

**TOWN OF  
CHARLESTOWN, RHODE ISLAND**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**FOR THE YEAR ENDED  
JUNE 30, 2006**

Prepared by:

Gail E. Wilcox

Town Treasurer

TOWN OF CHARLESTOWN, RHODE ISLAND

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2006**

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TOWN OF CHARLESTOWN, RHODE ISLAND  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
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# TOWN OF CHARLESTOWN

## INTRODUCTORY SECTION

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**GAIL E. WILCOX**  
Treasurer



4540 SOUTH COUNTY TRAIL  
CHARLESTOWN,  
RHODE ISLAND 02813

Tel (401) 364-1235  
Fax (401) 364-1238  
e-mail: GEWilcox@Charlestownri.org

**TOWN OF CHARLESTOWN**

*December 5, 2006*

***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, 2006, 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, 2006. 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 No. 34. The last section of the report includes the single audit information.*

*The single audit section relating to federal financial assistance is required for the 2006 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.*

### 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 2000 census, increased to 7,851 year round residents. 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 again 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. Furthermore, the 2000 census figures indicated that of the 7,851 residents, 2,066 are age fifty-five and older, accounting for 26% of total year round residents. The senior population increased 41% over 1990's count of 1,462. From this an assumption may be made that sizable amounts of people choose Charlestown as a retirement location.*

*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 law 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 2005-2006 fiscal year:*

*The Town continued the preservation of old records in the land evidence area. Land evidence books from 1738 to 1940 have been restored. During 2006, the Town completed the restoration of recorded plat maps and initiated the computerization of land evidence records from 1738 to 1940.*

*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 2006 budget.*

*On July 1, 2000 the town opened a newly constructed Residential Collection Center that replaced the previous Landfill Facility. The Town 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. The closure bids received were far less than anticipated. At June 30, 2006 the capping was at a standstill due to a problem with the covering at the Landfill. The Town and DEM are working towards a resolution of the outstanding concerns. Fuss and O'Neil remain the Town's engineers on this project.*

*The Waste Water Management commission continued, with the assistance of RIDEM, public awareness and education about wastewater contamination and the need to upgrade failing septic systems. All old ISDS records obtained by plat and lot number are now computerized. In addition, the Town of Charlestown in conjunction with the University of Rhode Island, the Town of South Kingstown and New Shoreham were recipients of an EPA grant to further enhance ground water protection goals. The Town has also initiated a web-based data-tracking program for its wastewater inspection program.*

*The Town continued to maintain an excellent working relationship with all units representing employees within the structure of government for the Town. Bargaining agreements were negotiated and went into effect July 1, 2005 with two of the Town's' unions and the professional management group. The current police contract expired on June 30, 2006 and was re-negotiated and put into effect for July 1, 2006 through June 30, 2009.*

*Construction of a new police facility, approved by voters at the referendum held in June 2003, was initiated during the spring of 2005 and was completed for occupancy in August 2006. This is a much-needed enhancement for the operation of the Town police department and community public safety organizations.*

*The Town continued to secure properties for the purpose of open space preservation by acquiring three properties during 2006.*

*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 coastal seven acre driving range; 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. *Indian Cedar Swamp Wilderness Park*
- g. *Wicklund and Columbia Parks*
- h. *Cross Mills Library*
- i. *School House Pond*

### **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 \$1.07 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 \$1.1 million since 2000. The CDBG program also enhances resources to residents through other community projects such as the Women's Resource Center, Jonnycake Center, Health Center of South County, Waste Water Management and various non-profit organizations which enable repairs to property in our community that otherwise would be impossible due to income levels. In addition, the CDBG program assists citizens with medical, dental and miscellaneous needs they could not afford without assistance.*

### **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**

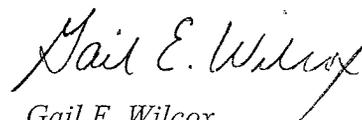
*During 2006 the Town experienced minimal losses on insurance claims and anticipates a similar situation in 2007. The Town has taken steps to maintain adequate and cost effective insurance coverage for all related municipal services and facilities. Our insurance carrier reviews all Town facilities each 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 fiscal years ending June 30, 2005 through June 30, 2007 in response to the Town's request for proposal issued in 2005.*

*Sincerely,*



*Gail E. Wilcox  
Treasurer*

**MUNICIPAL OFFICERS**

*Town Council*

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***Deborah A. Carney, President***  
***Donna Walsh, Vice President***  
***Gregory J. Avedisian***  
***Forrester Safford***  
***Katherine H. Waterman***

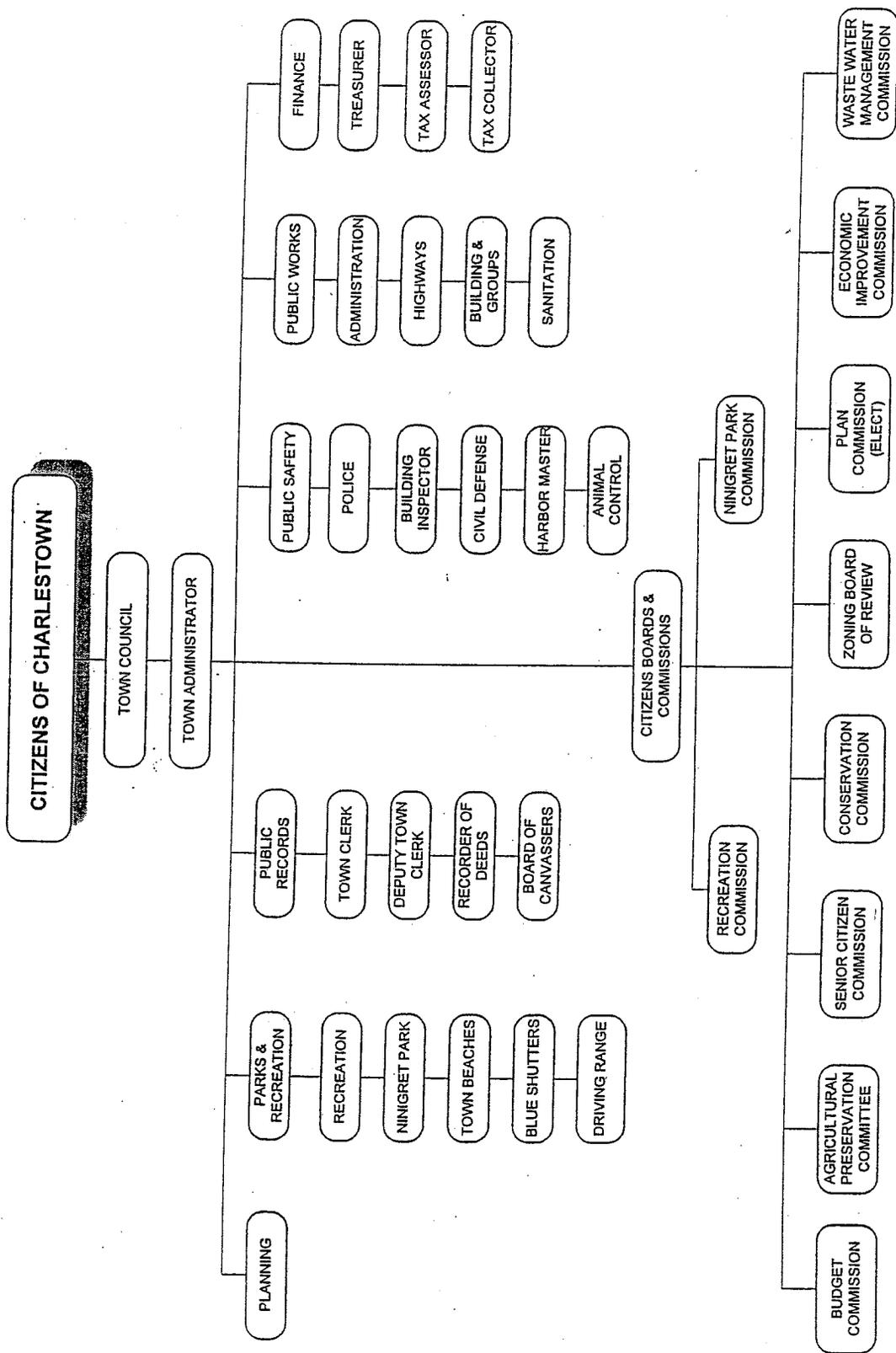
*Town Officials*

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*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*  
*Assistant Town Solicitor*  
*Probate Solicitor*  
*Solicitor Indian Affairs*  
*Civil Defense Director*  
*Town Moderator*  
*Sealer of Weights & Measures*  
*Custodian of Cemeteries*

*Richard J. Sartor*  
*Thomas J. Sharkey*  
*Jodi LaCroix, CMC*  
*Gail E. Wilcox*  
*Kenneth J. Swain*  
*Jo-Anne Santos*  
*John J. Matuza*  
*Alan A. Arsenault*  
*Lisa A. DiBello*  
*Vacant*  
*Kathy M. McA'Nulty*  
*Michael Roy*  
*Peter D. Ruggiero*  
*Christopher J. Zangari*  
*Jennifer Sternick*  
*Joseph Larisa, Jr.*  
*John R. Rookwood*  
*Henry Walsh*  
*Bernard Augustine*  
*Francis Fenner*

# ORGANIZATIONAL CHART FOR THE TOWN OF CHARLESTOWN



# TOWN OF CHARLESTOWN

## FINANCIAL SECTION

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# CAYER CACCIA LLP

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Certified Public Accountants and Business Consultants

## **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, 2006, 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, 2006, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2006, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, historical pension information and budgetary comparison information on pages 3 through 16 and 51 through 59 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

December 5, 2006

*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 fourth 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 \$1,395,346 (or 12.5%). Governmental net assets increased by \$1,364,550, (or 12.5%) while the business type activities net assets increased by \$30,796 (or 11.5%). In 2005, governmental net assets increased by \$1,560,324 (or 16.2%) while the business-type activities net assets increased by \$18,225 (or 7.3%).*

*Governmental fund general revenues for the year ending June 30, 2006 totaled \$21,530,107 including charges for services at \$1,249,775, operating grants and contributions \$1,944,231, capital grants and contributions \$431,941, with the balance of revenue from property taxes, revenue sharing, and investment interest of \$17,904,160.*

*Business-type activities revenues for the year ending June 30, 2006 totaled \$269,225, including charges for services of \$205,015, investment income of \$14,210, and transfers of \$50,000.*

*Governmental fund expenditures for the fiscal year totaled \$20,165,557. Business type activities expenses for the fiscal year totaled \$238,429.*

*On the GAAP basis, expenditures and other financing uses were \$20,680,177 for the general fund; \$2,909,297 for the police building fund; \$1,717,322 for the non-major governmental funds; and \$238,429 for business-type funds.*

### **Town Highlights:**

Construction began in the spring of 2005 on the new police station approved by voters in fiscal year 2003. This capital project was bonded in July 2006 over a forty-year term at \$3.0 million with the U. S Department of Agriculture (USDA) – Rural Development agency. Relocation of the police department to the new building took place in August 2006. A special contingency set aside for the school district in fiscal year 2006 was reallocated to fund 1) Town-wide capital maintenance projects and renovations and 2) other postretirement employee benefits (OPEB's) in relation to GASB 43/45. The Affordable Housing Commission drafted a resolution for placement on the November 2006 ballot in the amount of \$1.0 million for the purpose of funding affordable housing initiatives. A search for a Park Planning Consultant has begun in efforts to create a Master Plan for Ninigret Park and an Ad-Hoc committee has been appointed to assist in this task. The Rhode Island Department of Environmental Services has awarded the town with grant proceeds to fund the building of new tennis courts in the park. Voters approved financing of the reconstruction and resurfacing of Buckeye Brook Road during fiscal year 2005. Bids for this project were solicited in spring 2006 with the reconstruction expected to be complete by December 2006.

### **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.

### ***Reporting the Town as a whole (Continued):***

*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 unclaimed estates.*

**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.

**Governments Wide Statements**

**Statement of Net Assets  
As of June 30:**

	<i>Governmental</i>		<i>Business Type</i>		<i>Total Primary</i>	
	<i>Activities</i>		<i>Activities</i>		<i>Government</i>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
<i>Current and Other Assets</i>	\$ 9,711,463	\$12,055,436	\$139,935	\$ 87,716	\$ 9,851,398	\$12,143,152
<i>Capital Assets</i>	14,492,777	10,654,382	185,862	200,686	14,678,639	10,855,068
<b><i>Total Assets</i></b>	<b>24,204,240</b>	<b>22,709,818</b>	<b>325,797</b>	<b>288,402</b>	<b>24,530,037</b>	<b>22,998,220</b>
<i>Current Liabilities</i>	3,258,145	5,973,250	22,036	12,594	3,280,181	5,985,844
<i>Long Term Liabilities</i>	8,645,232	5,800,255	5,626	8,469	8,650,858	5,808,724
<b><i>Total Liabilities</i></b>	<b>11,903,377</b>	<b>11,773,505</b>	<b>27,662</b>	<b>21,063</b>	<b>11,931,039</b>	<b>11,794,568</b>
<i>Invested in Capital Assets</i>						
<i>Net of Related Debt</i>	7,560,587	6,445,392	185,862	200,686	7,746,449	6,646,078
<i>Restricted for Other Purpose</i>	2,073,396	2,179,864	10,000	10,000	2,083,396	2,189,864
<i>Unrestricted</i>	2,666,880	2,311,057	102,273	56,653	2,769,153	2,367,710
<b><i>Total Net Assets</i></b>	<b>\$12,300,863</b>	<b>\$10,936,313</b>	<b>\$298,135</b>	<b>\$267,339</b>	<b>\$12,598,998</b>	<b>\$11,203,652</b>

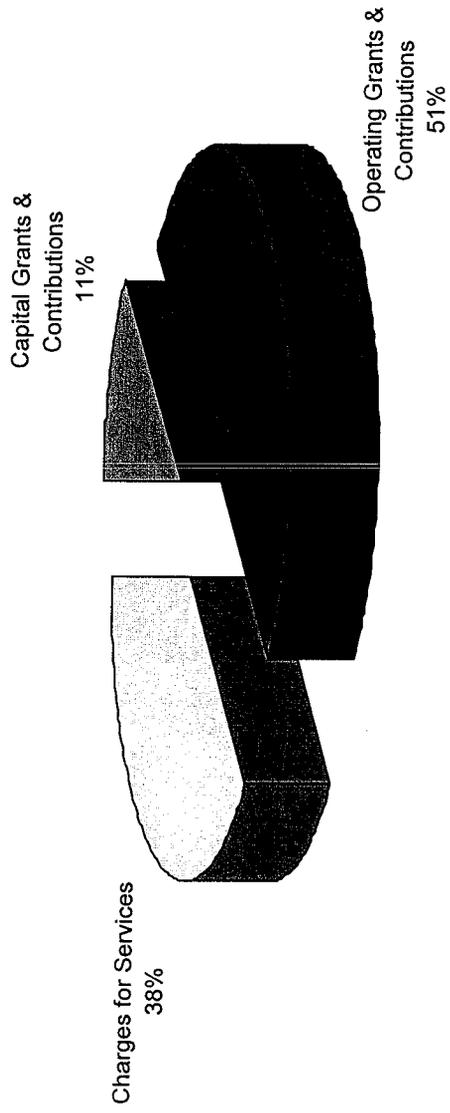
*Net Assets equals Total Assets less Total Liabilities*

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

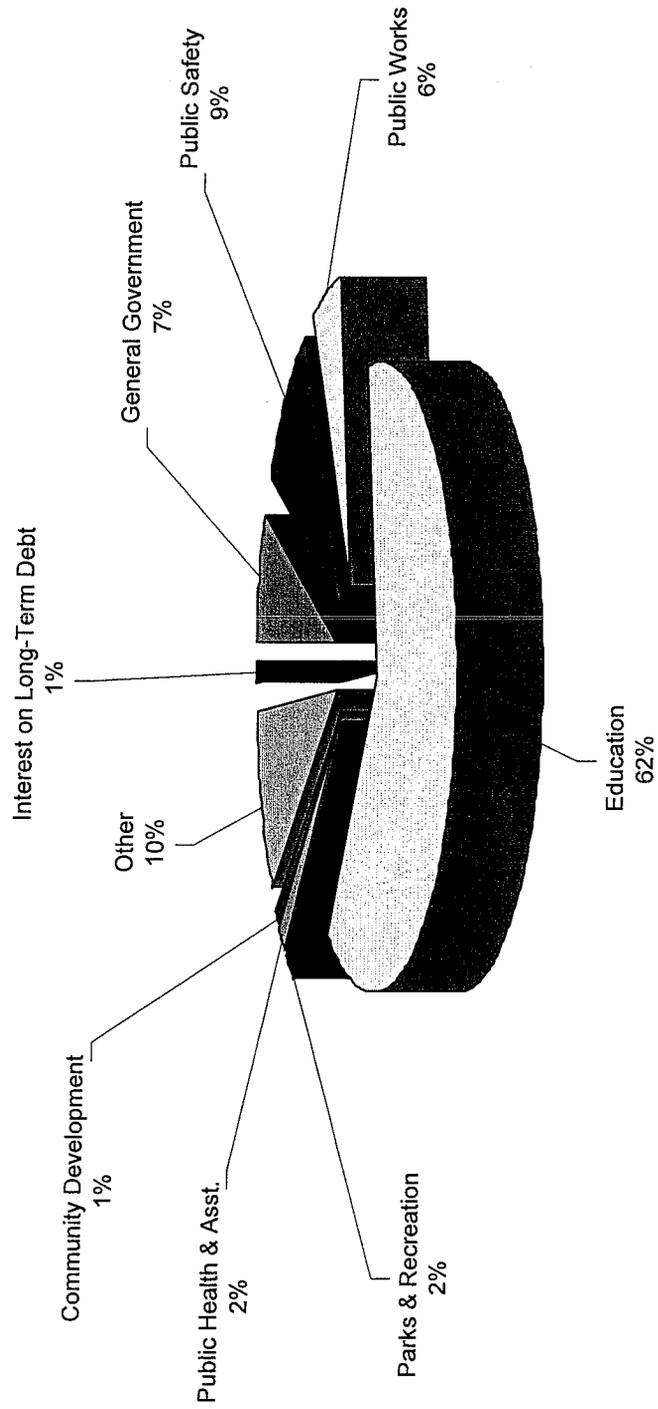
	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total Primary Government</i>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
<b>Revenue:</b>						
<b>Program Revenue:</b>						
Charges for services	\$ 1,249,775	\$ 1,197,110	\$205,015	\$183,214	\$ 1,454,790	\$ 1,380,324
Operating Grants & Contributions	1,944,231	1,933,365			1,944,231	1,933,365
Capital Grants & contributions	431,941	572,061			431,941	572,061
<b>Total Revenue</b>	<b>3,625,947</b>	<b>3,702,536</b>	<b>205,015</b>	<b>183,214</b>	<b>3,830,962</b>	<b>3,885,750</b>
<b>General Revenues:</b>						
Property Taxes	17,292,522	16,433,034			17,292,522	16,433,034
State Revenue Sharing	410,604	372,229			410,604	372,229
Unrestricted Investment Earnings	201,034	113,097	14,210	5,102	215,244	118,199
<b>Total General Revenues</b>	<b>17,904,160</b>	<b>16,918,360</b>	<b>14,210</b>	<b>5,102</b>	<b>17,918,370</b>	<b>16,923,462</b>
<b>Total Revenues</b>	<b>21,530,107</b>	<b>20,620,896</b>	<b>219,225</b>	<b>188,316</b>	<b>21,749,332</b>	<b>20,809,212</b>
<b>Expenses:</b>						
General Government	1,345,571	1,444,807			1,345,571	1,444,807
Public Safety	1,970,611	1,844,257			1,970,611	1,844,257
Public Works	1,224,149	918,459			1,224,149	918,459
Education	12,731,133	12,359,769			12,731,133	12,359,769
Parks & Recreation	387,181	419,797			387,181	419,797
Public Health & Asst	339,161	330,011			339,161	330,011
Community Development	128,492	71,816			128,492	71,816
Other	1,785,803	1,518,889	238,429	220,091	2,024,232	1,738,980
Interest on Long Term Debt	203,456	120,992			203,456	120,992
<b>Total Expenses</b>	<b>20,115,557</b>	<b>19,028,797</b>	<b>238,429</b>	<b>220,091</b>	<b>20,353,986</b>	<b>19,248,888</b>
<b>Excess (deficiency) of Revenues Over Expenditures Before Transfers</b>	<b>1,414,550</b>	<b>1,592,099</b>	<b>(19,204)</b>	<b>(31,775)</b>	<b>1,395,346</b>	<b>1,560,324</b>
Transfers	(50,000)	(50,000)	50,000	50,000	0	0
<b>Change in Net Assets</b>	<b>1,364,550</b>	<b>1,542,099</b>	<b>30,796</b>	<b>18,225</b>	<b>1,395,346</b>	<b>1,560,324</b>
<b>Net Assets Beginning</b>	<b>10,936,313</b>	<b>9,394,214</b>	<b>267,339</b>	<b>249,114</b>	<b>11,203,652</b>	<b>9,643,328</b>
<b>Ending Net Assets</b>	<b>\$12,300,863</b>	<b>\$10,936,313</b>	<b>\$298,135</b>	<b>\$267,339</b>	<b>\$12,598,998</b>	<b>\$ 11,203,652</b>

*This is the fourth year Charlestown is reporting fixed assets in its financials and infrastructure additions are included. The remaining infrastructure, roads, culverts, bridges, etc. will be done at a future time. It is required by fiscal year 2007. 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.*

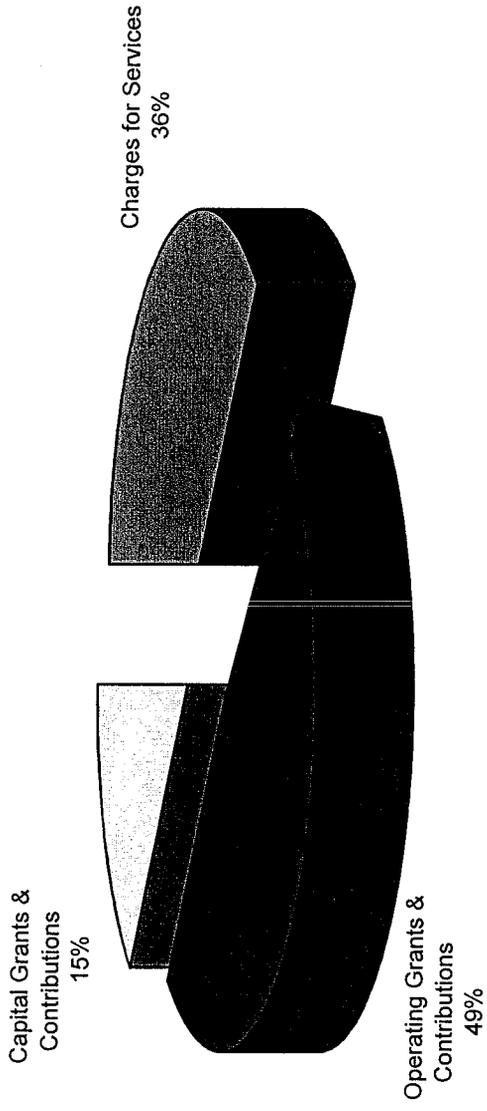
## 2006 Program Revenues



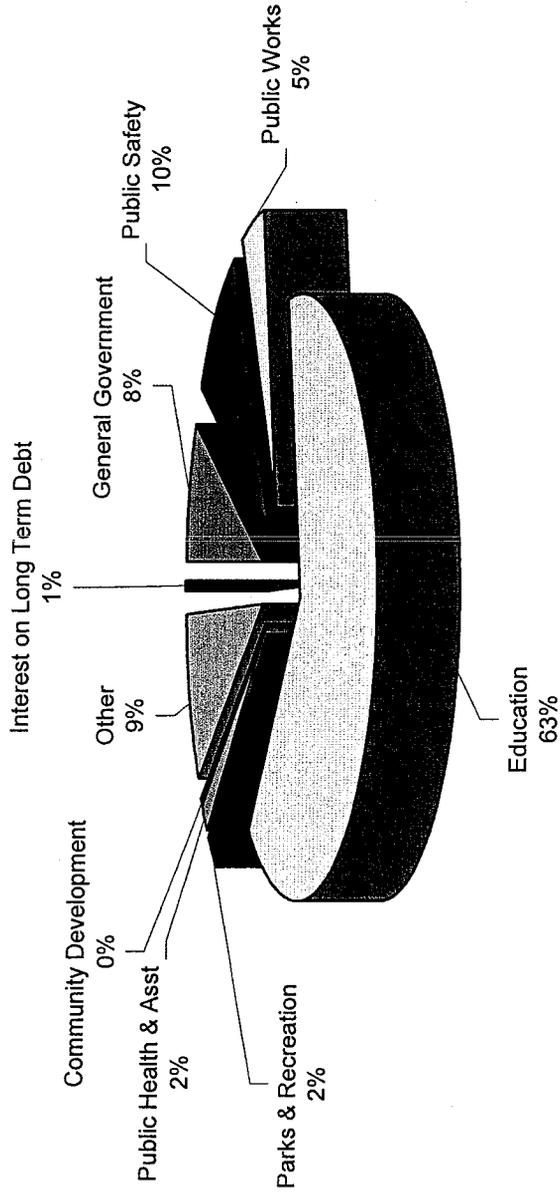
# 2006 Expenses



## 2005 Program Revenues



# 2005 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 \$1,395,346 and \$1,560,324 for fiscal year 2006 and 2005, respectively, resulting from the difference between expenses and revenues. For fiscal year 2006, expenses net of their pertinent revenues was \$16,523,024, while revenues not attributed to any activity in the government were \$17,918,370, therefore netting an increase of \$1,395,346 in net assets. For fiscal year 2005, expenses net of their pertinent revenues were \$15,363,138, while revenue not attributed to any activity in the government were \$16,923,462, therefore netting an increase of \$1,560,324 in net assets.*

### **Business type Activities:**

*The change in net assets for the business type activities for fiscal year 2006 and 2005 was \$30,796 and \$18,225, respectively.*

## Town's Funds:

### **General Fund & Other Governmental funds:**

*At the end of June 2006, the general fund balance sheet showed a fund balance of \$5,303,987. This figure results from all assets allocated to the fund less its liabilities, as presented on page 20. Of this total \$322,680 was reserved for encumbrances, prepaids, and other. The Town was also required to show any other major funds which are determined by criteria listed by the GASB. The other major fund of the Town for fiscal year 2006 was the Police Building Fund. At the end of June 2006, the Police Building Fund showed a fund balance of \$15,163. Other governmental funds had a fund balance of \$1,886,330. The total fund balance for the aforementioned funds is \$7,205,480. See Schedule B-1.*

*At the end of June 2005, the general fund balance sheet showed a fund balance of \$5,041,835. This figure results from all assets allocated to this fund less its liabilities. Of this total \$296,672 was reserved for encumbrances, prepaids, and other. The other major fund of the Town for fiscal year 2005 was the Police Building Fund. At the end of June 2005, the Police Building Fund showed a fund deficit of \$452,406. Other governmental funds had a fund balance of \$2,134,509. The total fund balance for the aforementioned funds is \$6,723,938.*

### **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 \$298,135 at June 30, 2006, of which \$185,862 is invested in capital assets, net of related debt, \$10,000 is restricted and \$102,273 is unrestricted. At June 30, 2005, these two entities combined had total net assets of \$267,339 of which \$200,686 was invested in capital assets, net of related debt \$10,000 was restricted and \$56,653 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 54. 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, 2006, the general fund revenues exceeded budget projections by \$0.5 million or 2.6%. The general fund expenditures were less than the budget by \$0.08 million or 0.4%. This resulted in a \$0.6 million budgetary surplus in the General Fund for the year ending June 30, 2006.*

*For the year ended June 30, 2005, the general fund revenues exceeded budget projections by \$0.6 million or 3.1%. General fund expenditures were less than the budget by \$0.3 million or 1.6%. This resulted in a \$0.9 million budgetary surplus in the General Fund for the year ending June 30, 2005.*

*There were no significant revenue or expenditure variances.*

### **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, 2006 and 2005 amounted to \$14.7 and \$10.9 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 is not required until four years after the effective date of the basic provision.*

**Capital Assets at June 30:**  
**(In Millions)**

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Totals</i>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
<i>Motor Vehicles</i>	\$ 2.0	\$ 1.8			\$ 2.0	\$ 1.8
<i>Equipment</i>	0.3	0.3	\$0.2	\$0.2	0.5	0.5
<i>Infrastructure</i>	1.0	0.9			1.0	0.9
<i>Buildings and Improvements</i>	3.1	3.1			3.1	3.1
<i>Land and Land Improvements</i>	7.2	6.3	0.2	0.2	7.4	6.5
<i>Construction-in-progress</i>	3.5	0.5			3.5	0.5
<i>Total Assets</i>	17.1	12.9	0.4	0.4	17.5	13.3
<i>Less: Accumulated Depreciation</i>	(2.6)	(2.2)	(0.2)	(0.2)	(2.8)	(2.4)
<i>Net Capital Assets</i>	\$14.5	\$10.7	\$0.2	\$0.2	\$14.7	\$10.9

*The Town's investment in capital assets for its governmental and business type activities as of June 30, 2006 was \$17.5 million less accumulated depreciation of \$2.8 million for a net investment in capital assets of \$14.7 million.*

*The Town's investment in capital assets for its governmental and business type activities as of June 30, 2005 was \$13.3 million less accumulated depreciation of \$2.4 million for a net investment in capital assets of \$10.9 million.*

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

- *\$2,950,000 of construction-in-progress for the new Police building*
- *\$880,000 for land*
- *\$100,000 of road maintenance*
- *\$80,000 for Public Safety vehicles*
- *\$68,000 for Public Works vehicles*

*Additional information on the Town's capital assets can be found on Note 13 on page 48-49 of this report.*

### Long Term Debt

*As of June 30, 2006, the Town had total long-term liabilities of \$9.3 million. Of that, \$3.5 million related to bonded debt guaranteed by the Town's assets, \$3.0 million related to bond anticipation note, \$1.7 million related to landfill monitoring costs; \$0.7 million related to compensated absences; and \$0.4 million related to leases payable.*

*As of June 30, 2005, the Town had total long-term liabilities of \$6.4 million. Of that, \$3.9 million related to bonded debt guaranteed by the Town's assets, \$1.5 million related to landfill monitoring costs; \$0.7 million related to compensated absences; and \$0.3 million related to leases payable. See Note 8 for further explanation of the Town's long-term liabilities.*

*The business type activities had long-term liabilities of \$5,600 and \$8,500 June 30, 2006 and 2005, respectively.*

*The Town's bond ratings are as follows:*

- *Moody's: A1*

TOWN OF CHARLESTOWN

BASIC  
FINANCIAL STATEMENTS

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TOWN OF CHARLESTOWN, RHODE ISLANDSTATEMENT OF NET ASSETS  
JUNE 30, 2006

	Governmental Activities	Business-type Activities	Total
<b>ASSETS:</b>			
<i>Current assets:</i>			
Cash and cash equivalents	\$ 7,061,071	\$ 424,791	\$ 7,485,862
Restricted cash and cash equivalents		43,198	43,198
Investments	500		500
Receivables:			
Taxes, net	714,877		714,877
Other receivables	12,202	5,250	17,452
Internal balances	333,304	(333,304)	
Due from other governments	1,451,688		1,451,688
Tax sale property	67,665		67,665
<b>Total current assets</b>	<b>9,641,307</b>	<b>139,935</b>	<b>9,781,242</b>
<i>Noncurrent assets:</i>			
Capital assets:			
Non-depreciable	10,675,985	99,500	10,775,485
Depreciable, net	3,816,792	86,362	3,903,154
Bond issuance costs	70,156		70,156
<b>Total noncurrent assets</b>	<b>14,562,933</b>	<b>185,862</b>	<b>14,748,795</b>
<b>TOTAL ASSETS</b>	<b>24,204,240</b>	<b>325,797</b>	<b>24,530,037</b>
<b>LIABILITIES:</b>			
<i>Current liabilities:</i>			
Accounts payable	359,901	14,761	374,662
Accrued interest	62,485		62,485
Retainage payable	193,626		193,626
Due to other governments	8,925		8,925
Current portion of long-term debt	686,194		686,194
Unearned revenue	1,838,481	7,275	1,845,756
Other liabilities	108,533		108,533
<b>Total current liabilities</b>	<b>3,258,145</b>	<b>22,036</b>	<b>3,280,181</b>
<i>Noncurrent liabilities:</i>			
Long-term debt, net	8,645,232	5,626	8,650,858
<b>Total noncurrent liabilities</b>	<b>8,645,232</b>	<b>5,626</b>	<b>8,650,858</b>
<b>TOTAL LIABILITIES</b>	<b>11,903,377</b>	<b>27,662</b>	<b>11,931,039</b>

(CONTINUED)

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF CHARLESTOWN, RHODE ISLANDSTATEMENT OF NET ASSETS  
JUNE 30, 2006

	Governmental Activities	Business-type Activities	Total
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt	7,560,587	185,862	7,746,449
Restricted for:			
Capital projects	870,037		870,037
Specific projects and programs	1,203,359	10,000	1,213,359
Unrestricted	2,666,880	102,273	2,769,153
<b>TOTAL NET ASSETS</b>	<b>\$ 12,300,863</b>	<b>\$ 298,135</b>	<b>\$ 12,598,998</b>

(CONCLUDED)

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF CHARLESTOWN, RHODE ISLAND

A-2

**STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2006**

Functions/Programs:	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
<b>Governmental activities:</b>							
General government	\$ 1,345,571	\$ 730,270	\$ 212,667	\$ 6,624	\$ (396,010)	\$	\$ (396,010)
Public safety	1,970,611	59,573	5,525	1,800	(1,903,713)		(1,903,713)
Public works	1,224,149		65,419	410,456	(748,274)		(748,274)
Education	12,731,133		1,532,347		(11,198,786)		(11,198,786)
Parks and recreation	387,181	459,932		13,061	85,812		85,812
Public health and assistance	339,161				(339,161)		(339,161)
Community development	128,492		128,273		(219)		(219)
Other	1,785,803				(1,785,803)		(1,785,803)
Interest on long-term debt	203,456				(203,456)		(203,456)
<b>Total governmental activities</b>	<b>20,115,557</b>	<b>1,249,775</b>	<b>1,944,231</b>	<b>431,941</b>	<b>(16,489,610)</b>		<b>(16,489,610)</b>
<b>Business-type activities:</b>							
Residential Collection Center	200,403	163,220				\$ (37,183)	(37,183)
Coastal Pond Management	38,026	41,795				3,769	3,769
<b>Total business-type activities</b>	<b>238,429</b>	<b>205,015</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(33,414)</b>	<b>(33,414)</b>
<b>Total</b>	<b>\$ 20,353,986</b>	<b>\$ 1,454,790</b>	<b>\$ 1,944,231</b>	<b>\$ 431,941</b>	<b>(16,489,610)</b>	<b>(33,414)</b>	<b>(16,523,024)</b>
<b>General revenues:</b>							
Property taxes					17,292,522		17,292,522
State revenue sharing					410,604		410,604
Unrestricted investment earnings					201,034	14,210	215,244
<b>Transfers</b>					(50,000)	50,000	
<b>Total general revenues and transfers</b>					<b>17,854,160</b>	<b>64,210</b>	<b>17,918,370</b>
<b>Change in net assets</b>					<b>1,364,550</b>	<b>30,796</b>	<b>1,395,346</b>
<b>Net Assets - beginning</b>					<b>10,936,313</b>	<b>267,339</b>	<b>11,203,652</b>
<b>Net Assets - ending</b>					<b>\$ 12,300,863</b>	<b>\$ 298,135</b>	<b>\$ 12,598,998</b>

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF CHARLESTOWN, RHODE ISLAND

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2006**

	General Fund	Police Building Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 6,379,769	\$ 1,000	\$ 680,302	\$ 7,061,071
Investments			500	500
Receivables:				
Taxes, net	714,877			714,877
Other	11,310		892	12,202
Due from:				
Other funds	501,818	373,286	1,335,757	2,210,861
Other governments	77,318		1,374,370	1,451,688
Tax sale property	67,665			67,665
<b>TOTAL ASSETS</b>	<b>\$ 7,752,757</b>	<b>\$ 374,286</b>	<b>\$ 3,391,821</b>	<b>\$ 11,518,864</b>
<b>LIABILITIES AND FUND BALANCES:</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ 158,767	\$ 201,061	\$ 73	\$ 359,901
Retainage payable		158,062	35,564	193,626
Due to:				
Other funds	1,533,515		344,042	1,877,557
Other governments	8,925			8,925
Deferred revenues	656,914		1,107,928	1,764,842
Other liabilities	90,649		17,884	108,533
<b>TOTAL LIABILITIES</b>	<b>2,448,770</b>	<b>359,123</b>	<b>1,505,491</b>	<b>4,313,384</b>
<b>FUND BALANCES:</b>				
Reserved for tax sale property	67,665			67,665
Reserved for perpetual care			1,499	1,499
Reserved for encumbrances	56,355	140,460	36,470	233,285
Reserved for amounts not due within one year	198,660			198,660
Unreserved: designated for subsequent years	365,000			365,000
Unreserved, reported in:				
General fund	4,616,307			4,616,307
Special revenue funds			1,180,490	1,180,490
Capital project funds		(125,297)	655,140	529,843
Debt service funds			12,731	12,731
<b>TOTAL FUND BALANCES</b>	<b>5,303,987</b>	<b>15,163</b>	<b>1,886,330</b>	<b>7,205,480</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 7,752,757</b>	<b>\$ 374,286</b>	<b>\$ 3,391,821</b>	<b>\$ 11,518,864</b>

(CONTINUED)

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

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, 2006**

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

<b>Total Fund Balances (B-1)</b>	\$ 7,205,480
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	14,492,777
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(9,331,426)
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.	(73,639)
Accrued interest payable is recorded in governmental activities, but is not recorded in the funds.	(62,485)
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>70,156</u>
<b>Total Net Assets (A-1)</b>	<u><u>\$ 12,300,863</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, 2006**

	General Fund	Police Building Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>				
General property taxes	\$ 16,836,996			\$ 16,836,996
Intergovernmental	2,616,197		\$ 634,104	3,250,301
Departmental	1,121,971			1,121,971
Investment income	171,452		29,582	201,034
Other		\$ 1,800	101,253	103,053
<b>TOTAL REVENUES</b>	<b>20,746,616</b>	<b>1,800</b>	<b>764,939</b>	<b>21,513,355</b>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
General government	1,101,885		151,319	1,253,204
Public safety	1,717,295		57,687	1,774,982
Public works	821,296		65,419	886,715
Education	12,701,873		5,975	12,707,848
Parks and recreation	362,697		29,000	391,697
Public health and assistance	337,600		1,561	339,161
Community development			128,492	128,492
Other	1,785,803			1,785,803
<b>Debt Service:</b>				
Principal	345,000		3,214	348,214
Interest and other costs	347,642		3,386	351,028
<b>Capital:</b>				
Capital outlay	333,343	2,909,297	930,191	4,172,831
<b>TOTAL EXPENDITURES</b>	<b>19,854,434</b>	<b>2,909,297</b>	<b>1,376,244</b>	<b>24,139,975</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)</b>				
	892,182	(2,907,497)	(611,305)	(2,626,620)
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in		375,066	674,289	1,049,355
Transfers out	(758,277)		(341,078)	(1,099,355)
Proceeds from capital leases	195,713		29,915	225,628
Proceeds from bond anticipation notes		3,000,000		3,000,000
Landfill monitoring	(67,466)			(67,466)
<b>NET OTHER FINANCING SOURCES (USES)</b>	<b>(630,030)</b>	<b>3,375,066</b>	<b>363,126</b>	<b>3,108,162</b>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>				
	262,152	467,569	(248,179)	481,542
<b>FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR</b>	<b>5,041,835</b>	<b>(452,406)</b>	<b>2,134,509</b>	<b>6,723,938</b>
<b>FUND BALANCE (DEFICIT) AT END OF YEAR</b>	<b>\$ 5,303,987</b>	<b>\$ 15,163</b>	<b>\$ 1,886,330</b>	<b>\$ 7,205,480</b>

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, 2006**

<b>Net Change in Fund Balances - Total Governmental Funds (B-2):</b>	\$ 481,542
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.	3,838,395
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.	(2,965,497)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in governmental funds.	16,752
Adjustment to accrued interest payable related to long-term liabilities which is required to be recorded for government-wide financial statement presentation.	221
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>(6,863)</u>
<b>Change in Net Assets of Governmental Activities in the Statement of Activities (A-2)</b>	<u>\$ 1,364,550</u>

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF CHARLESTOWN, RHODE ISLAND

**STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2006**

	<u>Residential Collection Center</u>	<u>Coastal Pond Management</u>	<u>Totals</u>
<b>ASSETS:</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 311,689	\$ 113,102	\$ 424,791
Restricted cash and cash equivalents	28,810	14,388	43,198
Receivables, net	5,250		5,250
<b>Total Current Assets</b>	<u>345,749</u>	<u>127,490</u>	<u>473,239</u>
<b>Noncurrent Assets:</b>			
Net capital assets	181,528	4,334	185,862
<b>Total Noncurrent Assets</b>	<u>181,528</u>	<u>4,334</u>	<u>185,862</u>
<b>TOTAL ASSETS</b>	<u>527,277</u>	<u>131,824</u>	<u>659,101</u>
<b>LIABILITIES:</b>			
<b>Current Liabilities:</b>			
Accounts payable	13,998	763	14,761
Due to other funds	275,916	57,388	333,304
Deferred revenue	7,275		7,275
<b>Total Current Liabilities</b>	<u>297,189</u>	<u>58,151</u>	<u>355,340</u>
<b>Noncurrent Liabilities:</b>			
Accrued compensated absences	5,626		5,626
<b>Total Noncurrent Liabilities</b>	<u>5,626</u>	<u>0</u>	<u>5,626</u>
<b>TOTAL LIABILITIES</b>	<u>302,815</u>	<u>58,151</u>	<u>360,966</u>
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt	181,528	4,334	185,862
Restricted for endowment		10,000	10,000
Unrestricted	42,934	59,339	102,273
<b>TOTAL NET ASSETS</b>	<u>\$ 224,462</u>	<u>\$ 73,673</u>	<u>\$ 298,135</u>

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, 2006**

	Residential Collection Center	Coastal Pond Management	Totals
<b>OPERATING REVENUES:</b>			
Charges for usage and service	\$ 163,220	\$ 41,795	\$ 205,015
<b>Total Operating Revenues</b>	<u>163,220</u>	<u>41,795</u>	<u>205,015</u>
<b>OPERATING EXPENSES:</b>			
Operations	92,398	8,840	101,238
Personnel	85,122	28,704	113,826
Depreciation	22,883	482	23,365
<b>Total Operating Expenses</b>	<u>200,403</u>	<u>38,026</u>	<u>238,429</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(37,183)</u>	<u>3,769</u>	<u>(33,414)</u>
<b>NONOPERATING REVENUES:</b>			
Investment income	10,495	3,715	14,210
<b>Total Nonoperating Revenues</b>	<u>10,495</u>	<u>3,715</u>	<u>14,210</u>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<u>(26,688)</u>	<u>7,484</u>	<u>(19,204)</u>
<b>TRANSFERS IN</b>	<u>50,000</u>	<u>0</u>	<u>50,000</u>
<b>CHANGE IN NET ASSETS</b>	23,312	7,484	30,796
<b>TOTAL NET ASSETS - BEGINNING</b>	<u>201,150</u>	<u>66,189</u>	<u>267,339</u>
<b>TOTAL NET ASSETS - ENDING</b>	<u>\$ 224,462</u>	<u>\$ 73,673</u>	<u>\$ 298,135</u>

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF CHARLESTOWN, RHODE ISLAND

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2006**

	<u>Residential Collection Center</u>	<u>Coastal Pond Management</u>	<u>Totals</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from customers	\$ 163,220	\$ 41,795	\$ 205,015
Cash paid to suppliers	(92,661)	(10,135)	(102,796)
Cash paid to employees	(87,965)	(28,704)	(116,669)
<b>Net cash provided by (used for) operating activities</b>	<u>(17,406)</u>	<u>2,956</u>	<u>(14,450)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Transfers from General Fund	50,000		50,000
Increase in due to other funds	33,927	30,645	64,572
<b>Net cash provided by noncapital financing activities</b>	<u>83,927</u>	<u>30,645</u>	<u>114,572</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Nonoperating grants received	11,000		11,000
Acquisition of capital assets	(3,725)	(4,816)	(8,541)
<b>Net cash provided by (used for) capital and related financing activities</b>	<u>7,275</u>	<u>(4,816)</u>	<u>2,459</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest on investments	10,495	3,715	14,210
<b>Net cash provided by investing activities</b>	<u>10,495</u>	<u>3,715</u>	<u>14,210</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	84,291	32,500	116,791
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	256,208	94,990	351,198
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 340,499</u>	<u>\$ 127,490</u>	<u>\$ 467,989</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>			
Operating income (loss)	\$ (37,183)	\$ 3,769	\$ (33,414)
Adjustments to reconcile:			
Depreciation	22,883	482	23,365
Decrease in accounts payable	(263)	(1,295)	(1,558)
Decrease in accrued compensated absences	(2,843)		(2,843)
<b>Net cash provided by (used for) operating activities</b>	<u>\$ (17,406)</u>	<u>\$ 2,956</u>	<u>\$ (14,450)</u>

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF CHARLESTOWN, RHODE ISLANDSTATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2006

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	Agency Funds
	<u>Unclaimed Estates</u>
<b>ASSETS:</b>	
Cash and cash equivalents	\$ 9
<b>TOTAL ASSETS</b>	<u>\$ 9</u>
<b>LIABILITIES:</b>	
Deposits held in custody for others	\$ 9
<b>TOTAL LIABILITIES</b>	<u>\$ 9</u>

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF CHARLESTOWN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2006

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**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, 2006**

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**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 has implemented the following new accounting pronouncements effective for fiscal year ending June 30, 2006:

- GASB Statement No. 42 - Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries.
- GASB Statement No. 44 - Economic Condition Reporting: The Statistical Section - an amendment of NCGA Statement 1.
- GASB Statement No. 46 - Net Assets Restricted by Enabling Legislation, an amendment of GASB Statement No. 34.
- GASB Statement No. 47 - Accounting for Termination Benefits.

The adoption of these statements did not have a significant impact on the Town's financial position or results of operation. The Town will adopt the following new accounting pronouncement in future years:

- GASB Statement No. 45 - Accounting and Financial Reporting by Employees for Post-employment Benefits Other Than Pensions, effective for the Town's fiscal year ending June 30, 2009.

Management is in the process of determining the impact of this pronouncement on the Town's financial statements.

***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.

(CONTINUED)

**TOWN OF CHARLESTOWN, RHODE ISLAND**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2006**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Basis of Presentation (Continued)***

***Fund Financial Statements***

Fund financial statements of the reporting entity are organized into funds each of which is considered to be 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 or administratively restricted to expenditures for certain purposes.

**Capital Project Funds**

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

**Debt Service Funds**

Accounts for servicing of general long-term debt not being financed by proprietary funds.

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2006**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Governmental Funds (Continued)***

**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)***

**Agency Funds**

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

- Unclaimed Estates: accounts for monies collected from probated estates held on behalf of heirs.

***Major and Non-Major Funds***

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

<u>Fund</u>	<u>Brief Description</u>
<b><i>Major:</i></b>	
General:	See above for description
Capital Projects:	Police Building Fund: accounts for the costs associated with the development of a new police station to be constructed on Route 1A adjacent to the Charlestown Ambulance facility.
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.

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2006

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Major and Non-Major Funds (Continued)**

<u>Fund</u>	<u>Brief Description</u>
<b>Non-Major:</b>	
Special Revenue:	Police Grants – LLEBG Grants, Police Grants – Byrne, DEM Grant - Tennis Court, Police Grant-NCHIP, School Impact Fees, Educational Planning, Historical and Vital Records, Municipal Planning, Revaluation Fund, Reserve for Employee Severance Benefits, Comprehensive Planning Grant, Neighborhood Crime Prevention, RI Economic Development Grant, Recreation Donations, Ninigret Park Fund, Bicentennial Fund, Washington County Regional Planning, Facilities Maintenance, Developer Bond Deposits, Open Space Fees, DARE Program, Naval Airfield Memorial, Police Forfeiture, Employee Vending, Police Bike Unit Training, Birthday Committee, Homeland Security Grant, State Homeland Security Grant - Terrorism, Town Hall Building Upgrade, Health Care Reserve Fund, Public Assistance Special Account, Homeland Security Grant - Police Department, Ninigret Park Master Plan, EPA Grant, Wastewater Management, Community Development Block Grant, Senior Community Activities, Housing Preservation Grants Program, Special Donations, Stormwater Management Grant, Homeland Security Grant - EMA Citizens, Dept. of Justice–COPS Technology Grant, and Columbia Heights Streetscapes Enhancements.
Capital Projects:	Town Capital Maintenance Fund, Buckeye Brook Road, DPW Road Engineering, Open Space Acquisitions, Landfill Closure
Debt Service:	Ocean Ridge Road
Permanent:	Zenis Ellis Trust, Cemetery Fund

**Measurement Focus**

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

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

- (a) All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period. The Town considers property taxes as available if they are collected within 60 days after year end.
- (b) All proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2006

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2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Measurement Focus (Continued)**

- (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.

**Accounts Receivable**

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

**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. Open encumbrances are reported as reservations of fund balances. 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.

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**TOWN OF CHARLESTOWN, RHODE ISLAND**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2006**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***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.

***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 2006, the General Fund made several transfers to other funds 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.

***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.

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2006

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2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

As of June 30, 2006, the Town's infrastructure assets placed in service prior to July 1, 2002 have not been capitalized and reported within the financial statements. The Town has elected not to retroactively adjust for infrastructure assets in the first year of implementing GASB No. 34. The Town is in the process of developing the information necessary to report all pre-existing infrastructure assets (including roads) within its future financial statements.

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 .....	15 - 50 years
Equipment .....	3 - 30 years
Vehicles .....	3 - 10 years
Infrastructure .....	5 - 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.

CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Interfund Transactions (Continued)***

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, 2006 amounted to \$649,236. 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, 2006.

***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) ..	\$21,312,329	\$20,702,528
Reappropriated fund balance.....	(370,000)	
Current year encumbrances.....		(56,355)
Prior year encumbrances.....		<u>34,004</u>
Statement of Revenues, Expenditures and Changes in Fund		
Balance (B-2) .....	<u>\$20,942,329</u>	<u>\$20,680,177</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.

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2006

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2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Equity Classifications**

**Government-Wide Statements**

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

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

**Fund Statements**

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

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

The governmental fund statement of revenues, expenditures, 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 \$3,838,395 difference are as follows:

Capital outlays .....	\$4,272,743
Depreciation expense.....	<u>(434,348)</u>
Net adjustment .....	<u>\$3,838,395</u>

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 \$2,965,497 difference are as follows:

Bonds payable.....	\$ 345,000
Less: deferred charge on refunding .....	(7,809)
Add: issuance premium.....	1,926
Capital leases payable .....	(62,317)
Bond anticipation note.....	(3,000,000)
Compensated absences.....	4,276
Landfill monitoring .....	<u>(246,573)</u>
Net adjustment.....	<u>\$ 2,965,497</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 \$2,717,055, while the bank balance was \$2,741,879 of which \$114,570 was covered by federal depository insurance and \$2,366,225 was collateralized, and \$261,084 was uninsured and uncollateralized. 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, 2006.

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.....	\$ 2,717,055
Petty cash.....	1,850
Investments classified as cash equivalents.....	4,766,966
Investments classified as restricted cash equivalents.....	43,198
Less: Fiduciary funds cash (not included in the government-wide statement)....	<u>(9)</u>
<b>Total cash and cash equivalents - (A-1).....</b>	<b><u>\$ 7,529,060</u></b>

**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.

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

**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

As of June 30, 2006, the Town had the following investments:

<u>Description</u>	<u>Fair Value</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Rating</u>
Series H Bond .....	\$ 500	1.50%	N/A	
U.S. Government Money Market Funds	3,274,774	Varies Daily	Daily	Aaa/AAA m
Local Government Investment Pool .....	1,535,390	Varies Daily	Daily	(not rated)
<b>Subtotal</b> .....	<u>\$4,810,664</u>			

**Reconciliation to Government-wide Statement of Net Assets:**

Investments .....	\$4,810,664
Less: investments classified as cash equivalents .....	(4,810,164)
<b>Total investments (A-1)</b> .....	<u>\$ 500</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, 2006 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.

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2006**

**4. TAXES RECEIVABLE AND DEFERRED REVENUE (Continued)**

Net property taxes levied for the fiscal year 2006 were based on an assessed value of approximately \$2,442,018,948 at December 31, 2004 and amounted to \$16,823,683. Collections through June 30, 2006 amounted to \$16,489,219, which represents 98% of the total tax levy.

The Town recognizes property tax revenues in accordance with Section P70, "Property Taxes" of the Codification of Governmental Accounting and Financial Reporting Standards. Unpaid property taxes as of June 30, 2006 are recorded as a receivable and amounted to \$714,877. Those net property taxes receivable which were not collected within the 60 days immediately following June 30, 2006 are recorded as deferred revenue and amounted to \$641,238 at June 30, 2006. Property taxes recognized as revenue for the fiscal year ended June 30, 2006 (due to their collection within the 60 days immediately following June 30, 2006) amounted to \$73,639.

**5. INTERGOVERNMENTAL RECEIVABLES/PAYABLES**

Intergovernmental receivables and payables consisted of the following at June 30, 2006:

	<u>Due From</u>	<u>Due To</u>
<b>Governmental activities:</b>		
<b>State of Rhode Island:</b>		
<b>Major funds:</b>		
General Fund .....	\$ 77,318	\$8,925
<b>Non-major funds</b> .....	242,105	
<b>Total</b> .....	<u>319,423</u>	<u>8,925</u>
<b>Federal government:</b>		
<b>Non-major funds</b> .....	1,132,265	0
<b>Total governmental activities</b> .....	<u>\$1,451,688</u>	<u>\$8,925</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 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, 40 Fountain Street, Providence, RI 02903.

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2006**

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**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 6.79% of annual covered payroll. The contribution requirements of plan members and the Town are established and may be amended by State Statute.

**Annual Pension Cost**

For 2006, the Town's annual pension cost of \$99,114 for MERS was equal to the Town's required and actual contributions. The required contribution was determined as part of the June 30, 2003 actuarial valuation using the entry age normal cost method with frozen initial liability. Significant actuarial assumptions included (a) a net investment return of 8.25 percent compounded annually, (b) projected salary increases of 3.0 percent compounded annually, (c) 3.0 percent per year cost-of-living adjustments, (d) mortality rates based on the 1994 Group Annuity Mortality Tables and (e) 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 three-year period. MERS unfunded actuarial accrued liability is being amortized as a level percentage of salary funding over a closed 30 year period. The remaining amortization period at June 30, 2006 was 3 years.

**(b) Municipal 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).

**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 28.58% of annual covered payroll. The contribution requirements of plan members and the Town are established and may be amended by State Statute.

**Annual Pension Cost**

For 2006, the Town's annual pension cost of \$293,965 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, 2003 actuarial valuation using the entry age normal cost method with frozen initial liability and adjusted on December 31, 2002, in anticipation of adopting COLA Plan C. Significant actuarial assumptions included (a) net investment return of 8.25 percent compounded annually, (b) projected salary increases of 3.0 percent compounded annually, (c) 3.0 percent per year cost of living adjustments, (d) mortality rates based on the 1994 Group Annuity Mortality Tables, and (e) 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 three-year period.

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2006

6. **DEFINED BENEFIT PENSION PLANS (Continued)**

(b) **Municipal Police Pension Plan (Continued)**

**Annual Pension Cost (Continued)**

MERS unfunded actuarial accrued liability is being amortized as a level percentage of salary funding over a closed 30 year period. The remaining amortization period at June 30, 2006 was 6 years.

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 2005 Annual Financial Report, which may be obtained from the administrative offices of the State of Rhode Island Retirement Board, 40 Fountain Street, Providence, Rhode Island. This report is the most recent report available from the State, who administers the Plan.

(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 2006, 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, 2006, the total cost to the Town for providing retirement benefits to these two retirees amounted to \$20,122.

7. **INTERFUND BALANCES**

Interfund receivable and payable balances at June 30, 2006 are as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
<b>Governmental activities:</b>		
<b>Major funds:</b>		
General Fund .....	\$ 501,818	\$1,533,515
Police Building Fund .....	373,286	
<b>Non-major funds</b> .....	<u>1,335,757</u>	<u>344,042</u>
<b>Total governmental activities</b> .....	<u>\$2,210,861</u>	<u>\$1,877,557</u>
<b>Business-type activities:</b>		
<b>Major funds:</b>		
Residential Collection Center .....		\$ 275,916
Coastal Pond Management .....		57,388
<b>Total business-type activities</b> .....	<u>\$ 0</u>	<u>\$ 333,304</u>

(CONTINUED)

**TOWN OF CHARLESTOWN, RHODE ISLAND**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2006**

**8. LONG-TERM LIABILITIES**

**(a) Long-Term Liability Activity**

Long-term liability activity for the year ended June 30, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<b>Governmental Activities:</b>					
<b>Long-term debt:</b>					
General obligation debt.....	\$3,875,000		\$345,000	\$3,530,000	\$340,000
Bond anticipation note .....		\$3,000,000		3,000,000	28,050
Leases payable.....	345,243	225,628	163,311	407,560	158,244
Subtotal.....	4,220,243	3,225,628	508,311	6,937,560	526,294
Plus: bond premium, net of amortization .....	32,347		1,926	30,421	
Less: amount deferred on refunding .....	(43,600)		(7,809)	(35,791)	
<b>Total long-term debt</b> .....	<u>4,208,990</u>	<u>3,225,628</u>	<u>502,428</u>	<u>6,932,190</u>	<u>526,294</u>
<b>Other long-term liabilities:</b>					
Compensated absences .....	653,512		4,276	649,236	89,900
Landfill monitoring costs .....	1,503,427	314,039	67,466	1,750,000	70,000
<b>Total other long-term liabilities</b> .....	<u>2,156,939</u>	<u>314,039</u>	<u>71,742</u>	<u>2,399,236</u>	<u>159,900</u>
<b>Governmental activities:</b>					
Long-term liabilities .....	<u>\$6,365,929</u>	<u>\$3,539,667</u>	<u>\$574,170</u>	<u>\$9,331,426</u>	<u>\$686,194</u>
<b>Business-type Activities:</b>					
<b>Long-term liabilities:</b>					
Compensated absences .....	\$ 8,469	\$ 0	\$ 2,843	\$ 5,626	\$ 0
<b>Business-type activities long-term liabilities</b> .....	<u>\$ 8,469</u>	<u>\$ 0</u>	<u>\$ 2,843</u>	<u>\$ 5,626</u>	<u>\$ 0</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.

**(b) Debt Maturity**

At June 30, 2006, the Town had \$5,594,000 of remaining authorized unissued bond authority of which \$3,000,000 was bonded in July 2006.

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2006

8. **LONG-TERM LIABILITIES (Continued)**

(b) **Debt Maturity (Continued)**

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>
2007 .....	\$ 368,050	\$ 247,950	\$ 616,000
2008 .....	349,312	240,463	589,775
2009 .....	345,631	232,144	577,775
2010 .....	337,010	223,115	560,125
2011 .....	333,450	213,675	547,125
2012 - 2016 .....	941,230	948,958	1,890,188
2017 - 2021 .....	988,308	762,756	1,751,064
2022 - 2026 .....	746,975	556,749	1,303,724
2027 - 2031 .....	370,086	445,164	815,250
2032 - 2036 .....	461,193	354,057	815,250
2037 - 2041 .....	574,732	240,518	815,250
2042 - 2046 .....	714,023	99,031	813,054
<b>Totals</b> .....	<u>\$6,530,000</u>	<u>\$4,564,580</u>	<u>\$11,094,580</u>

At June 30, 2006, 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, 2006 consisted of the following:

	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Original Issue</u>	<u>Balance June 30, 2006</u>
General obligation serial bonds:					
Open Space bond .....	2.25% - 4.30%	2/12/04	2/1/24	\$3,000,000	\$2,700,000
Refunding bond .....	1.0% - 2.75%	2/12/04	2/1/11	\$1,230,000	<u>830,000</u>
<b>Total general obligation Bonds</b> .....					3,530,000
Add: Bond anticipation note permanently financed subsequent to June 30, 2006					<u>3,000,000</u>
<b>Total</b> .....					<u>\$6,530,000</u>

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

**8. LONG-TERM LIABILITIES (Continued)**

**(d) Capital Leases**

The Town has entered into five 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>
<b>Assets:</b>		
Vehicles and equipment.....	\$143,615	\$494,956
Less: accumulated depreciation.....	<u>(49,041)</u>	<u>(157,411)</u>
<b>Total</b> .....	<b><u>\$ 94,574</u></b>	<b><u>\$337,545</u></b>

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, 2006:

Fiscal year ending  
June 30:

2007 .....	\$178,431
2008 .....	119,377
2009 .....	94,326
2010 .....	51,896
2011 .....	7,200
2012 .....	<u>600</u>
<b>Total minimum lease payments</b> .....	<b>451,830</b>
Less: amount representing interest.....	<u>(44,270)</u>
<b>Present value of future minimum lease payments</b>	<b><u>\$407,560</u></b>

**(e) Bond Anticipation Note**

The Town issued a \$3,000,000, 3.5% Bond Anticipation Note on May 3, 2005 with a maturity date of August 1, 2006. As disclosed in Note 19, on July 28, 2006, the Town issued a \$3,000,000 general obligation bond to permanently finance the construction of the new police facility. The bond proceeds were used to pay off the \$3,000,000 bond anticipation note. Since the bond anticipation note was permanently financed subsequent to June 30, 2006, the BAN proceeds have been reported as an other financing source in the Police Building capital project fund and as a liability in the Statement of Net Assets.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Bond Anticipation Note.....	<u>\$3,000,000</u>	<u>\$0</u>	<u>\$0</u>	<u>\$3,000,000</u>

(CONTINUED)

**TOWN OF CHARLESTOWN, RHODE ISLAND**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

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**9. 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. Although the outcome of these lawsuits is not presently determinable, in the opinion of the government's attorneys, the resolution of these matters will not have a materially adverse effect on the financial condition of the government. There is, however, one matter involving an administrative appeal of a notice of violation issued by the Rhode Island Department of Environmental Management (DEM) for the alleged failure of the Town to close the former municipal landfill correctly. If the Town fails to prevail, the remedial costs to comply are estimated at \$300,000 to \$600,000. There are two related litigation matters linked to the outcome of this action. Settlement discussions have been ongoing with DEM but cannot be predicted with any certainty at this time.

**10. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS**

In addition to providing pension benefits, the Town provides 12 former employees with health insurance benefits and medicare for the remainder of their lives or until alternative coverage is obtained. These benefits are self-funded by the Town on a pay-as-you-go basis. For the year ended June 30, 2006, the total cost to the Town for providing retirement benefits to these 12 former employees amounted to \$103,578.

**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.

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. Costs incurred to close the landfill during the fiscal year ended June 30, 2006 totaled \$944 and have been recorded in the Landfill Closure Capital Project Fund. There is an additional \$25,000 in encumbrances due on the landfill closure project. Postclosure monitoring costs were originally estimated at \$50,000 per year for 30 years. Based upon revised estimates, the annual costs should approximate \$70,000 annually for the remaining 25 years.

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

**12. FUND EQUITY**

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

**(a) Reservations**

Reservations of fund balances at June 30, 2006 were as follows:

**General Fund:**

Reserved for tax sale property .....	\$ 67,665
Reserved for encumbrances .....	56,355
Reserved for amounts not due within one year .....	<u>198,660</u>
<b>Total</b> .....	<b><u>\$ 322,680</u></b>

**Special Revenue Funds:**

Reserved for encumbrances .....	<u>\$ 4,500</u>
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**Capital Projects Funds:**

Reserved for encumbrances .....	<u>\$ 172,430</u>
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**Permanent Funds:**

Reserved for perpetual care .....	<u>\$ 1,499</u>
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Designations of unreserved fund balances at June 30, 2006 were as follows:

**General Fund:**

Designated for fiscal 2007 operations .....	<u>\$ 365,000</u>
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**(b) Net Assets**

Restriction of net assets at June 30, 2006 were as follows:

**Enterprise Funds:**

Restriction for endowment .....	<u>\$ 10,000</u>
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**(c) Fund Deficits**

The following funds had cumulative deficits at June 30, 2006:

**Non-major Governmental Funds:**

RI Economic Development Grant .....	\$ 2,970
Senior Community Activities .....	\$ 1,169
Landfill Closure Fund .....	\$ 17,467

The deficit in the Landfill Closure Fund, Senior Community Activities, and RI Economic Development Grant will be funded by General Fund contributions.

(CONTINUED)

**TOWN OF CHARLESTOWN, RHODE ISLAND**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2006**

**13. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land .....	\$ 6,310,860	\$ 879,861		\$ 7,190,721
Construction-in-progress.....	530,497	2,954,767		3,485,264
<b>Total capital assets not being depreciated ..</b>	<u>6,841,357</u>	<u>3,834,628</u>	<u>\$ 0</u>	<u>10,675,985</u>
<b>Other capital assets:</b>				
Buildings and improvements.....	3,062,236			3,062,236
Equipment.....	267,409	64,235	(4,500)	327,144
Vehicles.....	1,822,373	264,384	(58,942)	2,027,815
Infrastructure.....	841,146	110,781		951,927
<b>Total other capital assets .....</b>	<u>5,993,164</u>	<u>439,400</u>	<u>(63,442)</u>	<u>6,369,122</u>
Less: accumulated depreciation for:				
Buildings and improvements.....	(1,092,884)	(65,411)		(1,158,295)
Equipment.....	(135,094)	(61,908)	3,215	(193,787)
Vehicles.....	(893,051)	(251,895)	58,942	(1,086,004)
Infrastructure.....	(59,110)	(55,134)		(114,244)
<b>Total accumulated depreciation .....</b>	<u>(2,180,139)</u>	<u>(434,348)</u>	<u>62,157</u>	<u>(2,552,330)</u>
<b>Other capital assets, net.....</b>	<u>3,813,025</u>	<u>5,052</u>	<u>(1,285)</u>	<u>3,816,792</u>
<b>Governmental activities capital assets, net .....</b>	<u>\$10,654,382</u>	<u>\$3,839,680</u>	<u>\$ (1,285)</u>	<u>\$14,492,777</u>
<b>Business-type activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land .....	\$ 99,500			\$ 99,500
<b>Total capital assets not being depreciated ..</b>	<u>99,500</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 99,500</u>
<b>Other capital assets:</b>				
Buildings.....	18,550			18,550
Land improvements .....	113,684			113,684
Machinery and equipment.....	168,471	8,541		177,012
<b>Total other capital assets .....</b>	<u>300,705</u>	<u>8,541</u>	<u>\$ 0</u>	<u>309,246</u>
Less: accumulated depreciation for:				
Buildings.....	(17,806)	(371)		(18,177)
Land improvements .....	(37,895)	(7,579)		(45,474)
Machinery and equipment.....	(143,818)	(15,415)		(159,233)
<b>Total accumulated depreciation .....</b>	<u>(199,519)</u>	<u>(23,365)</u>	<u>\$ 0</u>	<u>(222,884)</u>
<b>Other capital assets, net.....</b>	<u>101,186</u>	<u>(14,824)</u>	<u>0</u>	<u>86,362</u>
<b>Business-type activities capital assets, net .....</b>	<u>\$ 200,686</u>	<u>\$(14,824)</u>	<u>\$ 0</u>	<u>\$ 185,862</u>

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

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**13. CAPITAL ASSETS (Continued)**

Depreciation expense was charged to functions as follows:

**Governmental activities:**

General government .....	\$ 81,603
Public safety .....	181,672
Recreation .....	24,780
Public works .....	124,293
Education .....	<u>22,000</u>
<b>Total governmental activities depreciation expense.....</b>	<b><u>\$ 434,348</u></b>

**Business-type activities:**

Residential Collection Center .....	\$ 22,883
Coastal Pond Management .....	<u>482</u>
<b>Total business type activities .....</b>	<b><u>\$ 23,365</u></b>

**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, 2006.

**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 twelve fiscal years.

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

**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, 2006, approximately \$233,905 of loans have been disbursed under this program.

**17. INTERFUND TRANSFERS**

Interfund transfers for fiscal year ended June 30, 2006 are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
<b>Governmental activities:</b>		
<b>Major funds:</b>		
General Fund .....		\$ 758,277
Police Building Fund.....	\$ 375,066	
<b>Non-major funds</b> .....	<u>674,289</u>	<u>341,078</u>
<b>Total governmental activities</b> .....	<u>\$1,049,355</u>	<u>\$1,099,355</u>
<b>Business-type activities:</b>		
<b>Major funds:</b>		
Residential Collection Center .....	\$ 50,000	
<b>Total business-type activities</b> .....	<u>\$ 50,000</u>	<u>\$ 0</u>

**18. CONSTRUCTION COMMITMENTS**

As of June 30, 2006, the Town had the following commitments with respect to unfinished capital projects:

Police Building Fund.....	\$ 140,460
Landfill Closure .....	25,000
DPW Road Engineering.....	<u>6,970</u>
Total .....	<u>\$ 172,430</u>

(CONTINUED)

**TOWN OF CHARLESTOWN, RHODE ISLAND**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2006**

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**19. SUBSEQUENT EVENTS**

On July 28, 2006, the Town issued a \$3,000,000 general obligation bond to permanently finance the construction of the new police facility. The interest rate on the bonds is 4.5% and the maturity date is July 28, 2046. The bond proceeds were used to pay off a \$3,000,000 bond anticipation note on August 1, 2006. The bond anticipation note had an original issue date of May 3, 2005.

On August 8, 2006 the Town received the proceeds from a lease purchase agreement to finance various Police Building fund expenditures. The lease proceeds totaled \$235,368. The lease is payable over a five-year period beginning July 10, 2006 and requires total principal and interest payments of \$260,043.

(CONCLUDED)

TOWN OF CHARLESTOWN

REQUIRED SUPPLEMENTARY  
INFORMATION

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TOWN OF CHARLESTOWN, RHODE ISLAND  
MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM  
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>
<b><u>General Employees</u></b>						
2003	\$2,697,530	\$3,309,074	\$ 611,544	81.5%	\$1,295,466	47.2%
2004	\$2,696,674	\$3,547,581	\$ 850,907	76.0%	\$1,363,696	62.4%
2005	\$2,799,513	\$3,850,033	\$1,050,521	72.7%	\$1,410,304	74.5%
<b><u>Police</u></b>						
2003	\$3,256,271	\$5,409,126	\$2,152,855	60.2%	\$917,461	234.7%
2004	\$3,481,132	\$5,797,368	\$2,316,236	60.0%	\$926,956	249.9%
2005	\$3,706,715	\$6,299,199	\$2,592,485	58.8%	\$949,693	273.0%

**SCHEDULE OF CONTRIBUTIONS FROM THE TOWN**

Year Ended <u>June 30,</u>	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
<b><u>General Employees</u></b>			
2004	\$24,514	100%	\$0
2005	\$56,314	100%	\$0
2006	\$99,114	100%	\$0
<b><u>Police</u></b>			
2004	\$174,548	100%	\$0
2005	\$220,717	100%	\$0
2006	\$293,965	100%	\$0

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

REQUIRED SUPPLEMENTARY INFORMATION  
(UNAUDITED)

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NOTES TO SCHEDULES

Additional information as of the latest actuarial valuation follows:

Valuation date	June 30, 2005
Actuarial cost method	Entry Age Normal
Amortization method	Level percent closed
Remaining amortization period	30 years (for original unfunded)
Asset valuation method	Market value of assets
Actuarial assumptions:	
Investment rate of return	8.25%, compounded annually
Projected salary increases	4.5% - 9.0% Town and 5.0% -15.5% Police
Cost-of-living adjustments	3.0% not compounded
Inflation	3.0% annually

(CONCLUDED)

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, 2006**

	Originally Adopted Budget	Final Approved Budget	Actual (Budgetary Basis)	Variance Positive (Negative)
<b>REVENUES:</b>				
General property taxes	\$ 16,764,506	\$ 16,764,506	\$ 16,836,996	\$ 72,490
Intergovernmental	2,524,585	2,524,585	2,616,197	91,612
Investment income	60,200	60,200	171,452	111,252
Departmental	1,059,108	1,059,108	1,121,971	62,863
<b>Total revenues</b>	<b>20,408,399</b>	<b>20,408,399</b>	<b>20,746,616</b>	<b>338,217</b>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
General government	1,166,456	1,151,656	1,105,607	46,049
Public safety	1,756,550	1,757,700	1,730,133	27,567
Public works	887,581	887,581	821,384	66,197
Education	12,701,874	12,701,874	12,701,873	1
Recreation	372,484	372,484	363,381	9,103
Public health and assistance	337,775	337,775	337,600	175
Miscellaneous	2,272,798	1,884,898	1,785,803	99,095
<b>Debt service:</b>				
Principal	345,000	345,000	345,000	
Interest and other costs	357,958	383,958	347,642	36,316
<b>Capital:</b>				
Capital improvements	226,423	166,773	338,362	(171,589)
<b>Total expenditures</b>	<b>20,424,899</b>	<b>19,989,699</b>	<b>19,876,785</b>	<b>112,914</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(16,500)</b>	<b>418,700</b>	<b>869,831</b>	<b>451,131</b>
<b>Other financing sources (uses):</b>				
Transfers from fund balance	370,000	370,000	370,000	
Proceeds from capital leases			195,713	195,713
Transfers out	(275,500)	(713,000)	(758,277)	(45,277)
Landfill monitoring	(78,000)	(75,700)	(67,466)	8,234
<b>Net other financing sources (uses)</b>	<b>16,500</b>	<b>(418,700)</b>	<b>(260,030)</b>	<b>158,670</b>
<b>Excess of revenues and other sources over expenditures and other uses</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>609,801</b>	<b>\$ 609,801</b>
Less: transfers from fund balance			(370,000)	
Less: prior year encumbrances			(34,004)	
Add: current year encumbrances			56,355	
<b>Fund balance, beginning of year</b>			<b>5,041,835</b>	
<b>Fund balance, end of year</b>			<b>\$ 5,303,987</b>	

TOWN OF CHARLESTOWN, RHODE ISLANDGENERAL FUND**SCHEDULE OF BUDGET ESTIMATES AND ACTUAL REVENUES  
YEAR ENDED JUNE 30, 2006**

	Original and Final Budget	Actual Revenues	Variance Positive (Negative)
<b>Property taxes:</b>			
Current and prior years	\$ 16,664,506	\$ 16,721,123	\$ 56,617
Interest on delinquent taxes	100,000	115,873	15,873
<b>Total property taxes</b>	<b>16,764,506</b>	<b>16,836,996</b>	<b>72,490</b>
<b>Intergovernmental revenues:</b>			
<b>State of Rhode Island including:</b>			
Beach parking fees		28,642	28,642
School aid	1,585,861	1,532,347	(53,514)
General revenue sharing	339,803	410,604	70,801
Beverage tax on meals	95,559	102,501	6,942
Hotel tax	10,420	26,011	15,591
Public service corporation tax	109,541	77,318	(32,223)
Motor vehicle phaseout	383,401	438,774	55,373
<b>Total intergovernmental revenues</b>	<b>2,524,585</b>	<b>2,616,197</b>	<b>91,612</b>
<b>Departmental revenues:</b>			
Town Clerk:			
Business licenses and fees	17,713	16,130	(1,583)
Non-business licenses and fees	850	860	10
Transfer stamps	250,000	224,672	(25,328)
Probate fees	13,500	13,179	(321)
Tax certificates	8,400	14,275	5,875
Recording fees	200,000	176,098	(23,902)
Building inspector	149,000	170,203	21,203
Police department	50,175	52,796	2,621
Recreation	20,000	20,302	302
Town beach parking and concessions	66,000	93,838	27,838
Beach passes	80,175	102,648	22,473
Blue Shutters parking and concessions	107,395	141,834	34,439
Driving range	27,000	28,326	1,326
Animal control	6,900	6,777	(123)
Ninigret Park	3,600	5,472	1,872
Planning Board	7,900	10,892	2,992
Zoning Board and Review	8,500	7,086	(1,414)
Senior/Community Center	10,000	10,810	810
Other revenues	32,000	25,773	(6,227)
<b>Total departmental revenues</b>	<b>1,059,108</b>	<b>1,121,971</b>	<b>62,863</b>
<b>Investment income</b>	<b>60,200</b>	<b>171,452</b>	<b>111,252</b>
<b>Other financing sources:</b>			
Transfer from fund balance	370,000	370,000	0
Proceeds from capital leases	0	195,713	195,713
<b>Total other financing sources</b>	<b>370,000</b>	<b>565,713</b>	<b>195,713</b>
<b>Total revenues and other financing sources</b>	<b>\$ 20,778,399</b>	<b>\$ 21,312,329</b>	<b>\$ 533,930</b>

TOWN OF CHARLESTOWN, RHODE ISLAND

GENERAL FUND

**SCHEDULE OF APPROPRIATIONS AND ACTUAL EXPENDITURES - BUDGETARY BASIS  
YEAR ENDED JUNE 30, 2006**

	Original Budget	Budget Amendments	Final Budget	Actual Expenditures and Transfers	Adjustments to Budgetary Basis	Expenditures and Transfers on Budgetary Basis	Variance Positive (Negative)
<b>General Government:</b>							
Central services	\$ 197,025		\$ 197,025	\$ 189,102	\$ 600	\$ 189,702	\$ 7,323
Town clerk	166,981	(5,000)	161,981	155,994	311	156,305	5,676
Treasurer	154,857	(4,000)	150,857	145,517		145,517	5,340
Town administrator	125,354	(3,000)	122,354	120,925		120,925	1,429
Tax assessor	149,967	(4,000)	145,967	137,058	2,825	139,883	6,084
Building inspector	126,624	(6,000)	120,624	112,485		112,485	8,139
Tax collector	84,641		84,641	84,448		84,448	193
Town planner	95,307	4,000	99,307	98,995		98,995	312
Town council	19,950	3,200	23,150	23,197		23,197	(47)
Elections unit	14,550		14,550	8,053		8,053	6,497
Boards, agencies, and committees	31,200		31,200	26,111	(14)	26,097	5,103
<b>Total general government</b>	<b>1,166,456</b>	<b>(14,800)</b>	<b>1,151,656</b>	<b>1,101,885</b>	<b>3,722</b>	<b>1,105,607</b>	<b>46,049</b>
<b>Public Safety:</b>							
Police department	1,680,534	2,000	1,682,534	1,648,115	11,059	1,659,174	23,360
Animal control	63,816	(850)	62,966	56,299	844	57,143	5,823
Civil preparedness	12,200		12,200	12,881	935	13,816	(1,616)
<b>Total public safety</b>	<b>1,756,550</b>	<b>1,150</b>	<b>1,757,700</b>	<b>1,717,295</b>	<b>12,838</b>	<b>1,730,133</b>	<b>27,567</b>
<b>Public Works:</b>							
Highway department	583,906	3,200	587,106	525,334	460	525,794	61,312
Public buildings and grounds	203,881		203,881	205,795	(372)	205,423	(1,542)
Administration	95,094	(3,200)	91,894	88,389		88,389	3,505
Wastewater management	4,700		4,700	1,778		1,778	2,922
<b>Total public works</b>	<b>887,581</b>	<b>0</b>	<b>887,581</b>	<b>821,296</b>	<b>88</b>	<b>821,384</b>	<b>66,197</b>

## TOWN OF CHARLESTOWN, RHODE ISLAND

## GENERAL FUND

SCHEDULE OF APPROPRIATIONS AND ACTUAL EXPENDITURES - BUDGETARY BASIS  
YEAR ENDED JUNE 30, 2006

	Original Budget	Budget Amendments	Final Budget	Actual Expenditures and Transfers	Adjustments to Budgetary Basis	Expenditures and Transfers on Budgetary Basis	Variance Positive (Negative)
<b>Recreation:</b>							
Participation recreation	116,829	2,156	118,985	118,156		118,156	829
Senior/Community Center	75,000		75,000	69,598		69,598	5,402
Blue Shutters Beach	57,900	5,000	62,900	59,612	157	59,769	3,131
Town Beach	75,905	(5,956)	69,949	71,079	(226)	70,853	(904)
Driving Range	24,550	(4,556)	19,994	18,009	118	18,127	1,867
Ninigret Park	22,300	3,356	25,656	26,243	635	26,878	(1,222)
<b>Total recreation</b>	<b>372,484</b>	<b>0</b>	<b>372,484</b>	<b>362,697</b>	<b>684</b>	<b>363,381</b>	<b>9,103</b>
<b>Public Health and Assistance:</b>							
Cross Mills Library	184,000		184,000	184,000		184,000	0
Ambulance services	126,000		126,000	126,000		126,000	0
Washington County Nursing	7,400		7,400	7,400		7,400	0
South Shore Mental Health	4,000		4,000	4,000		4,000	0
Hospice Care of RI	500		500	500		500	0
Domestic Violence of South County	550		550	550		550	0
Health Center of South County	2,500		2,500	2,500		2,500	0
Public Assistance	2,775		2,775	2,600		2,600	175
Warm Shelter	500		500	500		500	0
Salt ponds	500		500	500		500	0
Wood River/Pawcatuck	600		600	600		600	0
Seniors helping others	1,000		1,000	1,000		1,000	0
RI Boy Scout Council	600		600	600		600	0
St. James Food Pantry	1,500		1,500	1,500		1,500	0
Memorial Day Parade	500		500	500		500	0
Charlho Cowboys	500		500	500		500	0
Charlho Soccer League	250		250	250		250	0
Charlestown Memorial Parade	1,000		1,000	1,000		1,000	0
Chamber of Commerce	3,100		3,100	3,100		3,100	0
<b>Total public health and assistance</b>	<b>337,775</b>	<b>0</b>	<b>337,775</b>	<b>337,600</b>	<b>0</b>	<b>337,600</b>	<b>175</b>

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

GENERAL FUND

**SCHEDULE OF APPROPRIATIONS AND ACTUAL EXPENDITURES - BUDGETARY BASIS  
YEAR ENDED JUNE 30, 2006**

	<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>
<b>Education:</b>							
Charlto Regional High School	12,701,874	0	12,701,874	12,701,873	0	12,701,873	1
<b>Debt Service:</b>							
General Obligation Bond:							
Principal	345,000		345,000	345,000		345,000	0
Interest	118,666		118,666	118,665		118,665	1
Tax anticipation note - interest	7,500		7,500	0		0	7,500
Open Space BAN - interest	90,000	26,000	116,000	67,464		67,464	48,536
Capital leases	141,792		141,792	160,813		160,813	(19,021)
Fiscal agent fees	0		0	700		700	(700)
<b>Total debt service</b>	<b>702,958</b>	<b>26,000</b>	<b>728,958</b>	<b>692,642</b>	<b>0</b>	<b>692,642</b>	<b>36,316</b>
<b>Miscellaneous:</b>							
Employee insurance and benefits	1,533,405	(71,000)	1,462,405	1,382,256		1,382,256	80,149
Council contingency	313,193	(300,900)	12,293	12,162		12,162	131
Town insurance	207,000	(10,000)	197,000	186,833		186,833	10,167
Auditing	20,000		20,000	34,311		34,311	(14,311)
Legal services	199,200	(6,000)	193,200	170,241		170,241	22,959
<b>Total miscellaneous</b>	<b>2,272,798</b>	<b>(387,900)</b>	<b>1,884,898</b>	<b>1,785,803</b>	<b>0</b>	<b>1,785,803</b>	<b>99,095</b>
<b>Capital Improvements Program:</b>							
Police	80,000	(5,000)	75,000	69,581		69,581	5,419
Public works	91,923	(25,500)	66,423	39,237	7,812	47,049	19,374
Animal control	7,500	850	8,350	1,385	6,000	7,385	965
Recreation facility	42,500	(37,500)	5,000	1,886	(618)	1,268	3,732
Town hall maintenance	2,500	7,500	10,000	25,541	(8,175)	17,366	(7,366)
Clerk restoration program	2,000		2,000	0		0	2,000
Capital leases	0		0	195,713		195,713	(195,713)
<b>Total capital improvements</b>	<b>226,423</b>	<b>(59,650)</b>	<b>166,773</b>	<b>333,343</b>	<b>5,019</b>	<b>338,362</b>	<b>(171,589)</b>

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

GENERAL FUND

**SCHEDULE OF APPROPRIATIONS AND ACTUAL EXPENDITURES - BUDGETARY BASIS  
YEAR ENDED JUNE 30, 2006**

	<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>
<b>Transfers out:</b>							
Enterprise funds	50,000		50,000	50,000		50,000	0
Special revenue funds - Revaluation	50,000		50,000	50,000		50,000	0
Special revenue funds - Police Grants	3,500	(3,500)	0	0		0	0
Special revenue funds - Reserve for Severance	75,000		75,000	75,000		75,000	0
Special revenue funds - Municipal Planning	25,000		25,000	25,000		25,000	0
Special revenue funds - Facility Maintenance	12,000		12,000	12,000		12,000	0
Special revenue funds - Health Care Reserve	0	50,000	50,000	50,000		50,000	0
Special revenue funds - Town Hall Bldg Upgrade	35,000		35,000	35,000		35,000	0
Special revenue funds - Ninigret Park Master Plan	0	35,000	35,000	35,000		35,000	0
Special revenue funds - Public Assistance	5,000		5,000	5,000		5,000	0
Capital project funds - Police Building Fund	0		0	45,277		45,277	(45,277)
Capital project funds - Buckeye Brook Road	0	108,300	108,300	108,300		108,300	0
Capital project funds - Town Capital Maintenance	0	247,700	247,700	247,700		247,700	0
Capital project funds - DPW Road Engineering	20,000		20,000	20,000		20,000	0
<b>Total transfers out</b>	<b>275,500</b>	<b>437,500</b>	<b>713,000</b>	<b>758,277</b>	<b>0</b>	<b>758,277</b>	<b>(45,277)</b>
<b>Other:</b>							
Landfill monitoring	78,000	(2,300)	75,700	67,466		67,466	8,234
<b>Total other</b>	<b>78,000</b>	<b>(2,300)</b>	<b>75,700</b>	<b>67,466</b>	<b>0</b>	<b>67,466</b>	<b>8,234</b>
<b>Total expenditures</b>	<b>\$ 20,778,399</b>	<b>\$ 0</b>	<b>\$ 20,778,399</b>	<b>\$ 20,680,177</b>	<b>\$ 22,351</b>	<b>\$ 20,702,528</b>	<b>\$ 75,871</b>

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2006**

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**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, 2006:

Excess of revenues and other sources over expenditures and other uses (Non-GAAP Budgetary Basis).....	\$ 609,801
Fund balance reappropriated .....	(370,000)
Current year encumbrances.....	56,355
Prior year encumbrances .....	<u>(34,004)</u>
Excess of revenues and other sources over expenditures and other uses (GAAP)	<u>\$ 262,152</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 – LLEBG Grant

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

#### Police Grants - Byrne

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

#### DEM Grant - Tennis Court

The purpose of this fund is to account for a grant received from DEM that will be used to install new tennis courts in Ninigret Park.

#### Police Grant - NCHIP

The purpose of this fund is to account for a grant for the cost of a Livescan (fingerprint) machine with a FBI-certified printer and a demographic interface between the Livescan machine and the police records management system. The grant was received from the Rhode Island Justice Commission.

#### School Impact Fees

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

#### Educational Planning

The purpose of this fund is to account for monies set-aside for a stand alone Charlestown School system.

#### 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.

#### 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

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### SPECIAL REVENUE FUNDS (CONTINUED)

#### Revaluation Fund

This fund accounts for resources restricted to pay for costs associated with the Town's property revaluation.

#### Reserve for Employee Severance Benefits

This fund accounts for funds set-aside for employee severance benefits.

#### 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.

#### Neighborhood Crime Prevention

This fund accounts for grant monies to be used for crime prevention in local neighborhoods.

#### RI Economic Development Grant

This fund accounts for monies to be used towards various projects including the Cross Mills Historic Village and the Senior/Community Center access road.

#### Recreation Donations

This fund accounts for fees received from event providers for events held at park and recreation facilities that are to be used for the benefit of the Ninigret Part Fund.

#### 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.

#### Washington County Regional Planning

The purpose of this fund is to account for a grant for a regional planning study of the Route 1 Corridor from Westerly, RI to North Kingstown, RI. The Town of Charlestown has been designated as the fiscal agent of the grant funds. The grant was received from the RI Department of Administration – Division of Planning.

(CONTINUED)

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# Town Of Charlestown

## NON-MAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS (CONTINUED)

#### Facilities Maintenance

This fund accounts for monies set aside for the Building Commission to repair facilities in need of roofing repairs, etc.

#### 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.

#### D.A.R.E. Program

D.A.R.E. stands for Drug Abuse Resistance Education. This program is to account for a grant received by the Town to be utilized to educate the youth of Charlestown on drug abuse.

#### 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.

#### Employee Vending

The purpose of this fund is to account for funds generated from vending machines located in Town Hall which are used to pay for an annual employee party.

#### Police Bike Unit Training

This fund accounts for fees collected for bike training to offset costs associated with the operations of the bike unit.

#### Birthday Committee

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

(CONTINUED)

# Town Of Charlestown

## NON-MAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS (CONTINUED)

#### Homeland Security Grant

This fund accounts for monies to be used to upgrade communications between Police, Fire and Rescue in a case of a major emergency.

#### State Homeland Security Grant - Terrorism

This fund accounts for monies to be used to produce identification cards for emergency personnel for terrorism prevention.

#### Town Hall Building Upgrade

This fund accounts for monies set aside for the eventual take over of the existing police facility by Town Hall personnel.

#### Health Care Reserve Fund

This fund was created to reserve funds for other post-employment benefits for Town retirees.

#### Public Assistance Special Account

The purpose of this fund is to account for the one-time transfer budgeted in FY06 for public assistance for needy people.

#### Homeland Security Grant - Police Department

This fund accounts for federal funds granted to support the police department's efforts in homeland security.

#### Ninigret Park Master Plan

The purpose of this fund is to account for the monies set aside in FY06 for master planning and updating of the Ninigret Park facility.

#### EPA Grant

This fund accounts for monies to be used for septic upgrades and innovative programs.

#### Wastewater Management

This fund accounts for federal monies received to further enhance the wastewater management in the Town of Charlestown.

(CONTINUED)

# Town Of Charlestown

## NON-MAJOR GOVERNMENTAL FUNDS

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### SPECIAL REVENUE FUNDS (CONTINUED)

#### 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 of programs.

#### Senior Community Activities

This fund accounts for monies received from activities at the Senior/Community Center.

#### Housing Preservation Grants Program

This fund accounts for funds to be used for housing rehabilitation for a specific project.

#### Special Donations

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

#### Stormwater Management Grant

This fund accounts for grant monies for the development of a stormwater management plan.

#### Homeland Security Grant - EMA Citizens

This fund accounts for grant monies received to establish/enhance the Citizens Corp. Council for homeland security.

#### Dept. of Justice – COPS Technology Grant

The purpose of this fund is to account for a grant for equipment and technology to be utilized at the newly constructed police station. This grant was received by the U.S. Department of Justice.

#### Columbia Heights Streetscapes Enhancement

This fund accounts for grant monies received for the revitalization plan for the Columbia Heights neighborhood.

(CONTINUED)

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# Town Of Charlestown

## NON-MAJOR GOVERNMENTAL FUNDS

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### 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.

#### Town Capital Maintenance Fund

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

#### Buckeye Brook Road

This fund was created to reserve funds needed to complete the road reconstruction project over and above the amount approved by referendum in FY05.

#### DPW Road Engineering

Accounts for costs related to road engineering.

#### Open Space Acquisition

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

#### Landfill Closure

Accounts for the construction costs related to the closing of the landfill.

### DEBT SERVICE FUND

The Debt Service Fund is used to account for the accumulation of resources and payment of demand note principal and interest from governmental resources and special assessment demand note principal and interest from special assessment levies when the government is obligated in some manner for the payment.

#### Ocean Ridge Road

This fund accounts for the assessment of property owners for road improvements through special legislation. The property liens are placed on the plats for a period of 15 years.

(CONTINUED)

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# Town Of Charlestown

## NON-MAJOR GOVERNMENTAL FUNDS

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### 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 H. Ellis Fund

The Zenis H. 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)

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TOWN OF CHARLESTOWN, RHODE ISLAND

**COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2006**

	Special Revenue Funds					
	Police Grants - LLEBG Grants	Police Grants - Byrne	DEM Grant - Tennis Court	Police Grant - NCHIP	School Impact Fees	Educational Planning
<b>ASSETS:</b>						
Cash and cash equivalents					\$ 492,296	
Investments						
Other receivables						
Due from:						
Other funds	\$ 206	\$ 481		\$ 24,900		\$ 19,933
Other governments		12,345	\$ 25,000			
<b>TOTAL ASSETS</b>	<b>\$ 206</b>	<b>\$ 12,826</b>	<b>\$ 25,000</b>	<b>\$ 24,900</b>	<b>\$ 492,296</b>	<b>\$ 19,933</b>

**LIABILITIES AND FUND BALANCES:**

<b>LIABILITIES:</b>						
Accounts payable						
Due to other funds	\$ 11,700	\$ 11,289				
Retainage payable						
Deferred revenues	645	13,711				
Other liabilities						
<b>TOTAL LIABILITIES</b>	<b>\$ 0</b>	<b>\$ 12,345</b>	<b>\$ 25,000</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>

**FUND BALANCES:**

Reserved for:						
Perpetual care						
Encumbrances						
Unreserved, reported in:						
Special revenue funds		481		24,900	492,296	19,933
Capital project funds						
Debt service funds						
<b>TOTAL FUND BALANCES</b>	<b>206</b>	<b>481</b>	<b>0</b>	<b>24,900</b>	<b>492,296</b>	<b>19,933</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 206</b>	<b>\$ 12,826</b>	<b>\$ 25,000</b>	<b>\$ 24,900</b>	<b>\$ 492,296</b>	<b>\$ 19,933</b>

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2006**

	Special Revenue Funds					
	Historical and Vital Records	Municipal Planning	Revaluation Fund	Reserve for Employee Severance Benefits	Comprehensive Planning Grant	Neighborhood Crime Prevention
				\$ 777		
\$ 31,813	\$ 84,581	\$ 102,898	\$ 96,629	17,698	\$ 2,863	
<b>\$ 31,813</b>	<b>\$ 84,581</b>	<b>\$ 102,898</b>	<b>\$ 96,629</b>	<b>\$ 18,475</b>	<b>\$ 2,863</b>	

**ASSETS:**

Cash and cash equivalents  
Investments  
Other receivables  
Due from:  
Other funds  
Other governments  
**TOTAL ASSETS**

**LIABILITIES AND FUND BALANCES:**

**LIABILITIES:**

Accounts payable  
Due to other funds  
Retainage payable  
Deferred revenues  
Other liabilities

**TOTAL LIABILITIES**

**FUND BALANCES:**

Reserved for:  
Perpetual care  
Encumbrances  
Unreserved, reported in:  
Special revenue funds  
Capital project funds  
Debt service funds

**TOTAL FUND BALANCES**

**TOTAL LIABILITIES AND FUND BALANCES**

\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,863
31,813	84,581	102,898	96,629	13,975	1,000
31,813	84,581	102,898	96,629	18,475	1,000
\$ 31,813	\$ 84,581	\$ 102,898	\$ 96,629	\$ 18,475	\$ 2,863

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2006**

	Special Revenue Funds					
	RI Economic Development Grant	Recreation Donations	Ninigret Park Fund	Bicentennial Fund	Washington County Regional Planning	Facilities Maintenance
<b>ASSETS:</b>						
Cash and cash equivalents		\$ 115,006		\$ 1,972		
Investments						
Other receivables						
Due from:						
Other funds	\$ 1,159					
Other governments	\$ 5,005				\$ 54,335	\$ 18,025
<b>TOTAL ASSETS</b>	<b>\$ 5,005</b>	<b>\$ 1,159</b>	<b>\$ 115,006</b>	<b>\$ 1,972</b>	<b>\$ 111,160</b>	<b>\$ 18,025</b>
<b>LIABILITIES AND FUND BALANCES:</b>						
<b>LIABILITIES:</b>						
Accounts payable						
Due to other funds	\$ 1,945		\$ 16,467			
Retainage payable						
Deferred revenues						
Other liabilities	6,030				\$ 111,160	
<b>TOTAL LIABILITIES</b>	<b>7,975</b>	<b>\$ 0</b>	<b>16,467</b>	<b>\$ 0</b>	<b>111,160</b>	<b>\$ 0</b>
<b>FUND BALANCES:</b>						
Reserved for:						
Perpetual care						
Encumbrances						
Unreserved, reported in:						
Special revenue funds	(2,970)	1,159	98,539	1,972		18,025
Capital project funds						
Debt service funds						
<b>TOTAL FUND BALANCES</b>	<b>(2,970)</b>	<b>1,159</b>	<b>98,539</b>	<b>1,972</b>	<b>0</b>	<b>18,025</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 5,005</b>	<b>\$ 1,159</b>	<b>\$ 115,006</b>	<b>\$ 1,972</b>	<b>\$ 111,160</b>	<b>\$ 18,025</b>

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2006**

	Special Revenue Funds					
	Developer Bond Deposits	Open Space Fees	DARE Program	Naval Airfield Memorial	Police Forfeiture	Employee Vending
<b>ASSETS:</b>						
Cash and cash equivalents	\$ 17,783	\$ 25,838	\$ 30	\$ 4,601	\$ 412	\$ 831
Investments						
Other receivables						
Due from:						
Other funds						
Other governments						
<b>TOTAL ASSETS</b>	<b>\$ 17,783</b>	<b>\$ 25,838</b>	<b>\$ 30</b>	<b>\$ 4,601</b>	<b>\$ 412</b>	<b>\$ 831</b>
<b>LIABILITIES AND FUND BALANCES:</b>						
<b>LIABILITIES:</b>						
Accounts payable						
Due to other funds						
Retainage payable						
Deferred revenues						
Other liabilities	\$ 17,783	0	0	0	0	0
<b>TOTAL LIABILITIES</b>	<b>\$ 17,783</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>FUND BALANCES:</b>						
Reserved for:						
Perpetual care						
Encumbrances						
Unreserved, reported in:						
Special revenue funds		25,838	30	4,601	412	831
Capital project funds						
Debt service funds						
<b>TOTAL FUND BALANCES</b>	<b>0</b>	<b>25,838</b>	<b>30</b>	<b>4,601</b>	<b>412</b>	<b>831</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 17,783</b>	<b>\$ 25,838</b>	<b>\$ 30</b>	<b>\$ 4,601</b>	<b>\$ 412</b>	<b>\$ 831</b>

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2006**

	Special Revenue						
	Police Bike Unit Training	Birthday Committee	Homeland Security Grant	State Homeland Security Grant - Terrorism	Town Hall Building Upgrade	Health Care Reserve Fund	Public Assistance Special Account
Cash and cash equivalents		\$ 1,727					
Investments							
Other receivables							
Due from:							
Other funds			\$ 31,952		\$ 70,000	\$ 50,000	\$ 3,439
Other governments							
<b>TOTAL ASSETS</b>	\$ 294	\$ 1,727	\$ 31,952	\$ 0	\$ 70,000	\$ 50,000	\$ 3,439

**LIABILITIES AND FUND BALANCES:**

**LIABILITIES:**

Accounts payable  
Due to other funds  
Retainage payable  
Deferred revenues  
Other liabilities

**TOTAL LIABILITIES**

**FUND BALANCES:**

Reserved for:  
  Perpetual care  
  Encumbrances  
Unreserved, reported in:  
  Special revenue funds  
  Capital project funds  
  Debt service funds

**TOTAL FUND BALANCES**

**TOTAL LIABILITIES AND FUND BALANCES**

	\$ 0	\$ 0	\$ 31,952	\$ 0	\$ 0	\$ 0	\$ 0
			\$ 7,774				
			24,178				
	294	1,727	70,000	70,000	50,000	3,439	
	294	1,727	0	70,000	50,000	3,439	
	\$ 294	\$ 1,727	\$ 31,952	\$ 0	\$ 70,000	\$ 50,000	\$ 3,439

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2006**

Special Revenue Funds

	Homeland Security Grant - Police Dept	Ninigret Park Master Plan	EPA Grant	Wastewater Management	Community Development Block Grant	Senior Community Activities	Housing Preservation Grants Program
					\$ 1,697		
\$	3,631	\$ 35,000	\$ 192,783	\$ 23,680	254,000		\$ 73
	16,347						
\$	19,978	\$ 35,000	\$ 192,783	\$ 23,680	\$ 255,697	\$ 0	\$ 73
<b>TOTAL ASSETS</b>							

**ASSETS:**

Cash and cash equivalents  
Investments  
Other receivables  
Due from:  
Other funds  
Other governments  
**TOTAL ASSETS**

**LIABILITIES AND FUND BALANCES:**

**LIABILITIES:**

Accounts payable  
Due to other funds  
Retainage payable  
Deferred revenues  
Other liabilities

**TOTAL LIABILITIES**

**FUND BALANCES:**

Reserved for:  
Perpetual care  
Encumbrances  
Unreserved, reported in:  
Special revenue funds  
Capital project funds  
Debt service funds

**TOTAL FUND BALANCES**

**TOTAL LIABILITIES AND FUND BALANCES**

\$	15,172		\$ 27,973	\$ 100		\$ 1,169	\$ 73
	4,806		164,810	23,580	\$ 255,697		
	19,978	\$ 0	192,783	23,680	255,697	1,169	73
<b>TOTAL LIABILITIES AND FUND BALANCES</b>							
	0	35,000	0	0	0	(1,169)	0
\$	19,978	\$ 35,000	\$ 192,783	\$ 23,680	\$ 255,697	\$ 0	\$ 73

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2006**

	Special Revenue Funds				Capital Project Funds	
	Stormwater Management Grant	Homeland Security Grant - EMA Citizens	Justice - COPS Technology Grant	Columbia Heights Streetscapes Enhancement	Town Capital Maintenance Fund	Buckeye Brook Road
<b>ASSETS:</b>						
Cash and cash equivalents	\$ 3,550					
Investments						
Other receivables						
Due from:						
Other funds	500					
Other governments						
<b>TOTAL ASSETS</b>	\$ 4,050	\$ 10,790	\$ 296,168	\$ 397,350	\$ 247,700	\$ 108,300
	\$ 25,000	\$ 10,790	\$ 296,168	\$ 397,350	\$ 247,700	\$ 108,300
<b>LIABILITIES AND FUND BALANCES:</b>						
<b>LIABILITIES:</b>						
Accounts payable						
Due to other funds	\$ 15,300	\$ 2,770	\$ 230,611	\$ 1,772		
Retainage payable						
Deferred revenues	9,700	8,020	65,557	395,578		
Other liabilities						
<b>TOTAL LIABILITIES</b>	\$ 0	\$ 10,790	\$ 296,168	\$ 397,350	\$ 0	\$ 0
<b>FUND BALANCES:</b>						
Reserved for:						
Perpetual care						
Encumbrances						
Unreserved, reported in:						
Special revenue funds	4,050					
Capital project funds					247,700	108,300
Debt service funds						
<b>TOTAL FUND BALANCES</b>	\$ 4,050	\$ 10,790	\$ 296,168	\$ 397,350	\$ 247,700	\$ 108,300
	\$ 25,000	\$ 10,790	\$ 296,168	\$ 397,350	\$ 247,700	\$ 108,300
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	\$ 4,050	\$ 10,790	\$ 296,168	\$ 397,350	\$ 247,700	\$ 108,300

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2006**

	Capital Project Funds				Debt Service Funds		Permanent Funds		Total Non-Major Governmental Funds
	DPW Road Engineering	Open Space Acquisitions	Landfill Closure	Ocean Ridge Road	Zenis Ellis Trust	Cemetery Fund			
<b>ASSETS:</b>									
Cash and cash equivalents				\$ 12,731	\$ 1,051	\$ 500		\$ 680,302	
Investments	\$ 102,446	\$ 240,707	\$ 18,097					500	
Other receivables		27,125		892				892	
Due from:									
Other funds									
Other governments								1,335,757	
<b>TOTAL ASSETS</b>	<b>\$ 102,446</b>	<b>\$ 267,832</b>	<b>\$ 18,097</b>	<b>\$ 13,623</b>	<b>\$ 1,051</b>	<b>\$ 549</b>		<b>\$ 3,391,821</b>	
<b>LIABILITIES AND FUND BALANCES:</b>									
<b>LIABILITIES:</b>									
Accounts payable								\$ 73	
Due to other funds								344,042	
Retainage payable		\$ 21,701	\$ 35,564	\$ 892				35,564	
Deferred revenues								1,107,928	
Other liabilities					\$ 101			17,884	
<b>TOTAL LIABILITIES</b>	<b>\$ 0</b>	<b>\$ 21,701</b>	<b>\$ 35,564</b>	<b>\$ 892</b>	<b>\$ 101</b>	<b>\$ 0</b>		<b>\$ 1,505,491</b>	
<b>FUND BALANCES:</b>									
Reserved for:									
Perpetual care								1,499	
Encumbrances	6,970		25,000		950			36,470	
Unreserved, reported in:									
Special revenue funds								1,180,490	
Capital project funds	95,476	246,131	(42,467)					655,140	
Debt service funds				12,731				12,731	
<b>TOTAL FUND BALANCES</b>	<b>\$ 102,446</b>	<b>\$ 267,832</b>	<b>\$ 18,097</b>	<b>\$ 13,623</b>	<b>\$ 1,051</b>	<b>\$ 549</b>		<b>\$ 3,391,821</b>	

(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, 2006

	Special Revenue Funds					
	Police Grants - LLEBG Grants	Police Grants - Byrne	DEM Grant - Tennis Court	Police Grant - NCHIP	School Impact Fees	Educational Planning
<b>REVENUES:</b>						
Intergovernmental						
Investment income					\$ 17,897	
Other					44,237	
<b>TOTAL REVENUES</b>	\$ 0	\$ 17,170	\$ 11,289	\$ 31,500	\$ 62,134	\$ 0
<b>EXPENDITURES:</b>						
<b>Current:</b>						
General government						
Public safety						
Public works		21,165				
Education						
Parks and recreation						
Community development			22,578			
Public health and assistance						
<b>Debt Service:</b>						
Principal						
Interest						
<b>Capital:</b>						
Capital outlay						
<b>TOTAL EXPENDITURES</b>	0	21,165	22,578	36,515	0	0
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)</b>	0	(3,995)	(11,289)	(5,015)	62,134	0
<b>OTHER FINANCING SOURCES (USES):</b>						
Proceeds from capital leasing						
Transfers in			11,289	29,915		
Transfers out						
<b>NET OTHER FINANCING SOURCES (USES)</b>	0	0	11,289	29,915	0	0
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) EXPENDITURES</b>	0	(3,995)	0	24,900	62,134	0
<b>FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR</b>	206	4,476	0	0	430,162	19,933
<b>FUND BALANCE (DEFICIT) AT END OF YEAR</b>	\$ 206	\$ 481	\$ 0	\$ 24,900	\$ 492,296	\$ 19,933

(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, 2006

	Special Revenue Funds					
	Historical and Vital Records	Municipal Planning	Revaluation Fund	Reserve for Employee Severance Benefits	Comprehensive Planning Grant	Neighborhood Crime Prevention
<b>REVENUES:</b>						
Intergovernmental	\$ 1,200					\$ 1,387
Investment income						
Other	23,662					1,000
<b>TOTAL REVENUES</b>	<u>24,862</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>2,387</u>
<b>EXPENDITURES:</b>						
<b>Current:</b>						
General government	24,277	14,788	36	78,797	26,525	1,387
Public safety						
Public works						
Education						
Parks and recreation						
Community development						
Public health and assistance						
<b>Debt Service:</b>						
Principal						
Interest						
<b>Capital:</b>						
Capital outlay						
<b>TOTAL EXPENDITURES</b>	<u>24,277</u>	<u>14,788</u>	<u>36</u>	<u>78,797</u>	<u>26,525</u>	<u>1,387</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)</b>	585	(14,788)	(36)	(78,797)	(26,525)	1,000
<b>OTHER FINANCING SOURCES (USES):</b>						
Proceeds from capital leasing						
Transfers in		25,000				
Transfers out					75,000	
<b>NET OTHER FINANCING SOURCES (USES)</b>	<u>0</u>	<u>25,000</u>	<u>50,000</u>	<u>75,000</u>	<u>0</u>	<u>0</u>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) EXPENDITURES</b>	585	10,212	49,964	(3,797)	(26,525)	1,000
<b>FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR</b>	31,228	74,369	52,934	100,426	45,000	0
<b>FUND BALANCE (DEFICIT) AT END OF YEAR</b>	<u>\$ 31,813</u>	<u>\$ 84,581</u>	<u>\$ 102,898</u>	<u>\$ 96,629</u>	<u>\$ 18,475</u>	<u>\$ 1,000</u>

(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, 2006

	Special Revenue Funds					Washington County Regional Planning	Facilities Maintenance
	RI Economic Development Grant	Recreation Donations	Ninigret Park Fund	Bicentennial Fund			
<b>REVENUES:</b>							
Intergovernmental	306					2,490	
Investment income			4,143		68		
Other			28,060				
<b>TOTAL REVENUES</b>	<b>306</b>	<b>0</b>	<b>32,203</b>	<b>68</b>	<b>2,490</b>	<b>0</b>	<b>0</b>
<b>EXPENDITURES:</b>							
<b>Current:</b>							
General government	613					2,490	
Public safety							
Public works							
Education							
Parks and recreation			4,650				5,975
Community development							
Public health and assistance							
<b>Debt Service:</b>							
Principal							
Interest							
<b>Capital:</b>							
Capital outlay							
<b>TOTAL EXPENDITURES</b>	<b>613</b>	<b>0</b>	<b>4,650</b>	<b>0</b>	<b>2,490</b>	<b>0</b>	<b>5,975</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)</b>	<b>(307)</b>	<b>0</b>	<b>27,553</b>	<b>68</b>	<b>0</b>	<b>0</b>	<b>(5,975)</b>
<b>OTHER FINANCING SOURCES (USES):</b>							
Proceeds from capital leasing							12,000
Transfers in							
Transfers out			(11,289)				
<b>NET OTHER FINANCING SOURCES (USES)</b>	<b>0</b>	<b>0</b>	<b>(11,289)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>12,000</b>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) EXPENDITURES</b>	<b>(307)</b>	<b>0</b>	<b>16,264</b>	<b>68</b>	<b>0</b>	<b>0</b>	<b>6,025</b>
<b>FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR</b>	<b>(2,663)</b>	<b>1,159</b>	<b>82,275</b>	<b>1,904</b>	<b>0</b>	<b>0</b>	<b>12,000</b>
<b>FUND BALANCE (DEFICIT) AT END OF YEAR</b>	<b>\$ (2,970)</b>	<b>\$ 1,159</b>	<b>\$ 98,539</b>	<b>\$ 1,972</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 18,025</b>

(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, 2006

	Special Revenue Funds						
	Developer Bond Deposits	Open Space Fees	DARE Program	Naval Airfield Memorial	Police Forfeiture	Employee Vending	
<b>REVENUES:</b>							
Intergovernmental		\$ 897		172		\$	3
Investment income		2,546					554
Other		3,443	0	172	0		557
<b>TOTAL REVENUES</b>	\$0	\$ 3,443	\$ 0	\$ 172	\$ 0	\$	
<b>EXPENDITURES:</b>							
<b>Current:</b>							
General government							843
Public safety							
Public works							
Education							
Parks and recreation							
Community development							
Public health and assistance							
<b>Debt Service:</b>							
Principal							
Interest							
<b>Capital:</b>							
Capital outlay							
<b>TOTAL EXPENDITURES</b>	0	0	0	0	0	0	843
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)</b>	0	3,443	0	172	0	0	(286)
<b>OTHER FINANCING SOURCES (USES):</b>							
Proceeds from capital leasing							
Transfers in							
Transfers out							
<b>NET OTHER FINANCING SOURCES (USES)</b>	0	0	0	0	0	0	0
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) EXPENDITURES</b>	0	3,443	0	172	0	0	(286)
<b>FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR</b>	0	22,395	30	4,429	412		1,117
<b>FUND BALANCE (DEFICIT) AT END OF YEAR</b>	\$0	\$ 25,838	\$ 30	\$ 4,601	\$ 412	\$	831

(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, 2006

	Special Revenue Funds							Public Assistance Special Account
	Police Bike Unit Training	Birthday Committee	Homeland Security Grant	State Homeland Security Grant - Terrorism	Town Hall Building Upgrade	Health Care Reserve Fund		
<b>REVENUES:</b>								
Intergovernmental			\$ 18,169	\$ 2,486				
Investment income		\$ 64						
Other								
<b>TOTAL REVENUES</b>	\$ 0	64	18,169	2,486	0	0	0	0
<b>EXPENDITURES:</b>								
<b>Current:</b>								
General government								
Public safety			18,169	2,486				
Public works								
Education								
Parks and recreation								
Community development								
Public health and assistance								
<b>Debt Service:</b>								
Principal								1,561
Interest								
<b>Capital:</b>								
Capital outlay								
<b>TOTAL EXPENDITURES</b>	0	0	18,169	2,486	0	0	0	1,561
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)</b>	0	64	0	0	0	0	0	(1,561)
<b>OTHER FINANCING SOURCES (USES):</b>								
Proceeds from capital leasing								
Transfers in					35,000	50,000		5,000
Transfers out								
<b>NET OTHER FINANCING SOURCES (USES)</b>	0	0	0	0	35,000	50,000		5,000
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) EXPENDITURES</b>	0	64	0	0	35,000	50,000		3,439
<b>FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR</b>	294	1,663	0	0	35,000	0		0
<b>FUND BALANCE (DEFICIT) AT END OF YEAR</b>	\$ 294	\$ 1,727	\$ 0	\$ 0	\$ 70,000	\$ 50,000	\$	3,439

(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, 2006

	Special Revenue Funds						
	Homeland Security Grant - Police Dept	Ninigret Park Master Plan	EPA Grant	Wastewater Management	Community Development Block Grant	Senior Community Activities	Housing Preservation Grants Program
<b>REVENUES:</b>							
Intergovernmental	\$ 104,665		\$ 64,549		\$ 128,273		\$ 2,950
Investment income							
Other							
<b>TOTAL REVENUES</b>	<b>104,665</b>	<b>0</b>	<b>64,549</b>	<b>0</b>	<b>128,273</b>	<b>0</b>	<b>2,950</b>
<b>EXPENDITURES:</b>							
<b>Current:</b>							
General government							
Public safety	5,487						2,950
Public works			64,549				
Education							
Parks and recreation							
Community development					128,492		
Public health and assistance							
<b>Debt Service:</b>							
Principal							
Interest							
<b>Capital:</b>							
Capital outlay							
<b>TOTAL EXPENDITURES</b>	<b>5,487</b>	<b>0</b>	<b>64,549</b>	<b>0</b>	<b>128,492</b>	<b>0</b>	<b>2,950</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)</b>	<b>99,178</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(219)</b>	<b>0</b>	<b>0</b>
<b>OTHER FINANCING SOURCES (USES):</b>							
Proceeds from capital leasing							
Transfers in		35,000					
Transfers out	(99,178)						
<b>NET OTHER FINANCING SOURCES (USES)</b>	<b>(99,178)</b>	<b>35,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) EXPENDITURES</b>	<b>0</b>	<b>35,000</b>	<b>0</b>	<b>0</b>	<b>(219)</b>	<b>0</b>	<b>0</b>
<b>FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>219</b>	<b>(1,169)</b>	<b>0</b>
<b>FUND BALANCE (DEFICIT) AT END OF YEAR</b>	<b>0</b>	<b>35,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,169)</b>	<b>0</b>

(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, 2006

	Special Revenue Funds				Capital Project Funds		
	Stormwater Management Grant	Homeland Security Grant - EMA Citizens	Dept of Justice - COPS Technology Grant	Columbia Heights Streetscapes Enhancement	Town Capital Maintenance Fund	Buckeye Brook Road	
<b>REVENUES:</b>							
Intergovernmental							
Investment income	\$ 118	\$ 8,993	\$ 230,611	\$ 1,772			
Other	1,091						
<b>TOTAL REVENUES</b>	<b>1,209</b>	<b>8,993</b>	<b>230,611</b>	<b>1,772</b>	<b>0</b>	<b>0</b>	<b>\$ 0</b>
<b>EXPENDITURES:</b>							
<b>Current:</b>							
General government							
Public safety							
Public works		8,993					
Education	870						
Parks and recreation							
Community development				1,772			
Public health and assistance							
<b>Debt Service:</b>							
Principal							
Interest							
<b>Capital:</b>							
Capital outlay							
<b>TOTAL EXPENDITURES</b>	<b>0</b>	<b>8,993</b>	<b>0</b>	<b>1,772</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)</b>	<b>1,209</b>	<b>0</b>	<b>230,611</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>OTHER FINANCING SOURCES (USES):</b>							
Proceeds from capital leasing							
Transfers in					247,700		108,300
Transfers out					(230,611)		
<b>NET OTHER FINANCING SOURCES (USES)</b>	<b>0</b>	<b>0</b>	<b>(230,611)</b>	<b>0</b>	<b>247,700</b>	<b>0</b>	<b>108,300</b>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) EXPENDITURES</b>	<b>1,209</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>247,700</b>	<b>0</b>	<b>108,300</b>
<b>FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR</b>	<b>2,841</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>FUND BALANCE (DEFICIT) AT END OF YEAR</b>	<b>\$ 4,050</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 247,700</b>	<b>\$ 0</b>	<b>\$ 108,300</b>

(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, 2006

	Capital Project Funds			Debt Service Funds			Permanent Funds			Total Non-Major Governmental Funds
	DPW Road Engineering	Open Space Acquisitions	Landfill Closure	Ocean Ridge Road	Zenis Ellis Trust	Cemetery Fund				
<b>REVENUES:</b>										
Intergovernmental		\$ 5,424		\$ 51					\$ 634,104	
Investment income		6,161		103					29,582	
Other									101,253	
<b>TOTAL REVENUES</b>	\$ 0	11,585	\$ 0	154	\$ 0		8		764,939	
<b>EXPENDITURES:</b>										
<b>Current:</b>										
General government									151,319	
Public safety									57,687	
Public works									65,419	
Education									5,975	
Parks and recreation									29,000	
Community development									128,492	
Public health and assistance									1,561	
<b>Debt Service:</b>										
Principal									3,214	
Interest									3,386	
<b>Capital:</b>										
Capital outlay	19,470	879,862	944						930,191	
<b>TOTAL EXPENDITURES</b>	19,470	879,862	944	0	0	0	0		1,376,244	
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)</b>	(19,470)	(868,277)	(944)	154	0	0	8		(611,305)	
<b>OTHER FINANCING SOURCES (USES):</b>										
Proceeds from capital leasing									29,915	
Transfers in	20,000								674,289	
Transfers out									(341,078)	
<b>NET OTHER FINANCING SOURCES (USES)</b>	20,000	0	0	0	0	0	0		363,126	
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) EXPENDITURES</b>	530	(868,277)	(944)	154	0	0	8		(248,179)	
<b>FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR</b>	101,916	1,114,408	(16,523)	12,577	950	541			2,134,509	
<b>FUND BALANCE (DEFICIT) AT END OF YEAR</b>	\$ 102,446	\$ 246,131	\$ (17,467)	\$ 12,731	\$ 950	\$ 549			\$ 1,886,330	

TOWN OF CHARLESTOWN

SINGLE AUDIT SECTION

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**TOWN OF CHARLESTOWN, RHODE ISLAND**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2006**

<b>Federal Grantor</b> <b>Pass-Through Grantor</b> <b>Program title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Housing and Urban Development</b>		
<b>Governor's Office of Housing &amp; Energy &amp; Intergovernmental Relations</b>		
Community Development Block Grants - Small Cities Program	14.219	\$ 128,492
<b>Total U.S. Department of Housing and Urban Development</b>		<u>128,492</u>
<b>U.S. Department of Justice</b>		
<b>RI Governor's Justice Commission</b>		
Public Safety Partnership and Community Policing Grants (COPS)	16.710	* 231,998
Byrne Grant	16.579	21,165
National Criminal History Improvement Project	16.554	29,915
<b>Total U.S. Department of Justice</b>		<u>283,078</u>
<b>U.S. Department of Agriculture</b>		
<b>Town of Charlestown Community Development Block Grant</b>		
Rural Housing Preservation Grants	10.433	2,950
<b>Total U.S. Department of Agriculture</b>		<u>2,950</u>
<b>U.S. Environmental Protection Agency</b>		
EPA Grant	66.606	64,549
<b>Total U.S. Environmental Protection Agency</b>		<u>64,549</u>
<b>Federal Emergency Management Agency</b>		
<b>RI Emergency Management Agency</b>		
Homeland Security Grant - 2003 - State Homeland Security Program	16.007	* 3,448
Homeland Security Grant - 2005 - State Homeland Security Program	97.067	* 14,721
Homeland Security Grant - 2003 - Law Enforcement Terrorism Prevention Program	16.007	* 2,486
Homeland Security Grant - 2004	16.007	* 104,665
Citizens Corps Program*	97.053	* 8,993
<b>Total Federal Emergency Management Agency</b>		<u>134,313</u>
<b>U.S. Department of Transportation</b>		
<b>RI Department of Transportation</b>		
Highway Planning and Construction	20.205	1,418
<b>Total Expenditures of Federal Awards</b>		<u>\$ 614,800</u>

\* Denotes a major program

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2006**

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**1. GENERAL**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the Town of Charlestown. All federal awards received from federal agencies are included on the Schedule.

**2. BASIS OF ACCOUNTING**

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

**3. DETERMINATION OF MAJOR PROGRAMS**

The determination of major federal financial assistance programs was based upon the overall level of expenditures for all federal programs for the Town of Charlestown. As such, the threshold for determining Type A and Type B programs is defined as those with program expenditures greater than \$300,000 or 3 percent of total expenditures when the total expenditures are over \$10,000,000. There were no programs with expenditures exceeding \$300,000 for the fiscal year ended June 30, 2006. For the fiscal year ended June 30, 2006, the following Type B programs were considered major programs:

Public Safety Partnership and Community Policing Grants	#16.710
Homeland Security Cluster.....	#97.067, #16.007, and #97.053

# CAYER CACCIA LLP

Certified Public Accountants and Business Consultants

**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, 2006, which collectively comprise the Town of Charlestown, Rhode Island's basic financial statements and have issued our report thereon dated December 5, 2006. 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 in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

## 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*.

405 Promenade Street, Providence, RI 02908 (401) 421-7700 FAX (401) 421-5252  
100 Plaza Center 68 Cumberland Street, Woonsocket, RI 02895 (401) 766-8100

We noted certain other matters that we reported to management of the Town of Charlestown, Rhode Island, in a separate letter dated December 5, 2006.

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

December 5, 2006

*Cayer Caccia, LLP.*

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# CAYER CACCIA LLP

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Certified Public Accountants and Business Consultants

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

To the Honorable Town Council  
Charlestown, Rhode Island

Compliance

We have audited the compliance of the Town of Charlestown, Rhode Island with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The Town of Charlestown, Rhode Island's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Town of Charlestown, Rhode Island's management. Our responsibility is to express an opinion on the Town of Charlestown, Rhode Island's compliance based on our audit.

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

In our opinion, the Town of Charlestown, Rhode Island complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 06-1 and 06-2.

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## Internal Control Over Compliance

The management of the Town of Charlestown, Rhode Island is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Charlestown, Rhode Island's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

December 5, 2006

*Cayer Caccia, LLP*

TOWN OF CHARLESTOWN, RHODE ISLAND

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2006**

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**A. SUMMARY OF AUDITOR'S RESULTS**

1. The auditor's report expressed an unqualified opinion on the financial statements of the Town of Charlestown.
2. No reportable conditions relating to the audit of the financial statements are reported in the Independent Auditor's report.
3. No instances of noncompliance material to the financial statements of the Town of Charlestown were disclosed during the audit.
4. No reportable conditions relating to the audit of major federal award programs were reported.
5. The auditor's report on compliance for the major federal award programs for the Town of Charlestown expresses an unqualified opinion.
6. Audit findings that are required to be reported in accordance with OMB Circular A-133 are reported in this Schedule.
7. The programs tested as major programs include:

Public Safety Partnership and Community Policing Grants	#16.710
Homeland Security Cluster .....	#97.067, #16.007, and #97.053
8. The threshold for distinguishing Type A and B programs is described in Note 3 to the Schedule of Expenditures of Federal Awards.
9. The Town did not qualify as a low risk auditee.

**B. FINDINGS RELATED TO AUDIT OF FINANCIAL STATEMENTS**

None

**C. FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS**

Current year findings:

DEPARTMENT OF JUSTICE

Public Safety Partnership and Community Policing Grants (COPS) – CFDA No. 16.710

06-1 Condition and Criteria: The Town of Charlestown is required to submit SF-269 "Financial Status Report" for every calendar quarter. The Report is due 45 days after the end of each quarter. During the 2006 fiscal year, no reports were filed.

Effect: The Town is not in compliance with the program requirements.

Cause: The Town was unaware of the reporting requirements.

Population and Items Tested: All SF-269 "Financial Status Reports" that were required to be filed for the period from July 1, 2005 to June 30, 2006 were tested.

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2006**

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**C. FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS (Continued)**

Auditor's Recommendation: Procedures should be implemented requiring the timely filing of all SF-269 "Financial Status Reports".

Grantee's Response: Management will take corrective action by filing all delinquent reports. In addition, Management will implement procedures to ensure the timely filing of SF-269 "Financial Status Reports".

DEPARTMENT OF HOMELAND SECURITY

Homeland Security Cluster—CFDA No. 97.067, No. 16.007, and No. 97.053

- 06-2 Condition and Criteria: The Town of Charlestown is required to submit SF-269 "Financial Status Report" for every calendar quarter. The Report is due 45 days after the end of each quarter. During the 2006 fiscal year, of the 20 reports that were required to be filed, 7 reports were filed, of which one was filed late.

Effect: The Town is not in compliance with the program requirements.

Cause: The Town was unaware of the reporting requirements.

Population and Items Tested: All SF-269 "Financial Status Reports" that were required to be filed for the period from July 1, 2005 to June 30, 2006 were tested.

Auditor's Recommendation: Procedures should be implemented requiring the timely filing of all SF-269 "Financial Status Reports".

Grantee's Response: Management will take corrective action by filing all delinquent reports. In addition, Management will implement procedures to ensure the timely filing of SF-269 "Financial Status Reports".

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2006

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D. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

None

(CONCLUDED)