric	<u>25,706</u>	<u>1.8%</u>	1/7/21	AA+
Subtotal.....	<u>78,210</u>	<u>5.5%</u>		
Municipal bonds:				
New Jersey Environmental	25,818	1.8%	9/1/19	AAA
New York, NY GO.....	25,049	1.8%	10/1/18	AA
Northborough, MA GO	28,680	2.0%	10/15/18	Aa2
Pittsburgh, PA Urban Development....	<u>26,374</u>	<u>1.9%</u>	5/1/17	AA
Subtotal.....	<u>105,921</u>	<u>7.5%</u>		
Corporate equity securities	<u>780,276</u>	<u>54.9%</u>	(not applicable)	(not rated)
Equity mutual funds	<u>220,665</u>	<u>15.5%</u>	(not applicable)	(not rated)
Fixed income mutual funds.....	<u>185,519</u>	<u>13.1%</u>	(not applicable)	AA
Total Investments	<u>\$1,420,824</u>	<u>100.0%</u>		

4. TAXES RECEIVABLE AND DEFERRED REVENUE

Taxes are assessed each December 31, and the levy thereon may be paid in full or quarterly, without penalty, at the taxpayer's option. A 12% penalty is imposed for all taxes in an overdue status.

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.

Unpaid property taxes at June 30, 2011 include delinquent installments of the current and prior years. The Town does not record interest earned on delinquent taxes until payment is received. Delinquent installments which are not received within sixty days after the close of the fiscal year are recorded as deferred revenue.

Net property taxes levied for the fiscal year 2011 were based on an assessed value of approximately \$2,760,714,709 at December 31, 2009 and amounted to \$21,015,696. Collections through June 30, 2011 amounted to \$20,594,881 which represents 98% of the total tax levy.

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

4. TAXES RECEIVABLE AND DEFERRED REVENUE (Continued)

The Town recognizes property tax revenues in accordance with Section P70, "Property Taxes" of the Codification of Governmental Accounting and Financial Reporting Standards. Unpaid property taxes as of June 30, 2011 of \$1,133,945 are recorded as a receivable, net of an allowance for uncollectible property taxes of \$338,200. Those net property taxes receivable which were not collected within the 60 days immediately following June 30, 2011 are recorded as deferred revenue and amounted to \$670,440 at June 30, 2011. Property taxes recognized as revenue for the fiscal year ended June 30, 2011 (due to their collection within the 60 days immediately following June 30, 2011) amounted to \$125,305.

5. INTERGOVERNMENTAL RECEIVABLES/PAYABLES

Intergovernmental receivables and payables consisted of the following at June 30, 2011:

	<u>Due From</u>	<u>Due To</u>
Governmental activities:		
State of Rhode Island:		
Major funds:		
General Fund.....	\$ 89,709	\$12,227
Columbia Heights Streetscapes Enhancement.....	79,116	
Non-major funds	<u>99,472</u>	
Total	<u>268,297</u>	<u>12,227</u>
Federal government:		
Major funds:		
Columbia Heights Streetscapes Enhancement.....	316,462	
Non-major funds	<u>261,780</u>	
Total	<u>578,242</u>	<u>0</u>
Total governmental activities	<u>\$846,539</u>	<u>\$12,227</u>

6. DEFINED BENEFIT PENSION PLANS

(a) General Municipal Employee's Pension Plan

Plan Description

The Town's defined benefit pension plan, Municipal Employee's Retirement System of the State of Rhode Island (MERS), provides retirement and disability benefits, annual cost-of-living adjustments, death and disability benefits to plan members and beneficiaries. MERS is an agent multiple-employer Public Employee Retirement System that acts as a common investment agent for participants. The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liabilities for benefits. The Municipal Employee's Retirement System of the State of Rhode Island issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State of Rhode Island Employee Retirement Board, 50 Service Avenue, Warwick, RI 02886. The payroll for employees covered by the System for the year ended June 30, 2011 was approximately \$1,737,914, and the Town wide payroll was approximately \$3,929,393.

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

6. DEFINED BENEFIT PENSION PLANS (Continued)

(a) General Municipal Employee's Pension Plan (Continued)

Funding Policy

MERS members are required to contribute 7.0% of their annual covered salary. The Town is required to contribute at an actuarially determined rate; the current rate is 9.94% of annual covered payroll. The contribution requirements of plan members and the Town are established and may be amended by State Statute.

<u>Year Ended June 30</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2009	\$192,378	100%	\$0
2010	\$189,650	100%	\$0
2011	\$172,977	100%	\$0

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2010 (the date of the most recent actuarial valuation) was as follows:

<u>Actuarial Valuation Date June 30</u>	<u>(A) Actuarial Value of Assets</u>	<u>(B) Actuarially Accrued Liability (AAL)</u>	<u>(B-A) Unfunded AAL</u>	<u>(A/B) Funded Ratio</u>	<u>(C) Covered Payroll</u>	<u>[(B-A)/C] UAAL as A Percentage of Covered Payroll</u>
2010	\$4,586,483	\$6,966,516	\$2,380,033	65.8%	\$1,785,091	133.3%

Annual Pension Cost

For 2011, the Town's annual pension cost of \$172,977 for MERS was equal to the Town's required and actual contributions. The required contribution was determined as part of the June 30, 2008 actuarial valuation using the entry age normal cost method with frozen initial liability. Significant actuarial assumptions include mortality rates based on the 1994 Group Annuity Mortality Tables and a retirement age of 65 or completion of service requirements, if later. The actuarial value of MERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. MERS unfunded actuarial accrued liability is being amortized as a level percentage of salary funding over a closed 30 year period.

(b) Police Pension Plan

Plan Description

All full-time police members participate in the same Municipal Employee's Retirement System of the State of Rhode Island (described above). The payroll for employees covered by the System for the year ended June 30, 2011 was approximately \$1,177,788, and the Town wide payroll was approximately \$3,929,393.

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

6. DEFINED BENEFIT PENSION PLANS (Continued)

(b) Police Pension Plan (Continued)

Funding Policy

Covered police employees are required to contribute 9.0% of their salary. The Town is required to contribute at an actuarially determined rate; the current rate is 24.03% of annual covered payroll. The contribution requirements of plan members and the Town are established and may be amended by State Statute.

<u>Year Ended June 30</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2009	\$288,971	100%	\$0
2010	\$276,922	100%	\$0
2011	\$282,782	100%	\$0

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2010 (the date of the most recent actuarial valuation) was as follows:

<u>Actuarial Valuation Date June 30</u>	<u>(A) Actuarial Value of Assets</u>	<u>(B) Actuarially Accrued Liability (AAL)</u>	<u>(B-A) Unfunded AAL</u>	<u>(A/B) Funded Ratio</u>	<u>(C) Covered Payroll</u>	<u>[(B-A)/C] UAAL as A Percentage of Covered Payroll</u>
2010	\$5,935,914	\$9,940,778	\$4,004,864	59.7%	\$1,217,732	328.9%

Annual Pension Cost

For 2011, the Town's annual pension cost of \$282,782 for the Police Pension System was equal to the Town's required and actual contributions. The required contribution was determined as part of the June 30, 2008 actuarial valuation using the entry age normal cost method with frozen initial liability and adjusted on December 31, 2003 in anticipation of adopting COLA Plan C. Significant actuarial assumptions included mortality rates based on the 1994 Group Annuity Mortality Tables, and a retirement age of 60 and completion of 10 years of service, or at the later of the age 55 and completion of 25 years of service, if earlier, or completion of service requirements, if later. The actuarial value of MERS' assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. MERS unfunded actuarial accrued liability is being amortized as a level percentage of salary funding over a closed 30 year period.

The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liabilities for benefits. 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 2010 Annual Financial Report, which may be obtained from the administrative offices of the State of Rhode Island Retirement Board, 50 Service Avenue, Warwick, Rhode Island, 02886. This report is the most recent report available from the State, who administers the Plan.

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

6. DEFINED BENEFIT PENSION PLANS (Continued)

Annual Pension Cost (Continued)

The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The information presented in the required supplementary schedules was determined as part of the annual actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

	<u>General Municipal Employees Pension Plan</u>	<u>Municipal Police Pension Plan</u>
Valuation date	6/30/10	6/30/10
Actuarial cost method	Entry Age Normal Cost	Entry Age Normal Cost
Amortization method	Level Percent Closed	Level Percent Closed
Remaining amortization period.....	19 years	19 years
Asset valuation method	5-year Smoothed Market Value	5-year Smoothed Market Value
Actuarial assumptions:		
Investment rate of return	7.50%, compounded annually	7.50%, compounded annually
Projected salary increases	4.0%-8.0%, compounded annually	4.25%-14.25%, compounded annually
Cost-of-living adjustments	3.0% not compounded	3.0% not compounded
Inflation adjustments	3.0%	3.0%

(c) Other Retirement Plans

In addition to the Municipal and Police MERS, the Town also offers one self-funded plan as described below:

Town Funded Retirement Benefits

During fiscal year 2011, the Town provided retirement benefits to two former employees. These pensions are self-funded by the Town on a pay-as-you-go basis. One of the pensions is based on a fixed annual amount of \$4,800 and is payable for the remainder of the retiree's life. The other pension has a June 30, 1987 base amount of \$9,000 and is increased annually by 3%. In addition, if the retiree predeceases his spouse, then the surviving spouse is entitled to 50% of the benefits for the remainder of the spouse's life or until the spouse remarries. For the year ended June 30, 2011, the total cost to the Town for providing retirement benefits to these two retirees amounted to \$13,681.

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2011

7. INTERFUND BALANCES

Interfund receivable and payable balances at June 30, 2011 are as follows:

	Due From Other Funds	Due To Other Funds
Governmental activities:		
Major funds:		
General Fund.....	\$ 949,433	\$ 495,120
Buckeye Brook Road Phase #2.....		650,849
Non-major funds	515,166	281,057
Total governmental activities	<u>\$1,464,599</u>	<u>\$1,427,026</u>
Business-type activities:		
Major funds:		
Residential Collection Center.....		\$30,108
Coastal Pond Management.....		7,465
Total business-type activities	<u>\$ 0</u>	<u>\$37,573</u>

8. LONG-TERM LIABILITIES

(a) Long-Term Liability Activity

Long-term liability activity for the year ended June 30, 2011 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Long-term debt:					
General obligation debt.....	\$5,156,870		\$329,732	\$4,827,138	\$183,450
Leases payable.....	472,549	\$142,506	224,278	390,777	121,801
Subtotal.....	5,629,419	142,506	554,010	5,217,915	305,251
Plus: bond premium, net of amortization.....	22,717		1,926	20,791	
Less: amount deferred on refunding.....	(4,555)		(4,555)	0	
Total long-term debt	<u>5,647,581</u>	<u>142,506</u>	<u>551,381</u>	<u>5,238,706</u>	<u>305,251</u>
Other long-term liabilities:					
Compensated absences.....	746,040	363,759	332,386	777,413	78,000
Landfill monitoring costs.....	300,000		15,000	285,000	15,000
Total other long-term liabilities	<u>1,046,040</u>	<u>363,759</u>	<u>347,386</u>	<u>1,062,413</u>	<u>93,000</u>
Governmental activities:	<u>\$6,693,621</u>	<u>\$506,265</u>	<u>\$898,767</u>	<u>\$6,301,119</u>	<u>\$398,251</u>
Business-Type Activities:					
Long-term debt:					
Leases payable.....	\$ 10,678	\$ 0	\$ 6,765	\$ 3,913	\$ 3,913
Other long-term liabilities:					
Compensated absences.....	6,984	5,502	5,700	6,786	0
Business-type activities:	<u>\$ 17,662</u>	<u>\$ 5,502</u>	<u>\$ 12,465</u>	<u>\$ 10,699</u>	<u>\$ 3,913</u>

All debt of the governmental activities is general obligation debt. Payments on all long-term debt and other long-term liabilities that pertain to the Town's governmental activities are made by the general fund.

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

8. LONG-TERM LIABILITIES (Continued)

(b) Debt Maturity

At June 30, 2011, the Town had \$4,190,000 of remaining authorized unissued bond authority.

Annual principal and interest requirements on long-term liabilities are as follows:

<u>Year ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 183,450	\$ 204,863	\$ 388,313
2013	184,955	198,483	383,438
2014	186,528	191,660	378,188
2015	188,172	184,766	372,938
2016	189,890	177,422	367,312
2017 - 2021	978,046	773,018	1,751,064
2022 - 2026	734,187	569,539	1,303,726
2027 - 2031	354,149	461,101	815,250
2032 - 2036	441,333	373,917	815,250
2037 - 2041	549,983	265,267	815,250
2042 - 2046	685,377	129,873	815,250
2047	151,068	6,927	157,995
Totals.....	\$4,827,138	\$3,536,836	\$8,363,974

At June 30, 2011, the Town was in compliance with Rhode Island General Law 45-12-2 which places a 3% cap on the ratio of the Town's maximum aggregate indebtedness, excluding debt in the enterprise funds, to taxable property.

(c) Bonds Outstanding

Bonds payable at June 30, 2011 consisted of the following:

	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Original Issue</u>	<u>Balance June 30, 2011</u>
General obligation serial bonds:					
Open Space bond.....	2.25% - 4.30%	2/12/04	2/1/24	\$3,000,000	\$1,950,000
USDA bond.....	4.50%	7/28/06	7/28/46	\$3,000,000	<u>2,877,138</u>
Total general obligation bonds					<u>\$4,827,138</u>

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

8. LONG-TERM LIABILITIES (Continued)

(d) Capital Leases

The Town has several lease agreements for financing the acquisition of various public works and public safety equipment.

The assets acquired through capital leases are as follows:

Governmental Activities

	<u>Public Safety</u>	<u>Public Works</u>
Assets:		
Vehicles and equipment.....	\$ 522,807	\$1,346,033
Less: accumulated depreciation.....	(312,187)	(817,532)
Total	<u>\$ 210,620</u>	<u>\$ 528,501</u>

Business-type Activities

	<u>Residential Recycling Center</u>
Assets:	
Equipment.....	\$31,025
Less: accumulated depreciation.....	<u>0</u>
Total	<u>\$31,025</u>

The following schedule summarizes the future minimum lease payments under those capital leases, and the present value of the net minimum lease payments at June 30, 2011:

<u>Fiscal year ending June 30:</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2012	\$140,097	\$4,090
2013	94,947	
2014	94,946	
2015	70,889	
2016	17,836	
Thereafter	17,837	
Total minimum lease payments	436,552	4,090
Less: amount representing interest.....	(45,775)	(177)
Present value of future minimum lease payments	<u>\$390,777</u>	<u>\$3,913</u>

9. OPERATING LEASE

Effective February 16, 2010, the Town entered into a five-year operating lease agreement with an unrelated third party for the installation, maintenance, and operation of a telecommunications system located at the police station. The lease agreement ends on July 31, 2015, and provides four additional five-year terms at the option of the lessee. The lease agreement requires the lessee to pay monthly rent to the Town of \$500 as base rent. The base rent shall be increased by 3% each year effective August 1, 2011, and increase 3% each year thereafter. Rental income for the year ended June 30, 2011 was \$5,500.

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

9. OPERATING LEASE (Continued)

Future minimum rental income to be received under the lease agreement is as follows:

<u>June 30</u>	
2012	\$ 6,180
2013	6,360
2014	6,552
2015	6,756
2016	580
Total	<u>\$26,428</u>

The asset held for lease is as follows:

Governmental Activities

	<u>General Government</u>
Asset:	
Telecommunication tower.....	\$ 140,000
Less: accumulated depreciation.....	<u>(7,000)</u>
Total	<u>\$ 133,000</u>

10. CONTINGENT LIABILITIES

Grants

Under the terms of federal and state grants, periodic compliance audits by the grantors or their representatives are required and, consequently, certain costs may be questioned as not being appropriate, and result in reimbursement to the grantor agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies could not be determined at this time. Town officials believe that such disallowances, if any, would not be material.

Litigation

The Town is a defendant in various lawsuits. Management estimates that the potential claims against the Town not recorded in the accompanying basic financial statements resulting from such litigation would not materially affect the basic financial statements.

11. LANDFILL ENTERPRISE FUND - CLOSURE AND POSTCLOSURE CARE COSTS

The Town accounts for its closure and postclosure care costs under GASB Statement No. 18. This Statement is based on the October 9, 1991, U.S. Environmental Protection Agency (EPA) rule, "Solid Waste Disposal Facility Criteria," which establishes closure requirements for all municipal solid waste landfills (MSWLF's) that receive solid waste after October 9, 1991. The EPA rule also establishes thirty-year postclosure care requirements for MSWLF's that accept solid waste after October 9, 1993. The effect of the EPA rule and similar state laws or regulations is to obligate MSWLF owners and operators to perform certain closing functions and postclosure monitoring and maintenance functions as a condition for the right to operate the MSWLF in the current period.

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

11. LANDFILL ENTERPRISE FUND - CLOSURE AND POSTCLOSURE CARE COSTS (Continued)

State and federal laws and regulations require the Town to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the Town reported a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The Town closed the Landfill effective June 30, 2000. General Fund postclosure costs incurred during the fiscal year ended June 30, 2011 totaled \$4,078. Postclosure monitoring costs were originally estimated at \$50,000 to \$100,000 per year. Based upon revised estimates from an independent consultant, the costs should approximate \$15,000 annually for the remaining 19 years. These estimates are based on an independent evaluation of the cost to perform postclosure monitoring. The annual estimated postclosure monitoring costs have decreased significantly from the prior year amount of \$59,265. In fiscal year 2010, the Rhode Island Department of Environmental Management approved a reduction in the scope of the Town's postclosure monitoring activities resulting in the associated cost reductions. Actual costs may be higher due to inflation, changes in technology or changes in regulation. Annual postclosure monitoring costs are expected to be funded through General Fund appropriations.

12. FUND EQUITY

(a) Fund Balance Constraints

The constraints on fund balance as reported in aggregate in the Governmental Funds Balance Sheet are detailed below according to fund balance classification.

	General Fund	Columbia Buckeye Brook Road Phase #2	Heights Streetscapes Enhancements	Other Governmental Funds	Total Governmental Funds
Nonspendable:					
Perpetual care				\$ 1,518	\$ 1,518
Tax sale property	\$ 175,683				175,683
Prepaid expenditures	172,232				172,232
Restricted for:					
General government	308,899			200,238	509,137
Public safety				8,790	8,790
Parks and recreation				9,379	9,379
Community development ..				45,002	45,002
Education				394,436	394,436
Capital projects				402,026	402,026
Debt service	7,500				7,500
Employee severance benefits	124,643				124,643
Amounts not due within one year	908,713				908,713
Subsequent year's budget.	300,000				300,000
Committed to:					
Parks and recreation				138,403	138,403
Unassigned	<u>5,845,549</u>	<u>\$(650,849)</u>		<u>(292,504)</u>	<u>4,902,198</u>
Total Fund Balances	<u>\$7,843,219</u>	<u>\$(650,849)</u>	<u>\$0</u>	<u>\$ 907,288</u>	<u>\$8,099,658</u>

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

12. FUND EQUITY (Continued)

(b) Net Assets

Restriction of net assets at June 30, 2011 were as follows:

Enterprise Funds:

Restriction for endowment \$ 10,000

(c) Fund Deficits

The following funds had cumulative deficits at June 30, 2011:

Major Governmental Funds:

Buckeye Brook Road Phase # 2 \$650,849

Non-major Governmental Funds:

Hazard Mitigation	\$ 207
Mud Cove Recreation Development	6,512
DPW - Old Coach Road Reconstruction Phase 1	257,864
DPW Salt/Sand Equipment Shed	27,921

The deficits in the funds listed above will be funded by General Fund contributions.

13. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 7,241,614			\$ 7,241,614
Construction-in-progress	132,466	\$ 317,352	\$(310,435)	139,383
Total capital assets not being depreciated	<u>7,374,080</u>	<u>317,352</u>	<u>(310,435)</u>	<u>7,380,997</u>
Other capital assets:				
Buildings and improvements	6,964,294	334,906		7,299,200
Equipment	934,789	154,155	(62,508)	1,026,436
Vehicles	2,995,532	231,142	(369,022)	2,857,652
Infrastructure	43,258,587	352,533		43,611,120
Total other capital assets	<u>54,153,202</u>	<u>1,072,736</u>	<u>(431,530)</u>	<u>54,794,408</u>
Less: accumulated depreciation for:				
Buildings and improvements	(1,741,991)	(166,694)		(1,908,685)
Equipment	(585,974)	(96,763)	23,962	(658,775)
Vehicles	(2,106,674)	(258,108)	350,934	(2,013,848)
Infrastructure	(34,725,864)	(945,199)		(35,671,063)
Total accumulated depreciation	<u>(39,160,503)</u>	<u>(1,466,764)</u>	<u>374,896</u>	<u>(40,252,371)</u>
Other capital assets, net	<u>14,992,699</u>	<u>(394,028)</u>	<u>(56,634)</u>	<u>14,542,037</u>
Governmental activities capital assets, net	<u>\$22,366,779</u>	<u>\$ (76,676)</u>	<u>\$(367,069)</u>	<u>\$21,923,034</u>

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

13. CAPITAL ASSETS (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets not being depreciated:				
Land.....	\$ 99,500			\$ 99,500
Total capital assets not being depreciated ..	<u>99,500</u>	<u>\$ 0</u>	<u>\$0</u>	<u>99,500</u>
Other capital assets:				
Buildings.....	18,550			18,550
Land improvements.....	113,684			113,684
Machinery and equipment.....	230,464			230,464
Total other capital assets.....	<u>362,698</u>	<u>0</u>	<u>0</u>	<u>362,698</u>
Less: accumulated depreciation for:				
Buildings.....	(18,548)			(18,548)
Land improvements.....	(75,790)	(7,579)		(83,369)
Machinery and equipment.....	(183,339)	(4,754)		(188,093)
Total accumulated depreciation.....	<u>(277,677)</u>	<u>(12,333)</u>	<u>0</u>	<u>(290,010)</u>
Other capital assets, net.....	<u>85,021</u>	<u>(12,333)</u>	<u>0</u>	<u>72,688</u>
Business-type activities capital assets, net.....	<u>\$ 184,521</u>	<u>\$(12,333)</u>	<u>\$0</u>	<u>\$ 172,188</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government.....	\$ 60,482
Public safety.....	266,038
Recreation.....	22,719
Public works.....	1,095,525
Education.....	22,000
Total governmental activities.....	<u>\$1,466,764</u>
Business-type activities:	
Residential Collection Center.....	\$11,853
Coastal Pond Management.....	480
Total business type activities.....	<u>\$12,333</u>

14. DEFERRED COMPENSATION PLAN

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

During the year ended June 30, 1998, the Town implemented the Governmental Accounting Standards Board, Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. All assets and income of the Plan are held in trust for the exclusive benefit of the participants and their beneficiaries. As a result, deferred compensation investments and the respective liability have been removed from the Town's financial statements for the year ended June 30, 2011.

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

15. RISK MANAGEMENT

The Town of Charlestown is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; injuries to employees; and natural disasters. As a result, the Town participates in a non-profit, public entity risk pool (Rhode Island Interlocal Risk Management Trust, Inc.) which provides coverage for property/liability claims and workers' compensation claims. Upon joining the Trust, the Town signed a participation agreement, which outlines the rights and responsibilities of both the Trust and the Town. The agreement states that for premiums paid by the Town, the Trust will assume financial responsibility for the Town's losses up to the maximum amount of insurance purchased, minus the Town's deductible amounts. The Trust provides this insurance coverage through a pooled, self-insurance mechanism which includes reinsurance purchased by the Trust to protect against large, catastrophic claims above the losses the Trust retains internally for payment from the pooled contributions of its Members. Under the participation agreement, the Town is insured for a maximum of \$5,000,000 per occurrence. Settled claims resulting from these risks have not exceeded the Trust Coverage in any of the past sixteen fiscal years.

The Trust is obligated to make payments on the Town's behalf without any further obligation of the Town, unless the Town's applicable limit of liability was exhausted by the size of the loss or the nature of the loss would fall outside the parameters of the Trust policy. As of June 30, 2011, the Town believes there is minimal, if any, potential exposure for outstanding claims which would fall outside the parameter of the Trust policy.

16. COMMUNITY SEPTIC LOAN PROGRAM

On June 9, 1999, 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 \$500,000 non-restoring line-of-credit. The proceeds of the loan shall be used by the Town for the establishment and 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. As of June 30, 2011, the amount of loans outstanding under this program was approximately \$399,749.

17. INTERFUND TRANSFERS

Interfund transfers for fiscal year ended June 30, 2011 are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental activities:		
Major funds:		
General Fund	\$124,059	\$572,500
Non-major funds	182,500	144,059
Total governmental activities	<u>\$306,559</u>	<u>\$716,559</u>
Business-type activities:		
Major funds:		
Residential Collection Center	\$ 25,000	
Total business-type activities	<u>\$ 25,000</u>	<u>\$ 0</u>
Fiduciary funds:		
Other Post-Employment Benefit Trust Fund	\$385,000	\$ 0

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

18. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Description

The cost of post-employment health care benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in future years when it will be paid. The Town adopted the requirements of GASB No. 45 during the year ended June 30, 2009, and recognizes the cost of post-employment healthcare in the year when the employee services are rendered, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the Town's future cash flows.

The Town of Charlestown's OPEB Plan is a single-employer defined benefit plan offering individual or two-party (spousal) health insurance to police retirees and retirees of the Charlestown Professional Management Association (CPMA). Police and CPMA retirees vest for OPEB when they vest for pension benefits. Police retirees hired before July 1, 2006, who retire on or after January 1, 2008, are required to contribute 10% of the cost of their health insurance. Police retirees hired on or after July 1, 2006 are required to contribute 15% of the cost of their health insurance. CPMA retirees hired on or before June 30, 1996, who retire after June 30, 2007, are required to contribute 15% of the cost of their health insurance. CPMA retirees hired after June 30, 1996 are not eligible for OPEB. Members of the police union can choose individual, two-party (spousal) or family coverage when active, which is paid by the Town with a required 10% or 15% employee contribution based on their date of hire. CPMA members may also choose individual, two-party (spousal) or family coverage when active, which is paid by the Town with a required 15% employee contribution. Police and CPMA members who retire prior to the age of 65 remain in their pre-retirement medical plan from the date of retirement until age 65. At age 65, police and CPMA retirees enter Plan 65. Police retirees and their spouses age 65 or older are also reimbursed for Medicare Part B premiums.

The latest actuarial valuation was performed July 1, 2009. The post-retirement plan does not issue a stand-alone financial report.

Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting

In fiscal year 2009, the Town established an OPEB trust fund to fund future OPEB liabilities. The OPEB trust fund financial statements are prepared on the accrual basis of accounting. Contributions are recognized when due, pursuant to formal budgetary commitments and contractual requirements. Investment income is recognized when earned and expenses (benefits and administration) are recognized when they are due and payable in accordance with the terms of the plan.

Classes of Employees Covered

As of July 1, 2009 (date of the last actuarial valuation) membership data consisted of the following:

	<u>CPMA</u>	<u>Police</u>	<u>Total</u>
Active employees	5	18	23
Retirees and beneficiaries currently receiving benefits	<u>7</u>	<u>16</u>	<u>23</u>
Total	<u>12</u>	<u>34</u>	<u>46</u>

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

18. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

Benefit Provisions and Contributions

Benefit Provisions

The Town plan provides for medical benefits for all eligible Police and CPMA retirees and their spouses. Benefits and contributions are established by contract and may be amended by union negotiations. Administration costs are financed from investment earnings.

Employer Contributions

The Town's contributions are actuarially determined on a three-year cycle using the level percent amortization method. Contributions made during fiscal year 2011 totaling \$566,000 consist of the current year general fund appropriation of \$385,000 and \$181,000 of general fund pay-as-you-go benefit payments and implicit rate subsidies.

Summary Financial Information

The Other Post-Employment Benefit Trust summary financial information reported in the financial statements is as follows:

**STATEMENT OF FIDUCIARY NET ASSETS
OTHER POST-EMPLOYMENT BENEFIT TRUST FUND
JUNE 30, 2011**

Assets:	
Cash and cash equivalents.....	\$ 20,466
Investments, at fair value.....	<u>1,420,824</u>
Total	<u>1,441,290</u>
Liabilities	<u>0</u>
Net Assets:	
Net assets held in trust for OPEB benefits	<u>\$1,441,290</u>

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

18. **OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)**

Summary Financial Information (Continued)

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
OTHER POST-EMPLOYMENT BENEFIT TRUST FUND
YEAR ENDED JUNE 30, 2011

Additions:	
Employer contributions	\$ 385,000
Investment income, net of investment expenses	29,704
Realized investment gains	4,749
Unrealized investment gains	<u>207,174</u>
Total additions	<u>626,627</u>
Deductions:	
Benefits	0
Administration	<u>0</u>
Total deductions	<u>0</u>
Changes in Net Assets	626,627
Net Assets - July 1, 2010	<u>814,663</u>
Net Assets - June 30, 2011	<u>\$1,441,290</u>

Annual OPEB Cost and Net OPEB Obligation

The Town's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation.

Annual required contribution	\$ 527,000
Interest on net OPEB obligation	(22,466)
Adjustment to annual required contribution	<u>23,530</u>
Annual OPEB cost (expense)	<u>528,064</u>
Contributions made:	
Employer contributions	385,000
Retiree benefit payments	<u>181,000</u>
Total contributions made	<u>566,000</u>
Increase (decrease) in net OPEB obligation	(37,936)
Net OPEB obligation, (asset) - July 1, 2010	<u>(299,548)</u>
Net OPEB obligation, (asset) June 30, 2011	<u>\$ (337,484)</u>

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

18. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009, 2010, and 2011 is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation/(Asset)</u>
June 30, 2009	\$385,000	165.4%	\$(251,782)
June 30, 2010	\$401,234	111.9%	\$(299,548)
June 30, 2011	\$528,064	107.2%	\$(337,484)

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2009 (the date of the most recent actuarial valuation) was as follows:

<u>Actuarial Valuation Date</u>	<u>(A) Actuarial Value of Assets</u>	<u>(B) Actuarially Accrued Liability (AAL) Protected Unit Credit</u>	<u>(A-B) Unfunded AAL</u>	<u>(A/B) Funded AAL Ratio</u>	<u>(C) Covered Payroll</u>	<u>[(A-B)/C] Under Funded AAL as A Percentage of Covered Payroll</u>
July 1, 2009	\$502,000	\$4,947,000	\$4,445,000	10.2%	Not Available	N/A

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to basic financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liabilities for benefits.

Actuarial Methods and Assumptions

The accompanying schedules of employer contributions present trend information about the amounts contributed to the plan by employers in comparison to the ARC, an amount that is actuarially determined in accordance with the parameters of GASB Statement 43. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed twenty years for Police and thirty years for CPMA.

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

18. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

Actuarial Methods and Assumptions (Continued)

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. Actuarial calculations reflect a long-term perspective. Consistent with the perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The annual OPEB cost was determined as part of the actuarial valuation as of July 1, 2009. Only assets that have been contributed to the OPEB Trust are considered available for liabilities for purposes of the valuation. Assets are valued at fair market value. Additional information and assumptions used as of the last actuarial valuation is summarized below:

Discount Rate	7.50% (net of administrative expenses)
Amortization Method	Level Percent
Amortization Growth	3.00%
Amortization Period (decreasing).....	30 years (CPMA) 20 years (Police)
Valuation Type	Closed Group
Initial medical inflation rate.....	6.3%
Ultimate medical inflation rate.....	4.6%
Years until ultimate inflation rate reached	52 years

19. PUBLIC ENTITY RISK POOL

The Health Pool

The Town participates in a public entity risk pool through the Rhode Island Interlocal Risk Management Trust (the Trust) entitled the Health Pool (the Pool), formerly known as The Governmental Health Group of Rhode Island, Inc through June 22, 2010. The Pool is part of a not-for-profit organization (the Trust) formed to provide programs of liability, workers compensation, and health insurance coverage to Rhode Island cities, towns and other governmental units. The Pool is governed by the Trust Board of Directors (Board).

Upon joining the Pool, members execute a member agreement. That document, pursuant to which the Pool was established and operates, outlines the rights and responsibilities of both the members and the Pool. Members of the Pool participate in the Pool's health insurance plan administered through the Trust and Blue Cross Blue Shield of Rhode Island (BCBSRI).

Using the rate calculations prepared by BCBSRI, the Trust sets annual contribution rates for the subscribers of each member for each program offered. The Pool agreement requires that those contribution rates be set at a level sufficient, in the aggregate, to satisfy the funding requirements of the Pool. The contributions of each member are used to pay for claims, reinsurance and all administrative expenses. The Pool agreement provides for an annual independent audit of its financial statements.

A member's share of surplus or deficit is equal to the ratio of the member's subscribers (employees and retirees) participating in the Pool's plan for each month of a policy year divided by the sum of all subscribers in the Pool for the same period.

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

19. PUBLIC ENTITY RISK POOL (Continued)

The Health Pool (Continued)

The Pool agreement provides the Trust's Board a discretionary, fully allocable assessment feature with respect to specified circumstances.

After it has been a member of the Pool for an initial three-year period, a member may withdraw from the Pool by providing the Trust's Board with 90 days notice; liquidated damages would also be assessed at that time. The Trust may terminate a member's coverage for failure to pay amounts due.

For the year ended June 30, 2011, unaudited results indicate that the Pool generated \$97,302,780 in revenues and excess of expenses over revenues of \$7,537,316. The Pool had \$29,248,169 in total assets and \$12,915,179 in total equity as of June 30, 2011.

The Pool retains certain levels of insurance risk. Specific losses in excess of \$1 million to a limit of \$2 million are covered by a Backstop Account internal to the Trust that is funded by annual Backstop Account payments from the Health Pool. As of June 30, 2011, the Pool's membership consisted of 39 cities, towns or other governmental units.

Separate financial statements are available at the RI Interlocal Risk Management Trust, 501 Wampanoag Trail, Suite 301, East Providence, RI 02915.

(CONCLUDED)

TOWN OF CHARLESTOWN

REQUIRED SUPPLEMENTARY
INFORMATION

TOWN OF CHARLESTOWN, RHODE ISLAND
REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date <u>June 30,</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) <u>(b)</u>	(Overfunded) Unfunded AAL (UAAL) <u>(b-a)</u>	Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL as a Percentage of Covered Payroll <u>((b-a)/c)</u>
<u>General Employees – Municipal Employees' Retirement System</u>						
2008	\$3,953,467	\$5,118,158	\$1,164,691	77.2%	\$1,594,344	73.1%
2009	\$4,111,545	\$5,935,641	\$1,824,096	69.3%	\$1,803,892	101.1%
2010	\$4,586,483	\$6,966,516	\$2,380,033	65.8%	\$1,785,091	133.3%
<u>Police – Municipal Employees' Retirement System</u>						
2008	\$5,590,888	\$7,551,518	\$1,960,630	74.0%	\$1,127,222	173.9%
2009	\$5,813,138	\$8,128,234	\$2,315,096	71.5%	\$1,172,189	197.5%
2010	\$5,935,914	\$9,940,778	\$4,004,864	59.7%	\$1,217,732	328.9%
<u>OPEB Trust Plan</u>						
7/1/06	\$ 0	\$3,391,000	\$3,391,000	0%	Not Available	N/A
7/1/09	\$502,000	\$4,947,000	\$4,445,000	10.2%	Not Available	N/A

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**SCHEDULE OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES)
AND CHANGES IN FUND BALANCE (NON GAAP BUDGETARY BASIS)
BUDGET AND ACTUAL**

**GENERAL FUND
YEAR ENDED JUNE 30, 2011**

	Originally Adopted Budget	Final Approved Budget	Actual (Budgetary Basis)	Variance Positive (Negative)
REVENUES:				
General property taxes	\$ 21,052,222	\$ 21,052,222	\$ 21,118,075	\$ 65,853
Intergovernmental	1,567,774	1,567,774	1,686,826	119,052
Investment income	20,100	20,100	17,672	(2,428)
Departmental	772,375	772,375	994,857	222,482
Total revenues	23,412,471	23,412,471	23,817,430	404,959
EXPENDITURES:				
Current:				
General government	1,293,712	1,293,712	1,271,631	22,081
Public safety	2,156,166	2,156,166	2,085,220	70,946
Public works	1,371,020	1,371,020	1,251,653	119,367
Education	14,083,000	14,083,000	13,990,236	92,764
Recreation	417,372	417,372	380,647	36,725
Public health and assistance	424,800	424,800	421,215	3,585
Miscellaneous	2,283,081	2,283,081	2,224,751	58,330
Debt service:				
Principal	332,010	332,010	329,732	2,278
Interest and other costs	458,780	458,780	434,560	24,220
Capital:				
Capital improvements	271,530	271,530	400,563	(129,033)
Total expenditures	23,091,471	23,091,471	22,790,208	301,263
Excess of revenues over expenditures	321,000	321,000	1,027,222	706,222
Other financing sources (uses):				
Transfers from fund balance	340,000	340,000	340,000	0
Proceeds from capital leases	0	0	142,506	142,506
Transfers in	130,000	130,000	127,320	(2,680)
Transfers out	(710,000)	(710,000)	(710,000)	0
Landfill monitoring	(81,000)	(81,000)	(4,078)	76,922
Net other financing sources (uses)	(321,000)	(321,000)	(104,252)	216,748
Excess of revenues and other sources over expenditures and other uses	\$ 0	\$ 0	922,970	\$ 922,970
Less: transfer from fund balance			(340,000)	
Less: prior year encumbrances			(32,198)	
Add: current year encumbrances			15,777	
Add: excess of revenues and other sources over expenditures and other uses of funds classified with the General Fund for purposes of GASB Statement No. 54			1,901	
Fund balance, beginning of year (as retroactively reported)			7,274,769	
Fund balance, end of year			\$ 7,843,219	

TOWN OF CHARLESTOWN, RHODE ISLANDGENERAL FUND**SCHEDULE OF BUDGET ESTIMATES AND ACTUAL REVENUES
YEAR ENDED JUNE 30, 2011**

	Original and Final <u>Budget</u>	Actual <u>Revenues</u>	Variance Positive (Negative)
Property taxes:			
Current and prior years	\$ 20,932,222	\$ 20,935,042	\$ 2,820
Interest on delinquent taxes	120,000	183,033	63,033
Total property taxes	<u>21,052,222</u>	<u>21,118,075</u>	<u>65,853</u>
Intergovernmental revenues:			
State of Rhode Island including:			
Beach parking fees	23,000	23,801	801
School aid	1,342,367	1,414,099	71,732
Beverage/meals tax	98,886	100,464	1,578
Hotel tax	18,000	20,102	2,102
Public service corporation tax	76,425	88,095	11,670
Motor vehicle phaseout	0	40,265	40,265
Emergency Management grant	9,096	0	(9,096)
Total intergovernmental revenues	<u>1,567,774</u>	<u>1,686,826</u>	<u>119,052</u>
Departmental revenues:			
Town Clerk:			
Business licenses and fees	14,000	18,895	4,895
Non-business licenses and fees	3,000	5,223	2,223
Transfer stamps	135,000	169,106	34,106
Probate fees	15,000	7,948	(7,052)
Tax certificates	10,000	12,625	2,625
Recording fees	120,000	127,711	7,711
Building inspector	125,000	125,519	519
Municipal court	9,000	0	(9,000)
Police department	35,000	43,787	8,787
Recreation	15,000	39,906	24,906
Town beach parking and concessions	80,000	95,435	15,435
Beach passes	80,000	76,244	(3,756)
Blue Shutters parking and concessions	109,500	132,588	23,088
Animal control	3,000	6,913	3,913
Ninigret Park	5,600	2,517	(3,083)
Planning Board	4,500	6,445	1,945
Zoning Board and Review	4,500	5,975	1,475
Senior/Community Center	4,275	5,062	787
Other revenues	0	112,958	112,958
Total departmental revenues	<u>772,375</u>	<u>994,857</u>	<u>222,482</u>
Investment income	<u>20,100</u>	<u>17,672</u>	<u>(2,428)</u>
Other financing sources:			
Transfers from fund balance	340,000	340,000	0
Transfers in	130,000	127,320	(2,680)
Proceeds from capital leases	0	142,506	142,506
Total other financing sources	<u>470,000</u>	<u>609,826</u>	<u>139,826</u>
Total revenues and other financing sources	<u>\$ 23,882,471</u>	<u>\$ 24,427,256</u>	<u>\$ 544,785</u>

TOWN OF CHARLESTOWN, RHODE ISLANDGENERAL FUND**SCHEDULE OF APPROPRIATIONS AND ACTUAL EXPENDITURES - BUDGETARY BASIS
YEAR ENDED JUNE 30, 2011**

	Original Budget	Budget Amendments	Final Budget	Actual Expenditures and Transfers	Adjustments to Budgetary Basis	Expenditures and Transfers on Budgetary Basis	Variance Positive (Negative)
General Government:							
Central services	\$ 205,890		\$ 205,890	\$ 223,751	\$ (2,477)	\$ 221,274	\$ (15,384)
Town clerk	179,468		179,468	156,797	(381)	156,416	23,052
Treasurer	154,679		154,679	153,465		153,465	1,214
Town administrator	146,841		146,841	145,820	99	145,919	922
Tax assessor	183,590		183,590	182,228	(362)	181,866	1,724
Building inspector	138,749		138,749	129,424		129,424	9,325
Tax collector	97,392		97,392	97,578		97,578	(186)
Town planner	107,126		107,126	115,801		115,801	(8,675)
Town council	22,550		22,550	28,406		28,406	(5,856)
Elections unit	22,697		22,697	17,943	(389)	17,554	5,143
Boards, agencies, and committees	25,730		25,730	23,143	785	23,928	1,802
Municipal court	9,000		9,000	0		0	9,000
Total general government	1,293,712	\$ 0	1,293,712	1,274,356	(2,725)	1,271,631	22,081
Public Safety:							
Police department	2,051,964		2,051,964	1,988,201	(454)	1,987,747	64,217
Animal control	77,880		77,880	71,770	3,357	75,127	2,753
Civil preparedness	26,322		26,322	22,346		22,346	3,976
Total public safety	2,156,166	0	2,156,166	2,082,317	2,903	2,085,220	70,946
Public Works:							
Highway department	917,772		917,772	820,966	(7,836)	813,130	104,642
Public buildings and grounds	260,910		260,910	250,371	(13)	250,358	10,552
Administration	125,138		125,138	122,389		122,389	2,749
Wastewater management	67,200		67,200	66,101	(325)	65,776	1,424
Total public works	1,371,020	0	1,371,020	1,259,827	(8,174)	1,251,653	119,367

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLANDGENERAL FUND**SCHEDULE OF APPROPRIATIONS AND ACTUAL EXPENDITURES - BUDGETARY BASIS
YEAR ENDED JUNE 30, 2011**

	<u>Original Budget</u>	<u>Budget Amendments</u>	<u>Final Budget</u>	<u>Actual Expenditures and Transfers</u>	<u>Adjustments to Budgetary Basis</u>	<u>Expenditures and Transfers on Budgetary Basis</u>	<u>Variance Positive (Negative)</u>
Recreation:							
Participation recreation	174,860		174,860	158,840	(554)	158,286	16,574
Senior/Community Center	68,862		68,862	66,044	(475)	65,569	3,293
Blue Shutters Beach	63,175		63,175	62,520	(330)	62,190	985
Town Beach	79,575		79,575	69,633	(2,256)	67,377	12,198
Ninigret Park	30,900		30,900	27,194	31	27,225	3,675
Total recreation	417,372	0	417,372	384,231	(3,584)	380,647	36,725
Public Health and Assistance:							
Cross Mills Library	208,000		208,000	208,000		208,000	0
Ambulance services	176,800		176,800	176,800		176,800	0
VNS Home Health Services	4,000		4,000	4,000		4,000	0
South Shore Mental Health	3,500		3,500	3,500		3,500	0
Wood River Health	2,000		2,000	2,000		2,000	0
Domestic Violence of South County	1,500		1,500	1,500		1,500	0
Thundermist Health Center of South County	2,000		2,000	2,000		2,000	0
Public Assistance	13,100		13,100	9,515		9,515	3,585
Warm Shelter	1,000		1,000	1,000		1,000	0
Salt ponds	500		500	500		500	0
Seniors helping others	1,000		1,000	1,000		1,000	0
Community Action South County	500		500	500		500	0
The Samaritans	500		500	500		500	0
RI CAN	3,500		3,500	3,500		3,500	0
Memorial Day Parade	500		500	500		500	0
Chariho Soccer League	250		250	250		250	0
Washington County Coalition Children	200		200	200		200	0
Wildlife Rehabilitators of Rhode Island	200		200	200		200	0
Charlestown Memorial Parade	1,000		1,000	1,000		1,000	0
Education Exchange	250		250	250		250	0
Chariho Tri Town Task Force	1,500		1,500	1,500		1,500	0
Chamber of Commerce	3,000		3,000	3,000		3,000	0
Total public health and assistance	424,800	0	424,800	421,215	0	421,215	3,585

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLANDGENERAL FUND**SCHEDULE OF APPROPRIATIONS AND ACTUAL EXPENDITURES - BUDGETARY BASIS
YEAR ENDED JUNE 30, 2011**

	<u>Original Budget</u>	<u>Budget Amendments</u>	<u>Final Budget</u>	<u>Actual Expenditures and Transfers</u>	<u>Adjustments to Budgetary Basis</u>	<u>Expenditures and Transfers on Budgetary Basis</u>	<u>Variance Positive (Negative)</u>
Education:							
Chariho Regional School District	14,083,000	0	14,083,000	13,990,236	0	13,990,236	92,764
Debt Service:							
General Obligation Bond:							
Principal	332,010		332,010	329,732		329,732	2,278
Interest	215,115		215,115	217,393		217,393	(2,278)
Capital leases	223,665		223,665	215,717		215,717	7,948
Bond issuance costs	20,000		20,000	1,100		1,100	18,900
Fiscal agent fees	0		0	350		350	(350)
Total debt service	790,790	0	790,790	764,292	0	764,292	26,498
Miscellaneous:							
Employee insurance and benefits	1,740,481		1,740,481	1,686,647		1,686,647	53,834
Council contingency	10,000		10,000	11,477		11,477	(1,477)
Town insurance	233,000		233,000	180,165		180,165	52,835
Auditing	39,000		39,000	37,779		37,779	1,221
Legal services	260,600		260,600	313,583	(4,900)	308,683	(48,083)
Total miscellaneous	2,283,081	0	2,283,081	2,229,651	(4,900)	2,224,751	58,330
Capital Improvements Program:							
Police	85,750		85,750	73,470		73,470	12,280
Public works	167,000		167,000	121,553	2,697	124,250	42,750
Recreation	11,280		11,280	5,543	(2,050)	3,493	7,787
Animal control	7,500		7,500	12,887	(588)	12,299	(4,799)
Town hall	0		0	44,545		44,545	(44,545)
Capital leases	0		0	142,506		142,506	(142,506)
Total capital improvements	271,530	0	271,530	400,504	59	400,563	(129,033)

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLANDGENERAL FUNDSCHEDULE OF APPROPRIATIONS AND ACTUAL EXPENDITURES - BUDGETARY BASIS
YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Amendments</u>	<u>Final Budget</u>	<u>Actual Expenditures and Transfers</u>	<u>Adjustments to Budgetary Basis</u>	<u>Expenditures and Transfers on Budgetary Basis</u>	<u>Variance Positive (Negative)</u>
Other financing uses:							
Transfers out:							
Enterprise funds	25,000		25,000	25,000		25,000	0
Special revenue funds - Revaluation	50,000		50,000	50,000		50,000	0
Special revenue funds - Reserve for Severance	75,000		75,000	75,000		75,000	0
Special revenue funds - Facilities Maintenance	12,500		12,500	12,500		12,500	0
Special revenue funds - Health Care Reserve	385,000		385,000	385,000		385,000	0
Special revenue funds - Pond and Beach Preservation	150,000		150,000	150,000		150,000	0
Capital project funds - Town Capital Maintenance	12,500		12,500	12,500		12,500	0
Total transfers out	710,000	0	710,000	710,000	0	710,000	0
Other:							
Landfill monitoring	81,000		81,000	4,078		4,078	76,922
Total other	81,000	0	81,000	4,078	0	4,078	76,922
Total expenditures	\$ 23,882,471	\$ 0	\$ 23,882,471	\$ 23,520,707	\$ (16,421)	\$ 23,504,286	\$ 378,185

(CONCLUDED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2011**

BUDGETARY TO GAAP BASIS RECONCILIATION

The following reconciliation summarizes the differences for the Town's General Fund between budgetary and GAAP basis for the year ended June 30, 2011:

Excess of revenues and other sources over expenditures and other uses (Non-GAAP Budgetary Basis).....	\$922,970
Reappropriated fund balance.....	(340,000)
Current year encumbrances.....	15,777
Prior year encumbrances.....	(32,198)
Excess of revenues and other sources over expenditures and other uses of funds classified with the General Fund for purposes of GASB Statement No. 54.....	<u>1,901</u>
Excess of revenues and other sources over expenditures and other uses (GAAP)...	<u>\$568,450</u>

Town Of Charlestown

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Police Grants - JAG

The purpose of this fund is to account for police grants received from the Governor's Justice Commission.

MEDS Grant - RI Dept. of Health

The purpose of this fund is to account for a grant received from the RI Department of Health to develop and maintain a Medical Emergency Distributions System (MEDS) Point of Dispensing (POD) Plan. The Town will be required to develop and maintain a MEDS POD plan that describes how the Town will activate and execute the mass distribution of antibiotics or mass administration of a vaccine.

Frisbee Golf Course

This fund accounts for the donations and expenses in establishing a Frisbee Golf Course at Ninigret Park.

School Impact Fees

This fund accounts for fees collected from new construction to be used for school facilities.

Hazard Mitigation

This fund accounts for the expenditures in updating the Town's Hazard Mitigation Plan.

Operation Blue Riptide

This fund accounts for the expenses associated with the police department's efforts to control driving under the influence of alcohol.

Mud Cove Recreation Development

This fund was created to account for the funds to be reimbursed through a RI DEM grant to help finance the cost to develop the Mud Cove property. The planned development includes a small parking lot, small pavilion and picnic area. The Town will also establish walking nature trails.

(CONTINUED)

Town Of Charlestown

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS (CONTINUED)

Animal Spaying/Neutering Program

This fund accounts for surcharges collected on dog licenses issued by the Town to fund low-cost spay/neuter programs.

Ninigret Park Fund

This fund accounts for revenues generated at the Ninigret Park recreational facility.

Bicentennial Fund

This fund accounts for donations which are restricted to cover costs associated with the Town's next Bicentennial Celebration.

Green Hill/Beach Road Infiltration Grant

This fund was created to account for funds to be reimbursed through a RI DEM grant award that is intended to address storm water that flows in two areas of Charlestown into Green Hill Pond that are considered highly impaired for fecal coliform bacteria. The grant will reimburse the cost of a feasibility study and possible construction of infiltrating catch basins.

Developer Bond Deposits

This fund accounts for activity related to construction deposits held by the Town.

Open Space Fees

This fund accounts for fees charged to developers which are to be set aside for future open space and recreational facilities.

Charlestown Community Garden

This fund accounts for the donations and expenses in establishing a Community Garden at Ninigret Park.

Naval Airfield Memorial

This fund accounts for donations received by the Town which will be used to build a monument at the old Naval Air Base in the Town of Charlestown.

Police Forfeiture

The Police Forfeiture Fund accounts for funds received from drug related indictments.

Municipal Planning

The purpose of this fund is to account for monies set-aside for municipal planning.

(CONTINUED)

Town Of Charlestown

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS (CONTINUED)

Emergency Management Performance Grant

This fund accounts for grant monies received to offset costs of the Emergency Management Department.

Birthday Committee

This fund accounts for donations received by the Town which will be used for the Town's Centennial celebrations.

Trail Improvement Grant - Mud Cove

The purpose of this fund is to account for a grant funded by the Federal Highway Administration and administered by the Rhode Island Trails Improvement Advisory Committee (RITAC). The grant will provide funds to enable the Town to develop and manage the Mud Cove property, a parcel of land owned by the RI Department of Environmental Management, for recreational purposes.

Community Development Block Grants

This fund accounts for funds obtained through the Community Development Block Grant Program and the U.S. Department of Housing and Urban Development, which are restricted for specific purposes or programs.

Bulletproof Vest

This fund accounts for the expenses related to the purchase of bulletproof vests for the police department. It is funded partly by a grant and by transfers from the General Fund.

Historical and Vital Records

This fund is to account for fees collected for the filing of state documents and recording fees. The revenue received is to be used for the preservation of public records of historical value maintained by the municipal clerk.

Ninigret Dog Park

This fund accounts for donations to create a dog park at Ninigret Park.

RIHPHC Preservation is Local Grant

This fund accounts for the revitalization of Shannock Village.

Energy Efficient and Conservation Block Grant

This fund accounts for the expenses of an energy efficiency and conservation grant administered by the Washington County Regional Planning Council.

(CONTINUED)

Town Of Charlestown

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS (CONTINUED)

Special Donations

This fund accounts for donations received from various sources to support specific programs such as Kiducation.

South Farm Trails Grant

This fund is to account for a grant funded by the Rhode Island Department of Transportation. The grant will allow the Town to improve existing trails at the South Farm and develop new trails. Also, a parking lot will be constructed.

Comprehensive Planning Grant

The Planning and Land Use Grant fund accounts for monies received from the state to be used by the Town in preparation of its comprehensive plans.

(CONTINUED)

Town Of Charlestown

NON-MAJOR GOVERNMENTAL FUNDS

CAPITAL PROJECT FUNDS

Capital Project funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

DPW - Old Coach Road Reconstruction Phase 1

This fund was created to reserve funds needed to complete Phase 1 of the Old Coach Road reconstruction project. Phase 1 construction work includes widening and improving the road base and improving roadway drainage.

DPW - Salt/Sand Equipment Shed

This fund accounts for funds reserved for the future construction of a salt/sand shed.

Town Capital Maintenance Fund

This fund was created to reserve funds for Town-wide capital maintenance, projects and renovations.

Police Building Fund

This fund accounts for costs associated with the development of a new police station to be constructed on Route 1A adjacent to the Charlestown Ambulance facility.

DPW Road Engineering

Accounts for costs related to road engineering.

Open Space Acquisition

Accounts for costs related to the purchase of open space land.

RI LEAP

This fund accounts for the expenses for the Roadway Investment Local Equity Aid Program.

Pond and Beach Preservation

This fund accounts for the expenditures associated with dredging of the ponds. The Town has set aside funds and the State will be providing funds for this project.

(CONTINUED)

Town Of Charlestown

NON-MAJOR GOVERNMENTAL FUNDS

PERMANENT FUNDS

The Permanent Funds are used to account for assets held by the Town pursuant to a trust agreement. The principal portion of these funds must remain intact, but the interest may be used to achieve the objective of the funds.

Zenis Ellis Trust

The Zenis Ellis Fund accounts for monies provided by a private donor for the benefit of the Narragansett Indian Sunday School of Charlestown. The principal amount of the gift is to be maintained intact and invested. Investment earnings are given to the Sunday School.

Cemetery Fund

The Cemetery Fund accounts for monies provided by individuals to be used for the perpetual care of Town cemeteries.

(CONCLUDED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011**

	Special Revenue Funds				
	Police Grants - JAG	MEDS Grant - RI Dept of Health	Frisbee Golf Course	School Impact Fees	Hazard Mitigation
ASSETS:					
Cash and cash equivalents			\$ 2,023	\$ 391,582	
Investments					
Due from:					
Other funds		\$ 5,415		2,854	
Other governments	\$ 2,280	2,500			\$ 14,400
TOTAL ASSETS	\$ 2,280	\$ 7,915	\$ 2,023	\$ 394,436	\$ 14,400
LIABILITIES AND FUND BALANCES:					
LIABILITIES:					
Accounts payable		\$ 1,172			
Due to other funds	\$ 282				\$ 1,444
Deferred revenues	1,998	6,743			13,163
Other liabilities					
TOTAL LIABILITIES	2,280	7,915	\$ 0	\$ 0	14,607
FUND BALANCES:					
Nonspendable:					
Perpetual care					
Restricted for:					
General government					
Public safety					
Parks and recreation			2,023		
Community development					
Education				394,436	
Capital projects					
Committed for:					
Parks and recreation					(207)
Unassigned					(207)
TOTAL FUND BALANCES	0	0	2,023	394,436	(207)
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,280	\$ 7,915	\$ 2,023	\$ 394,436	\$ 14,400

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011**

	Special Revenue Funds					Green Hill/ Beach Rd Infiltration Grant
	Operation Blue Riptide	Mud Cove Recreation Development	Animal Spaying/ Neutering	Ninigret Park Fund	Bicentennial Fund	
ASSETS:						
Cash and cash equivalents				\$ 138,403	\$ 2,193	
Investments						
Due from:						
Other funds			\$ 735			
Other governments		\$ 99,472				
TOTAL ASSETS	\$0	\$ 99,472	\$ 735	\$ 138,403	\$ 2,193	\$0
LIABILITIES AND FUND BALANCES:						
LIABILITIES:						
Accounts payable						
Due to other funds		\$ 14,596				
Deferred revenues		91,388				
Other liabilities						
TOTAL LIABILITIES	\$0	105,984	\$ 0	\$ 0	\$ 0	\$0
FUND BALANCES:						
Nonspendable:						
Perpetual care						
Restricted for:						
General government						
Public safety			735			
Parks and recreation					2,193	
Community development						
Education						
Capital projects						
Committed for:						
Parks and recreation				138,403		
Unassigned		(6,512)				
TOTAL FUND BALANCES	0	(6,512)	735	138,403	2,193	0
TOTAL LIABILITIES AND FUND BALANCES	\$0	\$ 99,472	\$ 735	\$ 138,403	\$ 2,193	\$0

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011**

	Special Revenue Funds					
	Developer Bond Deposits	Open Space Fees	Charlestown Community Garden	Naval Airfield Memorial	Police Forfeiture	Municipal Planning
ASSETS:						
Cash and cash equivalents	\$ 12,887	\$ 34,557		\$ 1,438	\$ 6,505	
Investments						
Due from:						
Other funds		450	\$ 238			\$ 77,181
Other governments						
TOTAL ASSETS	\$ 12,887	\$ 35,007	\$ 238	\$ 1,438	\$ 6,505	\$ 77,181
LIABILITIES AND FUND BALANCES:						
LIABILITIES:						
Accounts payable			\$ 14			
Due to other funds						
Deferred revenues						
Other liabilities	\$ 12,887					
TOTAL LIABILITIES	12,887	\$ 0	14	\$ 0	\$ 0	\$ 0
FUND BALANCES:						
Nonspendable:						
Perpetual care						
Restricted for:						
General government		35,007				77,181
Public safety					6,505	
Parks and recreation			224	1,438		
Community development						
Education						
Capital projects						
Committed for:						
Parks and recreation						
Unassigned						
TOTAL FUND BALANCES	0	35,007	224	1,438	6,505	77,181
TOTAL LIABILITIES AND FUND BALANCES	\$ 12,887	\$ 35,007	\$ 238	\$ 1,438	\$ 6,505	\$ 77,181

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011**

	Special Revenue Funds					Historical and Vital Records	
	Emergency Management Performance Grant	Birthday Committee	Trail Improvement Grant - Mud Cove	Community Development Block Grant	Bulletproof Vest		
ASSETS:							
Cash and cash equivalents	\$	1,906		\$	53,432		
Investments							
Due from:							
Other funds					\$	1,550	
Other governments			\$	50,000		\$	87,277
TOTAL ASSETS	\$0	\$	\$	\$	\$	\$	
		1,906	50,000	212,548	1,550	87,277	
LIABILITIES AND FUND BALANCES:							
LIABILITIES:							
Accounts payable						\$	18,287
Due to other funds			\$	943			
Deferred revenues				49,057	\$	167,546	
Other liabilities							
TOTAL LIABILITIES	\$0	\$	\$	\$	\$	\$	
		0	50,000	167,546	0	18,287	
FUND BALANCES:							
Nonspendable:							
Perpetual care							
Restricted for:							
General government						68,990	
Public safety					1,550		
Parks and recreation		1,906					
Community development				45,002			
Education							
Capital projects							
Committed for:							
Parks and recreation							
Unassigned							
TOTAL FUND BALANCES	0	1,906	0	45,002	1,550	68,990	
TOTAL LIABILITIES AND FUND BALANCES	\$0	\$	\$	\$	\$	\$	
		1,906	50,000	212,548	1,550	87,277	

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011**

	Special Revenue Funds					Comprehensive Planning Grant
	Ninigret Dog Park	RIHPHC Preservation is Local Grant	Energy Efficient and Conservation Block Grant	Special Donations	South Farm Trails Grant	
ASSETS:						
Cash and cash equivalents	\$ 4,823			\$ 6,200		\$ 12,860
Investments						
Due from:						
Other funds		\$ 2,104	\$ 11,567			
Other governments			26,034		\$ 7,450	
TOTAL ASSETS	\$ 4,823	\$ 2,104	\$ 37,601	\$ 6,200	\$ 7,450	\$ 12,860
LIABILITIES AND FUND BALANCES:						
LIABILITIES:						
Accounts payable	\$ 1,637		\$ 13,499			
Due to other funds	1,591				\$ 3,137	
Deferred revenues		\$ 2,104	24,102		4,313	
Other liabilities						
TOTAL LIABILITIES	3,228	2,104	37,601	\$ 0	7,450	\$ 0
FUND BALANCES:						
Nonspendable:						
Perpetual care						
Restricted for:						
General government				6,200		12,860
Public safety						
Parks and recreation	1,595					
Community development						
Education						
Capital projects						
Committed for:						
Parks and recreation						
Unassigned						
TOTAL FUND BALANCES	1,595	0	0	6,200	0	12,860
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,823	\$ 2,104	\$ 37,601	\$ 6,200	\$ 7,450	\$ 12,860

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011**

	Capital Project Funds				
	DPW - Old Coach Road Reconstruction Phase I	DPW Salt/Sand Equipment Shed	Town Capital Maintenance Fund	Police Building Fund	DPW Road Engineering
ASSETS:					
Cash and cash equivalents					
Investments					
Due from:					
Other funds		\$ 37,952	\$ 46,225	\$ 44,717	\$ 46,833
Other governments					
TOTAL ASSETS	\$ 0	\$ 37,952	\$ 46,225	\$ 44,717	\$ 46,833
LIABILITIES AND FUND BALANCES:					
LIABILITIES:					
Accounts payable		\$ 65,873			
Due to other funds	\$ 257,864				
Deferred revenues					
Other liabilities					
TOTAL LIABILITIES	257,864	65,873	\$ 0	\$ 0	\$ 0
FUND BALANCES:					
Nonspendable:					
Perpetual care					
Restricted for:					
General government					
Public safety					
Parks and recreation					
Community development					
Education					
Capital projects			46,225	44,717	46,833
Committed for:					
Parks and recreation					
Unassigned	(257,864)	(27,921)			
TOTAL FUND BALANCES	(257,864)	(27,921)	46,225	44,717	46,833
TOTAL LIABILITIES AND FUND BALANCES	\$ 0	\$ 37,952	\$ 46,225	\$ 44,717	\$ 46,833

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011**

	Capital Project Funds			Permanent Funds		Total Non-Major Governmental Funds
	Open Space Acquisitions	RI LEAP	Pond and Beach Preservation	Zenis Ellis Trust	Cemetery Fund	
ASSETS:						
Cash and cash equivalents	\$ 115,451			\$ 1,162		\$ 785,422
Investments					\$ 500	500
Due from:						
Other funds			\$ 150,000		68	515,166
Other governments						361,252
TOTAL ASSETS	\$ 115,451	\$0	\$ 150,000	\$ 1,162	\$ 568	\$ 1,662,340
LIABILITIES AND FUND BALANCES:						
LIABILITIES:						
Accounts payable						\$ 100,482
Due to other funds	\$ 1,200					281,057
Deferred revenues						360,414
Other liabilities				\$ 212		13,099
TOTAL LIABILITIES	1,200	\$0	\$ 0	212	\$ 0	755,052
FUND BALANCES:						
Nonspendable:						
Perpetual care				950	568	1,518
Restricted for:						
General government						200,238
Public safety						8,790
Parks and recreation						9,379
Community development						45,002
Education						394,436
Capital projects	114,251		150,000			402,026
Committed for:						
Parks and recreation						138,403
Unassigned						(292,504)
TOTAL FUND BALANCES	114,251	0	150,000	950	568	907,288
TOTAL LIABILITIES AND FUND BALANCES	\$ 115,451	\$0	\$ 150,000	\$ 1,162	\$ 568	\$ 1,662,340

(CONCLUDED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES) AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011**

	Special Revenue Funds				
	Police Grants- JAG	MEDS Grant - RI Dept of Health	Frisbee Golf Course	School Impact Fees	Hazard Mitigation
REVENUES:					
Intergovernmental		\$ 12,618			\$ 1,237
Investment income				\$ 944	
Other			\$ 2,048	17,124	
TOTAL REVENUES	\$ 0	12,618	2,048	18,068	1,237
EXPENDITURES:					
Current:					
General government					
Public safety		12,618			1,444
Parks and recreation			25		
Community development					
Capital:					
Capital outlay					
TOTAL EXPENDITURES	0	12,618	25	0	1,444
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	0	0	2,023	18,068	(207)
OTHER FINANCING SOURCES (USES):					
Transfers in					
Transfers out				(124,000)	
NET OTHER FINANCING SOURCES (USES)	0	0	0	(124,000)	0
EXCESS OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) EXPENDITURES	0	0	2,023	(105,932)	(207)
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	0	0	0	500,368	0
FUND BALANCE (DEFICIT) AT END OF YEAR	\$ 0	\$ 0	\$ 2,023	\$ 394,436	\$ (207)

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES) AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011**

	Special Revenue Funds					Green Hill/ Beach Rd Infiltration Grant
	Operation Blue Riptide	Mud Cove Recreation Development	Animal Spaying/ Neutering	Ninigret Park Fund	Bicentennial Fund	
REVENUES:						
Intergovernmental	\$ 8,847	\$ 5,663				
Investment income				\$ 218	\$ 1	
Other			\$ 735	26,706		
TOTAL REVENUES	8,847	5,663	735	26,924	1	\$ 0
EXPENDITURES:						
Current:						
General government						
Public safety	8,847					
Parks and recreation				7,780		
Community development						
Capital:						
Capital outlay		12,175				
TOTAL EXPENDITURES	8,847	12,175	0	7,780	0	0
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	0	(6,512)	735	19,144	1	0
OTHER FINANCING SOURCES (USES):						
Transfers in						
Transfers out				(20,000)		(59)
NET OTHER FINANCING SOURCES (USES)	0	0	0	(20,000)	0	(59)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) EXPENDITURES	0	(6,512)	735	(856)	1	(59)
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	0	0	0	139,259	2,192	59
FUND BALANCE (DEFICIT) AT END OF YEAR	\$ 0	\$ (6,512)	\$ 735	\$ 138,403	\$ 2,193	\$ 0

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES) AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011**

	Special Revenue Funds					
	Developer Bond Deposits	Open Space Fees	Charlestown Community Garden	Naval Airfield Memorial	Police Forfeiture	Municipal Planning
REVENUES:						
Intergovernmental						
Investment income		\$ 46		\$ 3	\$ 6	
Other		675	\$ 2,000			
TOTAL REVENUES	\$ 0	721	2,000	3	6	\$ 0
EXPENDITURES:						
Current:						
General government						23,538
Public safety						
Parks and recreation			1,776	335		
Community development						
Capital:						
Capital outlay						
TOTAL EXPENDITURES	0	0	1,776	335	0	23,538
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	0	721	224	(332)	6	(23,538)
OTHER FINANCING SOURCES (USES):						
Transfers in						
Transfers out						
NET OTHER FINANCING SOURCES (USES)	0	0	0	0	0	0
EXCESS OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) EXPENDITURES	0	721	224	(332)	6	(23,538)
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	0	34,286	0	1,770	6,499	100,719
FUND BALANCE (DEFICIT) AT END OF YEAR	\$ 0	\$ 35,007	\$ 224	\$ 1,438	\$ 6,505	\$ 77,181

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES) AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011**

	Special Revenue Funds					
	Emergency Management Performance Grant	Birthday Committee	Trail Improvement Grant - Mud Cove	Community Development Block Grant	Bulletproof Vest	Historical and Vital Records
REVENUES:						
Intergovernmental	\$ 7,554		\$ 148	\$ 176,257		
Investment income		\$ 3		121		
Other				1,613		\$ 16,506
TOTAL REVENUES	7,554	3	148	177,991	\$ 0	16,506
EXPENDITURES:						
Current:						
General government						11,402
Public safety	7,554					
Parks and recreation						
Community development				307,160		
Capital:						
Capital outlay			148		5,325	
TOTAL EXPENDITURES	7,554	0	148	307,160	5,325	11,402
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	0	3	0	(129,169)	(5,325)	5,104
OTHER FINANCING SOURCES (USES):						
Transfers in						
Transfers out						
NET OTHER FINANCING SOURCES (USES)	0	0	0	0	0	0
EXCESS OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) EXPENDITURES	0	3	0	(129,169)	(5,325)	5,104
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	0	1,903	0	174,171	6,875	63,886
FUND BALANCE (DEFICIT) AT END OF YEAR	\$ 0	\$ 1,906	\$ 0	\$ 45,002	\$ 1,550	\$ 68,990

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES) AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011**

	Special Revenue Funds					Comprehensive Planning Grant
	Ninigret Dog Park	RIHPHC Preservation is Local Grant	Energy Efficient and Conversation Block Grant	Special Donations	South Farm Trails Grant	
REVENUES:						
Intergovernmental		\$ 12,092	\$ 55,791		\$ 5,954	
Investment income	\$ 5			\$ 8		\$ 13
Other	11,638			475		
TOTAL REVENUES	11,643	12,092	55,791	483	5,954	13
EXPENDITURES:						
Current:						
General government			55,791			
Public safety						
Parks and recreation		12,092			92	
Community development						
Capital:						
Capital outlay	30,920				5,862	
TOTAL EXPENDITURES	30,920	12,092	55,791	0	5,954	0
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	(19,277)	0	0	483	0	13
OTHER FINANCING SOURCES (USES):						
Transfers in	20,000					
Transfers out						
NET OTHER FINANCING SOURCES (USES)	20,000	0	0	0	0	0
EXCESS OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) EXPENDITURES	723	0	0	483	0	13
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	872	0	0	5,717	0	12,847
FUND BALANCE (DEFICIT) AT END OF YEAR	\$ 1,595	\$ 0	\$ 0	\$ 6,200	\$ 0	\$ 12,860

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES) AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011**

	Capital Project Funds				
	DPW - Old Coach Road Reconstruction Phase I	DPW Salt/Sand Equipment Shed	Town Capital Maintenance Fund	Police Building Fund	DPW Road Engineering
REVENUES:					
Intergovernmental					
Investment income					
Other					
TOTAL REVENUES	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
EXPENDITURES:					
Current:					
General government					
Public safety					
Parks and recreation					
Community development					
Capital:					
Capital outlay		271,476		5,230	
TOTAL EXPENDITURES	0	271,476	0	5,230	0
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	0	(271,476)	0	(5,230)	0
OTHER FINANCING SOURCES (USES):					
Transfers in			12,500		
Transfers out					
NET OTHER FINANCING SOURCES (USES)	0	0	12,500	0	0
EXCESS OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) EXPENDITURES	0	(271,476)	12,500	(5,230)	0
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	(257,864)	243,555	33,725	49,947	46,833
FUND BALANCE (DEFICIT) AT END OF YEAR	\$ (257,864)	\$ (27,921)	\$ 46,225	\$ 44,717	\$ 46,833

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES) AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011**

	Capital Project Funds			Permanent Funds		Total Non-Major Governmental Funds
	Open Space Acquisitions	RI LEAP	Pond and Beach Preservation	Zenis Ellis Trust	Cemetery Fund	
REVENUES:						
Intergovernmental		\$ 98,582				\$ 384,743
Investment income	\$ 185				\$ 4	1,557
Other						79,520
TOTAL REVENUES	<u>185</u>	<u>98,582</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>4</u>	<u>465,820</u>
EXPENDITURES:						
Current:						
General government						90,731
Public safety						30,463
Parks and recreation						22,100
Community development						307,160
Capital:						
Capital outlay	1,200	98,582				430,918
TOTAL EXPENDITURES	<u>1,200</u>	<u>98,582</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>881,372</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	<u>(1,015)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4</u>	<u>(415,552)</u>
OTHER FINANCING SOURCES (USES):						
Transfers in			150,000			182,500
Transfers out						(144,059)
NET OTHER FINANCING SOURCES (USES)	<u>0</u>	<u>0</u>	<u>150,000</u>	<u>0</u>	<u>0</u>	<u>38,441</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) EXPENDITURES	<u>(1,015)</u>	<u>0</u>	<u>150,000</u>	<u>0</u>	<u>4</u>	<u>(377,111)</u>
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	115,266	0	0	950	564	1,284,399
FUND BALANCE (DEFICIT) AT END OF YEAR	<u>\$ 114,251</u>	<u>\$ 0</u>	<u>\$ 150,000</u>	<u>\$ 950</u>	<u>\$ 568</u>	<u>\$ 907,288</u>

(CONCLUDED)

TOWN OF CHARLESTOWN

REPORT IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS



Gerard R. Cayer
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CPA, MST, CFP™

**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,
Charlestown, Rhode Island

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Charlestown, Rhode Island, as of and for the year ended June 30, 2011, which collectively comprise the Town of Charlestown, Rhode Island's basic financial statements and have issued our report thereon dated December 21, 2011. 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 Charlestown, 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 Charlestown, Rhode Island's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Charlestown, Rhode Island's internal control over financial reporting.

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Town of Charlestown, Rhode Island in a separate letter dated December 21, 2011.

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

Cayer Caccia, LLP

December 21, 2011