

**TOWN OF
CHARLESTOWN, RHODE ISLAND**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**FOR THE YEAR ENDED
JUNE 30, 2005**

Prepared by:

Gail E. Wilcox

Town Treasurer

TOWN OF CHARLESTOWN, RHODE ISLAND
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2005

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TOWN OF CHARLESTOWN

INTRODUCTORY SECTION

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 23, 2005

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, 2005, 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, 2005. 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 two 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 single audit section relating to federal financial assistance is not required for the 2005 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 now applies only 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, has 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 indicate 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 can be made that more people are retiring to Charlestown in their latter years rather than during their working lifetime.

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 2004-2005 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 2005, the Town initiated the restoration of recorded plat maps. Future plans include 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 2005 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, 2005 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 also initiated a web-based data-tracking program for its wastewater inspection program in 2005.

The Town continued to maintain an excellent working relationship with all units representing employees within the structure of government for the Town. New bargaining agreements were negotiated and went into effect July 1, 2005 with two of the Town's unions and the CPMA management group. A police contract was negotiated and put into effect July 1, 2003 and will expire on June 30, 2006.

The Juvenile Officer and appointed volunteers of the Juvenile Hearing Board continue to have monthly meetings. This program has been well received in the community and affords the youth of our community an outlet to be assisted in time of trouble without being lost in the overburdened legal system.

Construction of a new police facility, approved by voters at the referendum held in June 2003, was initiated during the spring of 2005 and is expected to be completed during August 2006. This is a much-needed enhancement for the operation of our Town Police Department.

The Town continued to secure properties in conjunction with the Nature Conservancy to preserve open space property in the Town of Charlestown.

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. Over the past few years Charlestown has been awarded more than \$1.19 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 \$50,000 Shannock Village housing revitalization project between the Towns of Charlestown and Richmond. The CDBG program also enhances resources to residents through other community projects such as the Women's Resource Center, Jonny-cake 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 daily 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

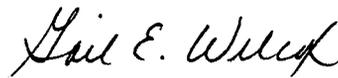
Through 2005 the Town experienced minimal losses on insurance claims and anticipates a similar situation in 2006. During fiscal year 2005, the Town increased its liability coverage to \$5 million at a minimal cost. The Town has taken steps to maintain adequate and cost effective insurance coverage for 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 during calendar year 2005.

Sincerely,



*Gail E. Wilcox
Treasurer*

MUNICIPAL OFFICERS

Town Council

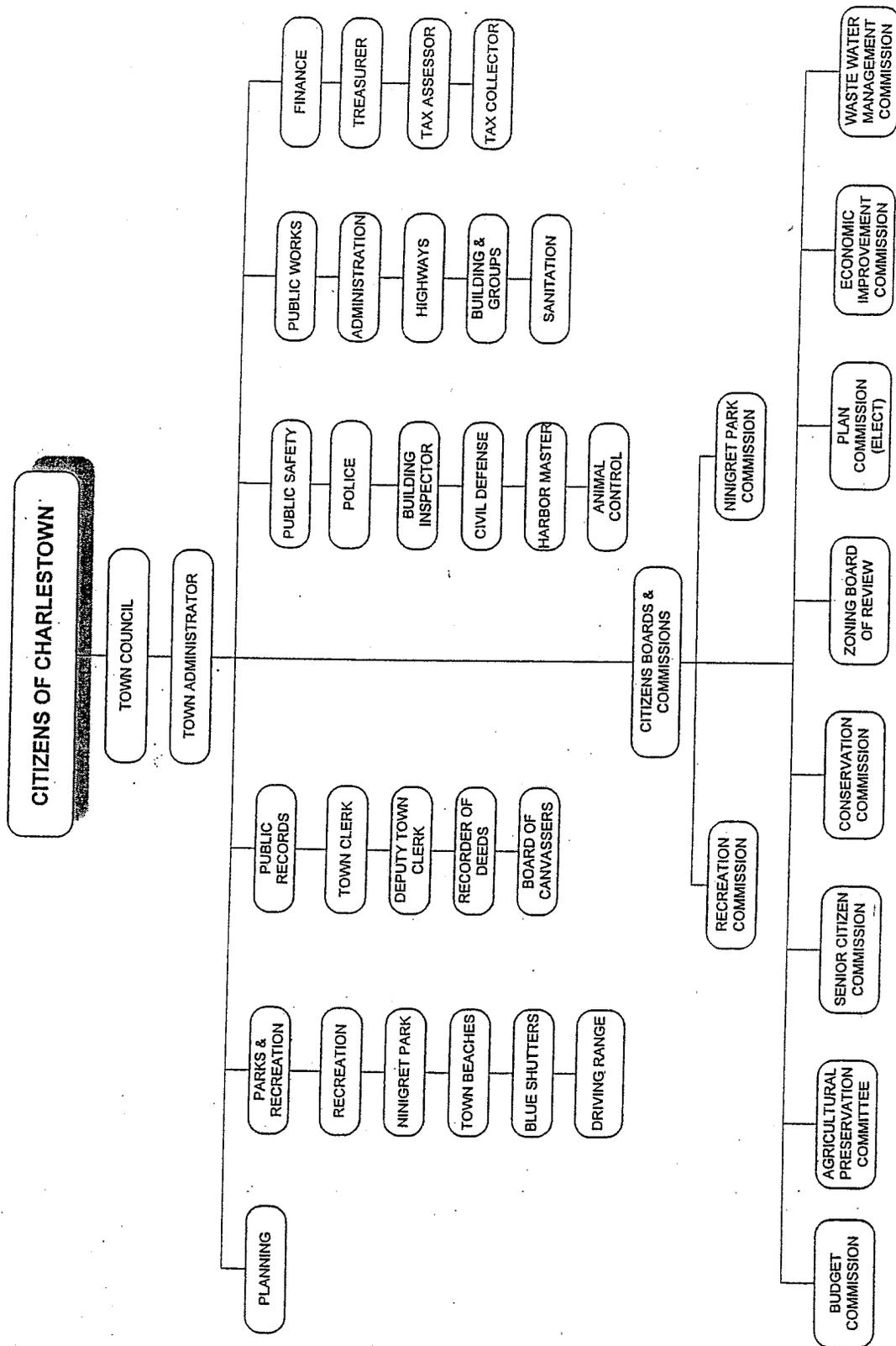
Deborah A. Carney, President
Donna Walsh, Vice President
Gregory J. Avedisian
Forrester Safford
Katherine H. Waterman

Town Officials

Town Administrator
Chief of Police
Deputy Town Clerk
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
Amy M. Rose
Jodi LaCroix, CMC
Gail E. Wilcox
Kenneth J. Swain
Jo-Anne Santos
John J. Matuza
Alan A. Arsenault
Lisa A. DiBello
James M. Lamphere
Kathy M. McA'Nulty
Michael Roy
Peter D. Ruggiero
Christopher J. Zangari
Jennifer Sternick
Joseph Larissa
John R. Rookwood
Henry Walsh
Bernard Augustine
Francis Fenner

ORGANIZATIONAL CHART FOR THE TOWN OF CHARLESTOWN



TOWN OF CHARLESTOWN

FINANCIAL SECTION

CAYER CACCIA LLP

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, 2005, 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, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2005, 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 conjunction with this report in considering 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 combining and individual nonmajor fund financial statements 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 23, 2005

Cayn 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 third 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 \$1,560,324 (or 16.2%). Governmental net assets increased by \$1,542,099, (or 16.4%) while the business type activities net assets increased by \$18,225 (or 7.3%). In 2004, governmental net assets increased by \$1,560,324 (or 16.2%) while the business-type activities net assets decreased by \$13,380 (or 5.1%).

Governmental fund general revenues for the year ending June 30, 2005 totaled \$20,570,896 including charges for services at \$1,197,110, operating grants and contributions \$1,933,365, capital grants and contributions \$572,061, with the balance of revenue from property taxes, revenue sharing, investment interest and miscellaneous of \$16,868,360.

Business-type activities revenues for the year ending June 30, 2005 totaled \$238,316, including charges for services of \$183,214, investment income of \$5,102, and transfers of \$50,000.

Governmental fund expenditures for the fiscal year totaled \$19,078,797. Business type activities expenses for the fiscal year totaled \$220,091.

On the GAAP basis, expenditures and other financing uses were \$19,481,479 for the general fund; \$298,261 for the police building fund; \$597,197 for the non-major governmental funds; and \$220,091 for business-type funds.

Town Highlights:

The new police station approved by voters at the financial referendum of 2003 is still in the architectural and planning stages. It is hoped that construction of this building will begin in the spring of 2005. The bonding will be done over a forty-year term for \$3.0 million with USDA. The municipal school system that had been proposed was defeated during the November 04 elections. The Town continues looking into the possibility of a "Main Street USA" concept for an area on Route 1A near Crosses' Mills and has received a grant from the RI Economic Development Corporation in the amount of \$14,000 to help defray costs of its planning. Additionally, money has been set aside from this grant to enhance the road to the Senior/Community Center for use by all citizens throughout the Town. The Council completed and voted to accept a feasibility study on affordable housing with the aid of the Regional Planning Board and other in-house staff. These projects, although still in various planning stages will be brought to fruition over the next few years. The Building Committee continues to plan for future expansion as well as maintenance and repairs to existing properties and has for the first time been funded by setting aside funds in a special account during fiscal year 05. Funding for repairs, maintenance and expansion will continue to be set aside until funds are accumulated. This should eliminate yearly costs that cannot complete repairs and maintenance on any particle schedule.

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>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
<i>Current and Other assets</i>	\$12,055,436	\$ 8,591,949	\$ 87,716	\$ 43,123	\$12,143,152	\$ 8,635,072
<i>Capital Assets</i>	10,654,382	9,764,739	200,686	223,304	10,855,068	9,988,043
<i>Total Assets</i>	22,709,818	18,356,688	288,402	266,427	22,998,220	18,623,115
<i>Current Liabilities</i>	5,973,250	2,967,622	12,594	9,304	5,985,844	2,976,926
<i>Long Term Liabilities</i>	5,800,255	5,994,852	8,469	8,009	5,808,724	6,002,861
<i>Total Liabilities</i>	11,773,505	8,962,474	21,063	17,313	11,794,568	8,979,787
<i>Invested in Capital Assets</i>						
<i>Net of related Debt</i>	6,445,392	5,280,114	200,686	223,304	6,646,078	5,503,418
<i>Restricted for other purpose</i>	2,179,864	1,933,381	10,000	10,000	2,189,864	1,943,381
<i>Unrestricted</i>	2,311,057	2,180,719	56,653	15,810	2,367,710	2,196,529
<i>Total Net Assets</i>	\$10,936,313	\$ 9,394,214	\$267,339	\$249,114	\$11,203,652	\$ 9,643,328

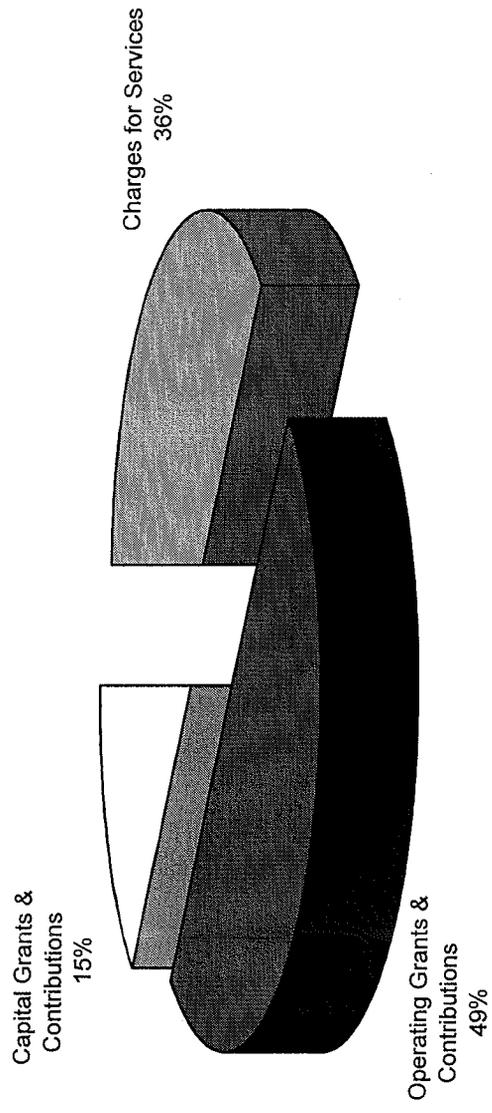
Net Assets equals Total Assets less Liabilities

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

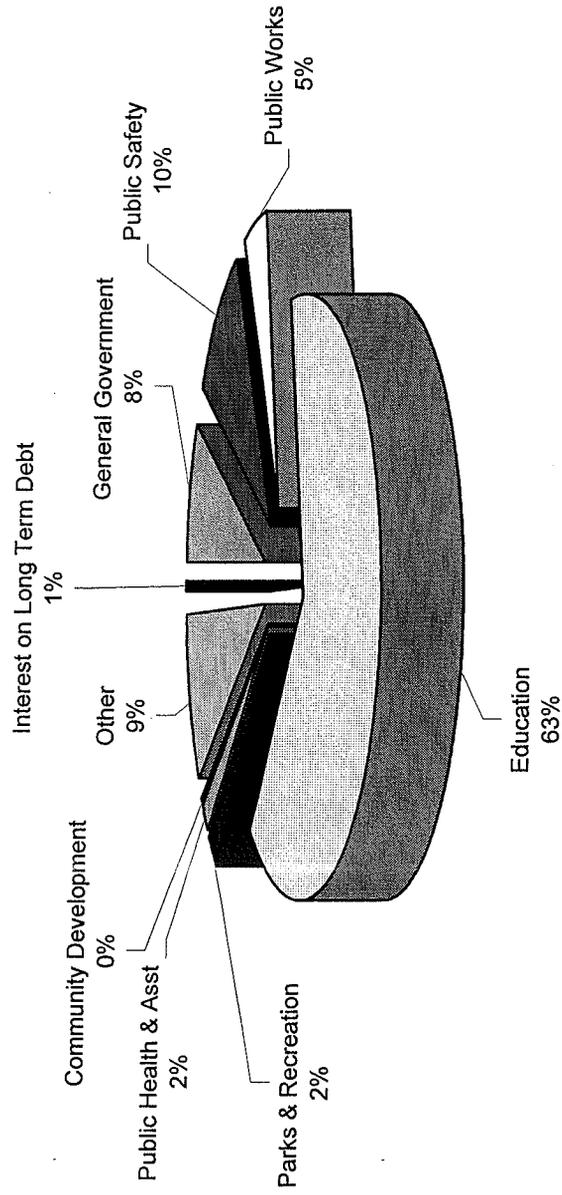
	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total Primary Government</i>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Revenue:						
Program Revenue:						
Charges for services	\$ 1,197,110	\$ 1,095,721	\$183,214	\$163,254	\$ 1,380,324	\$ 1,258,975
Operating Grants & Contributions	1,933,365	1,949,211			1,933,365	1,949,211
Capital Grants & contributions	572,061	564,311			572,061	564,311
Total Revenue	3,702,536	3,609,243	183,214	163,254	3,885,750	3,772,497
General Revenues:						
Property Taxes	16,433,034	15,755,358			16,433,034	15,755,358
State Revenue Sharing	372,229	346,452			372,229	346,452
Unrestricted Investment Earnings	113,097	39,181	5,102	1,542	118,199	40,723
Miscellaneous		291,617				291,617
Total General Revenues	16,918,360	16,432,608	5,102	1,542	16,923,462	16,434,150
Total Revenues	20,620,896	20,041,851	188,316	164,796	20,809,212	20,206,647
Expenses:						
General Government	1,444,807	1,342,990			1,444,807	1,342,990
Public Safety	1,844,257	1,837,182			1,844,257	1,837,182
Public Works	918,459	882,343			918,459	882,343
Education	12,359,769	11,852,749			12,359,769	11,852,749
Parks & Recreation	419,797	349,846			419,797	349,846
Public Health & Asst	330,011	330,896			330,011	330,896
Community Development	71,816	124,979			71,816	124,979
Other	1,518,889	1,451,952	220,091	216,428	1,738,980	1,668,380
Interest on Long Term Debt	120,992	133,315			120,992	133,315
Total Expenses	19,028,797	18,306,252	220,091	216,428	19,248,888	18,522,680
Excess (deficiency) of Revenues Over Expenditures Before Transfers:						
Transfers	(50,000)	(38,252)	50,000	38,252	0	0
Change in Net Assets	1,542,099	1,697,347	18,225	(13,380)	1,560,324	1,683,967
Net Assets Beginning	9,394,214	7,696,867	249,114	262,494	9,643,328	7,959,361
Ending Net Assets	\$10,936,313	\$ 9,394,214	\$267,339	\$249,114	\$11,203,652	\$ 9,643,328

This is the third 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 2006. 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.

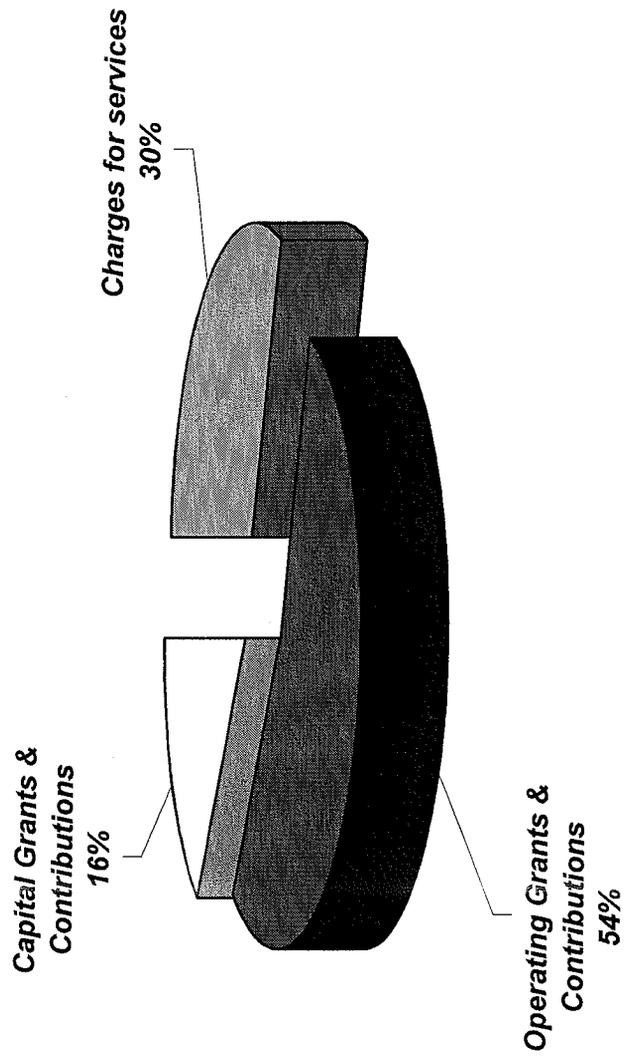
2005 Program Revenues



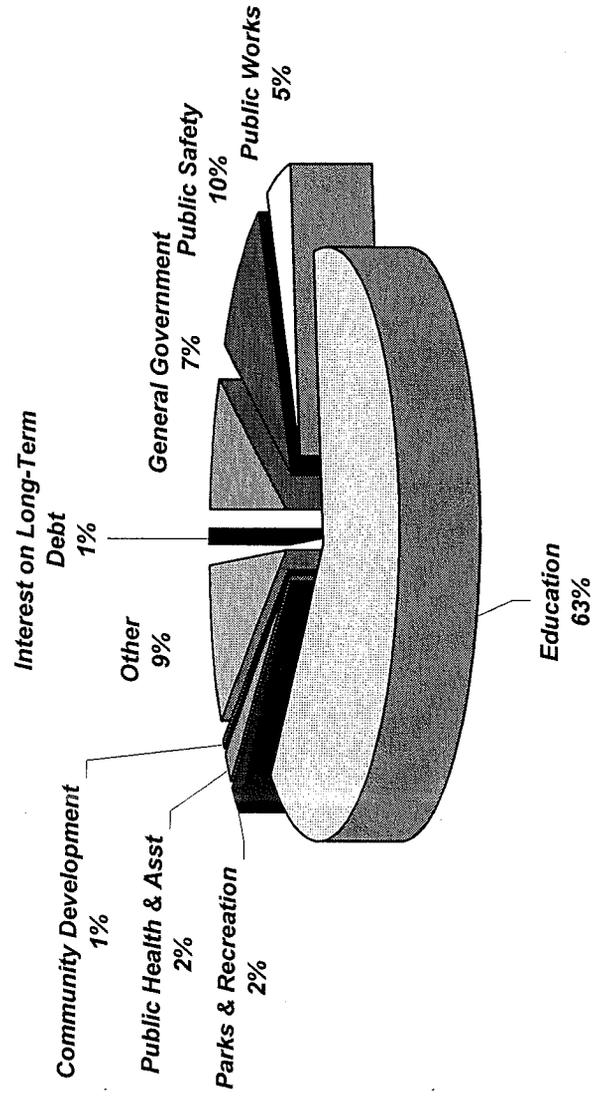
2005 Expenses



2004 Program Revenues



2004 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 \$1,560,324 and \$1,683,967 for fiscal year 2005 and 2004, respectively, resulting from the difference between expenses and revenues. For fiscal year 2005, expenses net of their pertinent revenues was \$15,363,138, while revenues not attributed to any activity in the government were \$16,923,462, therefore netting an increase of \$1,560,324 in net assets. For fiscal year 2004, expenses net of their pertinent revenues were \$14,750,183, while revenue not attributed to any activity in the government were \$16,434,150, therefore netting an increase of \$1,683,967 in net assets.

Business type Activities:

The change in net assets for the business type activities for fiscal year 2005 and 2004 was \$18,225 and (\$13,380), respectively. The decrease in net assets for fiscal year 2004 was due to the Collection Center revenues not offsetting all of its expenditures.

Town's Funds:

General Fund & Other Governmental funds:

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 the fund less its liabilities, as presented on page 20. Of this total \$296,672 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 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. See Schedule B-1.

At the end of June 2004, the general fund balance sheet showed a fund balance of \$4,581,506. This figure results from all assets allocated to this fund less its liabilities. Of this total \$397,288 was reserved for encumbrances, prepaids, and other. Other governmental funds had a fund balance of \$1,753,860. The total fund balance for the aforementioned funds is \$6,335,566.

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 \$267,339 at June 30, 2005, of which \$200,686 is invested in capital assets, net of related debt, \$10,000 is restricted and \$56,653 is unrestricted. At June 30, 2004, these two entities combined had total net assets of \$294,114 of which \$223,304 was invested in capital assets, net of related debt \$10,000 was restricted and \$15,810 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 53. 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, 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.

For the year ended June 30, 2004, the general fund revenues exceeded budget projections by \$0.6 million or 9.7%. The general fund expenditures were less than the budget by \$0.3 million or 5.1%. This resulted in a \$0.9 million budgetary surplus in the General Fund for the year ending June 30, 2004.

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, 2005 and 2004 amounted to \$10.9 and \$10.0 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>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
<i>Motor Vehicles</i>	\$ 1.8	\$ 1.5			\$ 1.8	\$ 1.5
<i>Equipment</i>	0.3	0.2	\$0.2	\$0.2	0.5	0.4
<i>Infrastructure</i>	0.9	0.4			0.9	0.4
<i>Buildings and Improvements</i>	3.1	3.0			3.1	3.0
<i>Land and Land Improvements</i>	6.3	6.3	0.2	0.2	6.5	6.5
<i>Construction-in-progress</i>	0.5	0.2			0.5	0.2
<i>Total Assets</i>	12.9	11.6	0.4	0.4	13.3	12.0
<i>Less: Accumulated Depreciation</i>	(2.2)	(1.8)	(0.2)	(0.2)	(2.4)	(2.0)
<i>Net Capital Assets</i>	\$10.7	\$ 9.8	\$0.2	\$0.2	\$10.9	\$10.0

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.

The Town's investment in capital assets for its governmental and business type activities as of June 30, 2004 was \$12.0 million less accumulated depreciation of \$2.0 million for a net investment in capital assets of \$10.0 million.

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

- \$400,000 of road maintenance
- \$200,000 for road sweeper
- \$160,000 of Public Safety vehicles
- \$300,000 of construction-in-progress for the new Police building
- \$28,000 for mowers
- \$32,000 for file server

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

Long Term Debt

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.

As of June 30, 2004, the Town had total long-term liabilities of \$6.7 million. Of that, \$4.2 million related to bonded debt guaranteed by the Town's assets, \$1.6 million related to landfill monitoring costs; \$0.6 million related to compensated absences; and \$0.3 million related to leases payable.

The business type activities had long-term liabilities of \$8,500 and \$8,000 at June 30, 2005 and 2004, respectively.

The Town's bond ratings are as follows:

- *Moody's: A1*

TOWN OF CHARLESTOWN

BASIC
FINANCIAL STATEMENTS

TOWN OF CHARLESTOWN, RHODE ISLANDSTATEMENT OF NET ASSETS
JUNE 30, 2005

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 9,655,109	\$ 309,617	\$ 9,964,726
Restricted cash and cash equivalents		41,581	41,581
Investments	500		500
Receivables:			
Taxes, net	746,716		746,716
Other receivables	7,095	5,250	12,345
Internal balances	268,732	(268,732)	
Due from other governments	1,236,257		1,236,257
Tax sale property	64,008		64,008
Total current assets	11,978,417	87,716	12,066,133
Noncurrent assets:			
Capital assets:			
Non-depreciable	6,841,357	99,500	6,940,857
Depreciable, net	3,813,025	101,186	3,914,211
Bond issuance costs	77,019		77,019
Total noncurrent assets	10,731,401	200,686	10,932,087
TOTAL ASSETS	22,709,818	288,402	22,998,220
LIABILITIES:			
Current liabilities:			
Accounts payable	283,521	12,594	296,115
Accrued interest	62,706		62,706
Retainage payable	62,846		62,846
Due to other governments	18,195		18,195
Current portion of long-term debt	565,674		565,674
Bond anticipation note payable	3,000,000		3,000,000
Unearned revenue	1,774,834		1,774,834
Other liabilities	205,474		205,474
Total current liabilities	5,973,250	12,594	5,985,844
Noncurrent liabilities:			
Long-term debt, net	5,800,255	8,469	5,808,724
Total noncurrent liabilities	5,800,255	8,469	5,808,724
TOTAL LIABILITIES	11,773,505	21,063	11,794,568

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLANDSTATEMENT OF NET ASSETS
JUNE 30, 2005

	Governmental Activities	Business-type Activities	Total
NET ASSETS:			
Invested in capital assets, net of related debt	6,445,392	200,686	6,646,078
Restricted for:			
Capital projects	1,216,324		1,216,324
Specific projects and programs	963,540	10,000	973,540
Unrestricted	2,311,057	56,653	2,367,710
TOTAL NET ASSETS	\$ 10,936,313	\$ 267,339	\$ 11,203,652

(CONCLUDED)

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF CHARLESTOWN, RHODE ISLAND

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005**

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
Governmental activities:							
General government	\$ 1,444,807	\$ 765,020	\$ 223,510	\$ 423,200	\$ (33,077)	\$	\$ (33,077)
Public safety	1,844,257	61,267	49,446	115,021	(1,618,523)		(1,618,523)
Public works	918,459		54,096		(864,363)		(864,363)
Education	12,359,769		1,532,347		(10,827,422)		(10,827,422)
Parks and recreation	419,797	370,823	2,150	33,840	(12,984)		(12,984)
Public health and assistance	330,011				(330,011)		(330,011)
Community development	71,816		71,816				
Other	1,518,889				(1,518,889)		(1,518,889)
Interest on long-term debt	120,992				(120,992)		(120,992)
Total governmental activities	19,028,797	1,197,110	1,933,365	572,061	(15,326,261)		(15,326,261)
Business-type activities:							
Residential Collection Center	183,273	142,759				\$ (40,514)	(40,514)
Coastal Pond Management	36,818	40,455				3,637	3,637
Total business-type activities	220,091	183,214	0	0	0	(36,877)	(36,877)
Total	\$ 19,248,888	\$ 1,380,324	\$ 1,933,365	\$ 572,061	(15,326,261)	(36,877)	(15,363,138)
General revenues:							
Property taxes					16,433,034		16,433,034
State revenue sharing					372,229		372,229
Unrestricted investment earnings					113,097	5,102	118,199
Transfers					(50,000)	50,000	
Total general revenues and transfers					16,868,360	55,102	16,923,462
Change in Net Assets					1,542,099	18,225	1,560,324
Net Assets - beginning					9,394,214	249,114	9,643,328
Net Assets - ending					\$ 10,936,313	\$ 267,339	\$ 11,203,652

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF CHARLESTOWN, RHODE ISLAND

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	General Fund	Police Building Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash and cash equivalents	\$ 8,821,470	\$ 202,025	\$ 631,614	\$ 9,655,109
Investments			500	500
Receivables:				
Taxes, net	746,716			746,716
Other	6,103		992	7,095
Due from:				
Other funds	351,972	2,495,991	1,645,796	4,493,759
Other governments	134,807		1,101,450	1,236,257
Tax sale property	64,008			64,008
TOTAL ASSETS	\$ 10,125,076	\$ 2,698,016	\$ 3,380,352	\$ 16,203,444
LIABILITIES AND FUND BALANCES:				
LIABILITIES:				
Accounts payable	\$ 157,742	\$ 123,140	\$ 2,639	\$ 283,521
Retainage payable		27,282	35,564	62,846
Due to:				
Other funds	4,113,933		111,094	4,225,027
Other governments	18,195			18,195
Deferred revenues	656,325		1,028,118	1,684,443
Bond anticipation notes payable		3,000,000		3,000,000
Other liabilities	137,046		68,428	205,474
TOTAL LIABILITIES	5,083,241	3,150,422	1,245,843	9,479,506
FUND BALANCES:				
Reserved for tax sale property	64,008			64,008
Reserved for perpetual care			1,491	1,491
Reserved for encumbrances	34,004	2,600,781	44,388	2,679,173
Reserved for amounts not due within one year	198,660			198,660
Unreserved: designated for subsequent years	370,000			370,000
Unreserved, reported in:				
General fund	4,375,163			4,375,163
Special revenue funds			913,752	913,752
Capital project funds		(3,053,187)	1,162,301	(1,890,886)
Debt service funds			12,577	12,577
TOTAL FUND BALANCES (DEFICITS)	5,041,835	(452,406)	2,134,509	6,723,938
TOTAL LIABILITIES AND FUND BALANCES	\$ 10,125,076	\$ 2,698,016	\$ 3,380,352	\$ 16,203,444

(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, 2005**

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

Total Fund Balances (B-1)	\$ 6,723,938
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	10,654,382
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(6,365,929)
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.	(90,391)
Accrued interest payable is recorded in governmental activities, but is not recorded in the funds.	(62,706)
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>77,019</u>
Total Net Assets (A-1)	<u><u>\$ 10,936,313</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, 2005**

	General Fund	Police Building Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:				
General property taxes	\$ 16,086,732			\$ 16,086,732
Intergovernmental	2,520,447		\$ 333,258	2,853,705
Departmental	1,046,377			1,046,377
Investment income	82,483	\$ 9,505	21,109	113,097
Other			164,552	164,552
TOTAL REVENUES	19,736,039	9,505	518,919	20,264,463
EXPENDITURES:				
Current:				
General government	1,120,725		202,592	1,323,317
Public safety	1,593,047		69,829	1,662,876
Public works	810,781		50,383	861,164
Education	12,294,846		42,923	12,337,769
Parks and recreation	390,850		36,943	427,793
Public health and assistance	330,011			330,011
Community development			71,816	71,816
Other	1,521,080			1,521,080
Debt Service:				
Principal	355,000			355,000
Interest and other costs	240,634			240,634
Capital:				
Capital outlay	431,715	298,261	122,711	852,687
TOTAL EXPENDITURES	19,088,689	298,261	597,197	19,984,147
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	647,350	(288,756)	(78,278)	280,316
OTHER FINANCING SOURCES (USES):				
Transfers in			295,077	295,077
Transfers out	(345,077)			(345,077)
Proceeds from capital leases	205,769			205,769
Landfill monitoring	(47,713)			(47,713)
NET OTHER FINANCING SOURCES (USES)	(187,021)	0	295,077	108,056
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	460,329	(288,756)	216,799	388,372
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	4,581,506	(163,650)	1,917,710	6,335,566
FUND BALANCE (DEFICIT) AT END OF YEAR	\$ 5,041,835	\$ (452,406)	\$ 2,134,509	\$ 6,723,938

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 BALANCES (B-2)
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES (A-2)
YEAR ENDED JUNE 30, 2005**

Net Change in Fund Balances - Total Governmental Funds (B-2):	\$	388,372
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.		889,643
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.		298,923
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in governmental funds.		(28,077)
Adjustment to accrued interest payable related to long-term liabilities which is required to be recorded for government-wide financial statement presentation.		101
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.		(6,863)
Change in Net Assets of Governmental Activities in the Statement of Activities (A-2)	\$	<u>1,542,099</u>

TOWN OF CHARLESTOWN, RHODE ISLAND

**STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 JUNE 30, 2005**

	Residential Collection Center	Coastal Pond Management	Totals
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 228,477	\$ 81,140	\$ 309,617
Restricted cash and cash equivalents	27,731	13,850	41,581
Receivables, net	5,250		5,250
Total Current Assets	261,458	94,990	356,448
Noncurrent Assets:			
Net capital assets	200,686		200,686
Total Noncurrent Assets	200,686	0	200,686
TOTAL ASSETS	462,144	94,990	557,134
LIABILITIES:			
Current Liabilities:			
Accounts payable	10,536	2,058	12,594
Due to other funds	241,989	26,743	268,732
Total Current Liabilities	252,525	28,801	281,326
Noncurrent Liabilities:			
Accrued compensated absences	8,469		8,469
Total Noncurrent Liabilities	8,469	0	8,469
TOTAL LIABILITIES	260,994	28,801	289,795
NET ASSETS:			
Invested in capital assets, net of related debt	200,686		200,686
Restricted for endowment		10,000	10,000
Unrestricted	464	56,189	56,653
TOTAL NET ASSETS	\$ 201,150	\$ 66,189	\$ 267,339

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, 2005**

	Residential Collection Center	Coastal Pond Management	Totals
OPERATING REVENUES:			
Charges for usage and service	\$ 142,759	\$ 40,455	\$ 183,214
Total Operating Revenues	<u>142,759</u>	<u>40,455</u>	<u>183,214</u>
OPERATING EXPENSES:			
Operations	86,008	11,706	97,714
Personnel	74,647	25,112	99,759
Depreciation	22,618		22,618
Total Operating Expenses	<u>183,273</u>	<u>36,818</u>	<u>220,091</u>
OPERATING INCOME (LOSS)	<u>(40,514)</u>	<u>3,637</u>	<u>(36,877)</u>
NONOPERATING REVENUES:			
Investment income	3,760	1,342	5,102
Total Nonoperating Revenues	<u>3,760</u>	<u>1,342</u>	<u>5,102</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>(36,754)</u>	<u>4,979</u>	<u>(31,775)</u>
TRANSFERS IN	<u>50,000</u>	<u>0</u>	<u>50,000</u>
CHANGE IN NET ASSETS	<u>13,246</u>	<u>4,979</u>	<u>18,225</u>
TOTAL NET ASSETS - BEGINNING	<u>187,904</u>	<u>61,210</u>	<u>249,114</u>
TOTAL NET ASSETS - ENDING	<u>\$ 201,150</u>	<u>\$ 66,189</u>	<u>\$ 267,339</u>

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF CHARLESTOWN, RHODE ISLAND

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2005**

	<u>Residential Collection Center</u>	<u>Coastal Pond Management</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 141,259	\$ 40,455	\$ 181,714
Cash paid to suppliers	(82,964)	(11,460)	(94,424)
Cash paid to employees	(74,187)	(25,112)	(99,299)
Net cash provided by (used for) operating activities	(15,892)	3,883	(12,009)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers from General Fund	50,000		50,000
Increase in due to other funds	22,645	6,964	29,609
Net cash provided by noncapital financing activities	72,645	6,964	79,609
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest on investments	3,760	1,342	5,102
Net cash provided by investing activities	3,760	1,342	5,102
NET INCREASE IN CASH AND CASH EQUIVALENTS	60,513	12,189	72,702
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	195,695	82,801	278,496
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 256,208	\$ 94,990	\$ 351,198
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ (40,514)	\$ 3,637	\$ (36,877)
Adjustments to reconcile:			
Depreciation	22,618		22,618
Increase in receivables	(1,500)		(1,500)
Increase in accounts payable	3,044	246	3,290
Increase in accrued compensated absences	460		460
Net cash provided by (used for) operating activities	\$ (15,892)	\$ 3,883	\$ (12,009)

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF CHARLESTOWN, RHODE ISLAND

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2005

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

TOWN OF CHARLESTOWN, RHODE ISLAND

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

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, 2005

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 GASB Statement No. 40 - Deposits and Investment Risk Disclosures effective for the Town's fiscal year ending June 30, 2005. The adoption of this statement did not have a significant impact on the Town's financial position or results of operation. The Town will adopt the following new accounting pronouncements in future years:

- GASB Statement No. 42 - Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries, effective for the Town's fiscal year ending June 30, 2006.
- GASB Statement No. 45 - Accounting and Financial Reporting by Employees for Post-employment Benefits Other Than Pensions, effective for the Town's fiscal year ending June 30, 2009.
- GASB Statement No. 46 - Net Assets Restricted by Enabling Legislation, an amendment of GASB Statement No. 34, effective for the Town's year ending June 30, 2006.
- GASB Statement No. 47 - Accounting for Termination Benefits effective for the Town's year ending June 30, 2006.
- GASB Statement No. 44 - Economic Condition Reporting: The Statistical Section - an amendment of NCGA Statement 1, effective for the Town's year ending June 30, 2006.

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

Basis of Presentation

Government-Wide Financial Statements

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds 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, 2005**

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, 2005**

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>
Major:	
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, 2005**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Major and Non-Major Funds (Continued)

<u>Fund</u>	<u>Brief Description</u>
Non-Major:	
Special Revenue:	Police Grants – LLEBG Grants, Police Grants – Byrne, DEM Grant - Tennis Court, Farm Viability Grant, 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, RI Emergency Management Grant, 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, COPS Hiring Grant, Homeland Security Grant - Police Department, FEMA Hazard Mitigation, 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, Police Grant - Operation Blue Riptide, and Columbia Heights Streetscapes Enhancements.
Capital Projects:	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, 2005

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.

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005

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 2005, 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, 2005

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, 2005, the Town's infrastructure assets placed in service prior to July 1, 2002 have not been capitalized and reported within the financial statements. The Town 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	5 - 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, 2005

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, 2005 amounted to \$653,512. 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, 2005.

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) ..	\$20,347,173	\$19,430,812
Reappropriated fund balance.....	(405,365)	
Current year encumbrances		(34,004)
Prior year encumbrances.....		<u>84,671</u>
Statement of Revenues, Expenditures and Changes in Fund		
Balance (B-2).....	<u>\$19,941,808</u>	<u>\$19,481,479</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, 2005

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 \$889,613 difference are as follows:

Capital outlays.....	\$1,241,316
Depreciation expense	(351,673)
Net adjustment.....	<u>\$ 889,643</u>

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2005

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 \$5,966,101, while the bank balance was \$6,026,607 of which \$209,498 was covered by federal depository insurance and \$5,511,539 was collateralized, and \$305,570 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, 2005.

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.....	\$ 5,966,101
Petty cash.....	1,850
Investments classified as cash equivalents	3,996,784
Investments classified as restricted cash equivalents	41,581
Less: Fiduciary funds cash (not included in the government-wide statement)	(9)
Total cash and cash equivalents – (A-1).....	<u>\$10,006,307</u>

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.

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

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005

3. **DEPOSITS AND INVESTMENTS (Continued)**

Investments (Continued)

As of June 30, 2005, the Town had the following investments:

<u>Description</u>	<u>Fair Value</u>	<u>Interest Rate</u>	<u>Maturity</u>	
Series H Bond.....	500	1.50%	N/A	
U.S. Government Money Market Funds	2,653,672	Varies Daily	Daily	
Local Government Investment Pool.....	<u>1,384,693</u>	Varies Daily	Daily	(not rated)
Subtotal.....	<u>4,038,865</u>			

Reconciliation to Government-wide Statement of Net Assets:

Investments.....	\$4,038,865
Less: investments classified as cash equivalents.....	<u>(4,038,365)</u>
Total investments (A-1)	<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, 2005 include delinquent installments of the current and prior years. The Town does not record interest earned on delinquent taxes until payment is received. Delinquent installments which are not received within sixty days after the close of the fiscal year are recorded as deferred revenue.

Net property taxes levied for the fiscal year 2005 were based on an assessed value of approximately \$1,275,712,084 at December 31, 2003 and amounted to \$16,063,648. Collections through June 30, 2005 amounted to \$15,766,502, 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, 2005 are recorded as a receivable and amounted to \$746,716. Those net property taxes receivable which were not collected within the 60 days immediately following June 30, 2005 are recorded as deferred revenue and amounted to \$656,325 at June 30, 2005. Property taxes recognized as revenue for the fiscal year ended June 30, 2005 (due to their collection within the 60 days immediately following June 30, 2005) amounted to \$90,391.

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005

5. **INTERGOVERNMENTAL RECEIVABLES/PAYABLES**

Intergovernmental receivables and payables consisted of the following at June 30, 2005:

	<u>Due From</u>	<u>Due To</u>
Governmental activities:		
State of Rhode Island:		
Major funds:		
General Fund	\$ 91,509	\$18,195
Non-major funds	<u>174,375</u>	
Total	<u>265,884</u>	<u>18,195</u>
Federal government:		
Major funds:		
General Fund	43,298	
Non-major funds	<u>927,075</u>	
Total	<u>970,373</u>	<u>0</u>
Total governmental activities	<u>\$1,236,257</u>	<u>\$18,195</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.

Funding Policy

MERS members are required to contribute 7% of their annual covered salary. The Town is required to contribute at an actuarially determined rate; the current rate is 3.9% of annual covered payroll. The contribution requirements of plan members and the Town are established and may be amended by State Statute.

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005

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

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

Annual Pension Cost

For 2005, the Town's annual pension cost of \$56,314 for MERS was equal to the Town's required and actual contributions. The required contribution was determined as part of the June 30, 2002 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, 2005 was 4 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% of their salary. The Town is required to contribute at an actuarially determined rate; the current rate is 22.48% 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 2005, the Town's annual pension cost of \$220,717 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, 2002 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. 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, 2005 was 7 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 2004 Annual Financial Report, which may be obtained from the administrative offices of the State of Rhode Island Retirement Board, 40 Fountain Street, Providence, Rhode Island. This report is the most recent report available from the State, who administers the Plan.

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

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

6. DEFINED BENEFIT PENSION PLANS (Continued)

(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 2005, 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, 2005, the total cost to the Town for providing retirement benefits to these three retirees amounted to \$19,676.

7. INTERFUND BALANCES

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

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Governmental activities:		
Major funds:		
General Fund	\$ 351,972	\$4,113,933
Police Building Fund	2,495,991	
Non-major funds	<u>1,645,796</u>	<u>111,094</u>
Total governmental activities	<u>\$4,493,759</u>	<u>\$4,225,027</u>
Business-type activities:		
Major funds:		
Residential Collection Center		\$ 241,989
Coastal Pond Management		<u>26,743</u>
Total business-type activities	<u>\$ 0</u>	<u>\$ 268,732</u>

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

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

8. LONG-TERM LIABILITIES

(a) Long-Term Liability Activity

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Long-term debt:					
General obligation debt.....	\$4,230,000		\$355,000	\$3,875,000	\$345,000
Leases payable.....	271,761	\$205,769	132,287	345,243	125,674
Subtotal.....	4,501,761	205,769	487,287	4,220,243	970,674
Plus: bond premium, net of amortization	34,273		1,926	32,347	
Less: amount deferred on refunding.....	(51,409)		(7,809)	(43,600)	
Total long-term debt	4,484,625	205,769	481,404	4,208,990	470,674
Other long-term liabilities:					
Compensated absences	629,087	24,425		653,512	35,000
Landfill monitoring costs	1,551,140		47,713	1,503,427	60,000
Total other long-term liabilities.....	2,180,227	24,425	47,713	2,156,939	95,000
Governmental activities:					
Long-term liabilities.....	\$6,664,852	\$230,194	\$529,117	\$6,365,929	\$565,674
Business-type Activities:					
Long-term liabilities:					
Compensated absences	\$ 8,009	\$ 460	\$ 0	\$ 8,469	\$ 0
Business-type activities long-term liabilities	\$ 8,009	\$ 460	\$ 0	\$ 8,469	\$ 0

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, 2005, the Town has \$5,000,000 of remaining authorized unissued bond authority.

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005

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>
2006	\$ 345,000	\$ 118,665	\$ 463,665
2007	340,000	112,950	452,950
2008	320,000	106,725	426,725
2009	315,000	99,725	414,725
2010	305,000	92,075	397,075
2011	300,000	84,075	384,075
2012	150,000	75,262	225,262
2013	150,000	70,388	220,388
2014	150,000	65,138	215,138
2015	150,000	59,888	209,888
2016	150,000	54,262	204,262
2017	150,000	48,638	198,638
2018	150,000	43,012	193,012
2019	150,000	37,388	187,388
2020	150,000	31,388	181,388
2021	150,000	25,388	175,388
2022	150,000	19,200	169,200
2023	150,000	12,824	162,824
2024	150,000	6,450	156,450
Totals	<u>\$3,875,000</u>	<u>\$1,163,441</u>	<u>\$5,038,441</u>

At June 30, 2005, 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, 2005, consisted of the following:

	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Original Issue</u>	<u>Balance June 30, 2005</u>
General obligation serial bonds:					
Open Space bond	2.25% - 4.30%	2/12/04	2/1/24	\$3,000,000	\$2,850,000
Refunding bond	1.0% - 2.75%	2/12/04	2/1/11	\$1,230,000	<u>1,025,000</u>
Total general obligation bonds					<u>\$3,875,000</u>

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005

8. LONG-TERM LIABILITIES (Continued)

(c) Bonds Outstanding (Continued)

On February 12, 2004, the Town issued \$1,230,000 in General Obligation Refunding Bonds with an average interest rate of 2.144 percent to advance refund \$1,150,000 of outstanding 1991 General Obligation bonds with an average interest rate of 6.685 percent. The net proceeds of \$1,204,663 (after payment of \$27,192 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1991 Series Bonds. As a result, the 1991 Series Refunding bonds are considered to be defeased and the liability for those bonds has been removed from the Town's long-term liabilities. The Town advance refunded the 1991 Series bonds to reduce its total debt service payments over the next 7 years by \$162,838 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$146,143.

<u>Refunded Bonds</u>	<u>Original Amount Refunded</u>	<u>Outstanding Balance at June 30, 2005</u>
1991 Bonds	\$1,150,000	\$0

(d) Capital Leases

The Town has entered into five lease agreements for financing the acquisition of various public works equipment. Capital assets purchased through leasing amounted to \$519,356, while the accumulated depreciation on those assets amounted to \$125,367 at June 30, 2005. 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, 2005:

Fiscal year ending
June 30:

2006	\$141,439
2007	126,535
2008	67,481
2009	<u>42,430</u>
Total minimum lease payments	377,885
Less: amount representing interest	<u>(32,642)</u>
Present value of future minimum lease payments	<u>\$345,243</u>

(e) Short-Term Debt

The Town issued a \$3,000,000, 3.5% Bond Anticipation Note on May 3, 2005. The note matures on May 3, 2006. The note is reported as a liability in the Police Building Fund.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Bond Anticipation Note.....	<u>\$500,000</u>	<u>\$3,000,000</u>	<u>\$500,000</u>	<u>\$3,000,000</u>

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

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

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.

10. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

In addition to providing pension benefits, the Town provides nine 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, 2005, the total cost to the Town for providing retirement benefits to these 11 former employees amounted to \$80,953.

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, 2005 totaled \$1,440 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 \$60,000 annually for the remaining 26 years.

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005

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, 2005 were as follows:

General Fund:

Reserved for tax sale property.....	\$ 64,008
Reserved for encumbrances.....	34,004
Reserved for amounts not due within one year	<u>198,660</u>
Total	<u>\$ 296,672</u>

Special Revenue Funds:

Reserved for encumbrances.....	<u>\$ 6,888</u>
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Capital Projects Funds:

Reserved for encumbrances.....	<u>\$2,638,281</u>
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Permanent Funds:

Reserved for perpetual care	<u>\$ 1,491</u>
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Designations of unreserved fund balances at June 30, 2005 were as follows:

General Fund:

Designated for fiscal 2006 operations	<u>\$ 370,000</u>
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(b) Net Assets

Restriction of net assets at June 30, 2005 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, 2005:

Major Governmental Funds:

Police Building Fund	\$ 452,406
----------------------------	------------

Non-major Governmental Funds:

RI Economic Development Grant	\$ 2,663
Senior Community Activities	\$ 1,169
Landfill Closure	\$ 16,523

The deficit in the Police Building Fund will be funded by general obligation bonds. 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, 2005**

13. CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$6,307,860	\$ 3,000		\$ 6,310,860
Construction-in-progress.....	180,896	349,601		530,497
Total capital assets not being depreciated.	<u>6,488,756</u>	<u>352,601</u>	<u>\$ 0</u>	<u>6,841,357</u>
Other capital assets:				
Buildings and improvements.....	3,062,236			3,062,236
Equipment.....	200,454	67,655	(700)	267,409
Vehicles	1,493,715	339,658	(11,000)	1,822,373
Infrastructure.....	355,028	486,118		841,146
Total other capital assets	<u>5,111,433</u>	<u>893,431</u>	<u>(11,700)</u>	<u>5,993,164</u>
Less: accumulated depreciation for:				
Buildings and improvements.....	(1,027,473)	(65,411)		(1,092,884)
Equipment.....	(97,514)	(38,280)	700	(135,094)
Vehicles	(686,174)	(213,161)	6,284	(893,051)
Infrastructure.....	(24,289)	(34,821)		(59,110)
Total accumulated depreciation	<u>(1,835,450)</u>	<u>(351,673)</u>	<u>6,984</u>	<u>(2,180,139)</u>
Other capital assets, net	<u>3,275,983</u>	<u>541,758</u>	<u>(4,716)</u>	<u>3,813,025</u>
Governmental activities capital assets, net	<u>\$9,764,739</u>	<u>\$894,359</u>	<u>\$(4,716)</u>	<u>\$10,654,382</u>
Business-type activities:				
Capital assets not being depreciated:				
Land.....	\$ 99,500			\$ 99,500
Total capital assets not being depreciated..	<u>99,500</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>99,500</u>
Other capital assets:				
Buildings.....	18,550			18,550
Land improvements	113,684			113,684
Machinery and equipment.....	168,471			168,471
Total other capital assets	<u>300,705</u>	<u>0</u>	<u>0</u>	<u>300,705</u>
Less: accumulated depreciation for:				
Buildings.....	(17,435)	(371)		(17,806)
Land improvements	(30,316)	(7,579)		(37,895)
Machinery and equipment.....	(129,150)	(14,668)		(143,818)
Total accumulated depreciation	<u>(176,901)</u>	<u>(22,618)</u>	<u>0</u>	<u>(199,519)</u>
Other capital assets, net	<u>123,804</u>	<u>(22,618)</u>	<u>0</u>	<u>101,186</u>
Business-type activities capital assets, net	<u>\$ 223,304</u>	<u>\$(22,618)</u>	<u>\$ 0</u>	<u>\$ 200,686</u>

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005

13. CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 58,453
Public safety	153,911
Recreation	19,360
Public works	97,949
Education	<u>22,000</u>
Total governmental activities depreciation expense.....	<u>\$351,673</u>
Business-type activities:	
Residential Collection Center	<u>\$ 22,618</u>

14. DEFERRED COMPENSATION PLAN

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

During the year ended June 30, 1998, the Town implemented the Governmental Accounting Standards Board, Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. All assets and income of the Plan are held in trust for the exclusive benefit of the participants and their beneficiaries. As a result, deferred compensation investments and the respective liability have been removed from the Town's financial statements for the year ended June 30, 2005.

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 eleven fiscal years.

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

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

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, 2005, approximately \$99,442 of loans have been disbursed under this program.

17. INTERFUND TRANSFERS

Interfund transfers for fiscal year ended June 30, 2005 are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental activities:		
Major funds:		
General Fund		\$345,077
Non-major funds	\$295,077	
Total governmental activities	<u>\$295,077</u>	<u>\$345,077</u>
Business-type activities:		
Major funds:		
Residential Collection Center	\$ 50,000	
Total business-type activities	<u>\$ 50,000</u>	<u>\$ 0</u>

18. CONSTRUCTION COMMITMENTS

As of June 30, 2005, the Town had the following commitments with respect to unfinished capital projects:

Police Building Fund	\$2,600,781
Landfill Closure	25,000
DPW Road Engineering	<u>12,500</u>
Total	<u>\$2,638,281</u>

(CONCLUDED)

TOWN OF CHARLESTOWN

REQUIRED SUPPLEMENTARY
INFORMATION

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>
<u>General Employees</u>						
2002	\$2,675,573	\$2,951,042	\$275,469	90.7%	\$1,185,347	23.2%
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%
<u>Police</u>						
2002	\$3,041,556	\$4,263,954	\$1,222,398	71.3%	\$874,118	139.8%
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%

SCHEDULE OF CONTRIBUTIONS FROM THE TOWN

<u>Year Ended June 30,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
<u>General Employees</u>			
2003	\$70,547	100%	\$0
2004	\$24,514	100%	\$0
2005	\$56,314	100%	\$0
<u>Police</u>			
2003	\$191,711	100%	\$0
2004	\$174,548	100%	\$0
2005	\$220,717	100%	\$0

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)

NOTES TO SCHEDULES

Additional information as of the latest actuarial valuation follows:

Valuation date	June 30, 2004
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, 2005**

	Originally Adopted Budget	Final Approved Budget	Actual (Budgetary Basis)	Variance Positive (Negative)
REVENUES:				
General property taxes	\$ 16,002,455	\$ 16,002,455	\$ 16,086,732	\$ 84,277
Intergovernmental	2,413,597	2,413,597	2,520,447	106,850
Investment income	30,100	30,100	82,483	52,383
Departmental	887,281	887,281	1,046,377	159,096
Total revenues	19,333,433	19,333,433	19,736,039	402,606
EXPENDITURES:				
Current:				
General government	1,132,689	1,167,151	1,120,739	46,412
Public safety	1,678,562	1,678,562	1,592,852	85,710
Public works	792,245	850,760	811,105	39,655
Education	12,294,846	12,294,846	12,294,846	
Recreation	373,993	373,993	389,368	(15,375)
Public health and assistance	330,011	330,011	330,011	
Miscellaneous	1,795,852	1,761,390	1,521,080	240,310
Debt service:				
Principal	355,000	355,000	355,000	
Interest and other costs	355,259	296,744	240,634	56,110
Capital:				
Capital improvements	204,773	204,773	382,387	(177,614)
Total expenditures	19,313,230	19,313,230	19,038,022	275,208
Excess of revenues over (under) expenditures	20,203	20,203	698,017	677,814
Other financing sources (uses):				
Transfers from fund balance	405,365	405,365	405,365	
Proceeds from capital leases			205,769	205,769
Transfers out	(347,000)	(347,000)	(345,077)	1,923
Landfill monitoring	(78,568)	(78,568)	(47,713)	30,855
Net other financing sources	(20,203)	(20,203)	218,344	238,547
Excess of revenues and other sources over expenditures and other uses	\$ 0	\$ 0	916,361	\$ 916,361
Less: transfers from fund balance			(405,365)	
Less: prior year encumbrances			(84,671)	
Add: current year encumbrances			34,004	
Fund balance, beginning of year			4,581,506	
Fund balance, end of year			\$ 5,041,835	

TOWN OF CHARLESTOWN, RHODE ISLANDGENERAL FUND**SCHEDULE OF BUDGET ESTIMATES AND ACTUAL REVENUES
YEAR ENDED JUNE 30, 2005**

	Original and Final Budget	Actual Revenues	Variance Positive (Negative)
Property taxes:			
Current and prior years	\$ 15,882,455	\$ 15,994,997	\$ 112,542
Interest on delinquent taxes	120,000	91,735	(28,265)
Total property taxes	16,002,455	16,086,732	84,277
Intergovernmental revenues:			
State of Rhode Island including:			
Beach parking fees	0	27,641	27,641
School aid	1,509,600	1,532,347	22,747
General revenue sharing	365,131	372,229	7,098
Beverage tax on meals	33,000	107,430	74,430
Hotel tax	9,100	14,900	5,800
Public service corporation tax	122,387	91,521	(30,866)
Motor vehicle phaseout	374,379	374,379	0
Total intergovernmental revenues	2,413,597	2,520,447	106,850
Departmental revenues:			
Town Clerk:			
Business licenses and fees	21,000	18,345	(2,655)
Non-business licenses and fees	900	980	80
Transfer stamps	160,000	240,756	80,756
Probate fees	10,100	23,987	13,887
Tax certificates	11,000	12,462	1,462
Recording fees	150,000	184,837	34,837
Building inspector	124,000	145,628	21,628
Police department	52,957	54,160	1,203
Recreation	20,000	18,433	(1,567)
Town beach parking and concessions	66,000	62,985	(3,015)
Beach passes	72,600	87,785	15,185
Blue Shutters parking and concessions	98,100	101,385	3,285
Driving range	27,000	28,028	1,028
Animal control	6,900	6,947	47
Ninigret Park	7,400	6,121	(1,279)
Planning Board	7,900	10,733	2,833
Zoning Board and Review	9,424	5,874	(3,550)
Senior/Community Center	10,000	11,085	1,085
Other revenues	32,000	25,846	(6,154)
Total departmental revenues	887,281	1,046,377	159,096
Investment income	30,100	82,483	52,383
Other financing sources:			
Transfer from fund balance	405,365	405,365	0
Proceeds from capital leases	0	205,769	205,769
Total other financing sources	405,365	611,134	205,769
Total revenues and other financing sources	\$ 19,738,798	\$ 20,347,173	\$ 608,375

TOWN OF CHARLESTOWN, RHODE ISLAND

GENERAL FUND

SCHEDULE OF APPROPRIATIONS AND ACTUAL EXPENDITURES - BUDGETARY BASIS
YEAR ENDED JUNE 30, 2005

	Original Budget	Budget Amendments	Final Budget	Actual Expenditures and Transfers	Adjustments to Budgetary Basis	Expenditures and Transfers on Budgetary Basis	Variance Positive (Negative)
General Government:							
Central services	\$ 186,600	\$ 23,152	\$ 209,752	\$ 205,109		\$ 205,109	\$ 4,643
Town clerk	148,372		148,372	139,881		139,881	8,491
Treasurer	149,419		149,419	145,786		145,786	3,633
Town administrator	122,073		122,073	117,794		117,794	4,279
Tax assessor	158,831		158,831	144,524		144,524	14,307
Building inspector	118,352	2,560	120,912	117,917		117,917	2,995
Tax collector	83,513		83,513	80,128		80,128	3,385
Town planner	91,319	1,250	92,569	90,886		90,886	1,683
Town council	19,950	7,500	27,450	27,114		27,114	336
Elections unit	21,000		21,000	27,835		27,835	(6,835)
Boards, agencies, and committees	33,260		33,260	23,751	\$ 14	23,765	9,495
Total general government	1,132,689	34,462	1,167,151	1,120,725	14	1,120,739	46,412
Public Safety:							
Police department	1,600,308		1,600,308	1,517,731	55	1,517,786	82,522
Animal control	65,939		65,939	61,650		61,650	4,289
Civil preparedness	12,315		12,315	13,666	(250)	13,416	(1,101)
Total public safety	1,678,562	0	1,678,562	1,593,047	(195)	1,592,852	85,710
Public Works:							
Highway department	540,600	46,754	587,354	560,907	(48)	560,859	26,495
Public buildings and grounds	167,619	11,761	179,380	171,925	372	172,297	7,083
Administration	79,026		79,026	75,478		75,478	3,548
Wastewater management	5,000		5,000	2,471		2,471	2,529
Total public works	792,245	58,515	850,760	810,781	324	811,105	39,655

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

GENERAL FUND

**SCHEDULE OF APPROPRIATIONS AND ACTUAL EXPENDITURES - BUDGETARY BASIS
YEAR ENDED JUNE 30, 2005**

	Original Budget	Budget Amendments	Final Budget	Actual Expenditures and Transfers	Adjustments to Budgetary Basis	Expenditures and Transfers on Budgetary Basis	Variance Positive (Negative)
Recreation:							
Participation recreation	116,758		116,758	112,323	(275)	112,048	4,710
Senior/Community Center	84,900		84,900	74,983		74,983	9,917
Blue Shutters Beach	53,560	2,671	56,231	69,560	(389)	69,171	(12,940)
Town Beach	70,300	1,635	71,935	84,710	(423)	84,287	(12,352)
Driving Range	26,375	(5,342)	21,033	21,416		21,416	(383)
Ninigret Park	22,100	1,036	23,136	27,858	(395)	27,463	(4,327)
Total recreation	373,993	0	373,993	390,850	(1,482)	389,368	(15,375)
Public Health and Assistance:							
Cross Mills Library	178,366		178,366	178,366		178,366	0
Ambulance services	122,000		122,000	122,000		122,000	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
Wood River Health Center	1,000		1,000	1,000		1,000	0
Domestic Violence of South County	1,000		1,000	1,000		1,000	0
Health Center of South County	2,500		2,500	2,500		2,500	0
Public Assistance	2,500		2,500	2,500		2,500	0
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	500		500	500		500	0
Community Action South County	2,500		2,500	2,500		2,500	0
St. James Food Pantry	1,500		1,500	1,500		1,500	0
Memorial Day Parade	500		500	500		500	0
Charitho Cowboys	500		500	500		500	0
Charitho Soccer League	250		250	250		250	0
Charlestown Memorial Parade	500		500	500		500	0
Chamber of Commerce	3,395		3,395	3,395		3,395	0
Total public health and assistance	330,011	0	330,011	330,011	0	330,011	0

TOWN OF CHARLESTOWN, RHODE ISLAND

GENERAL FUND

SCHEDULE OF APPROPRIATIONS AND ACTUAL EXPENDITURES - BUDGETARY BASIS
YEAR ENDED JUNE 30, 2005

	Original Budget	Budget Amendments	Final Budget	Actual Expenditures and Transfers	Adjustments to Budgetary Basis	Expenditures and Transfers on Budgetary Basis	Variance Positive (Negative)
Education:							
Charho Regional High School	12,294,846	0	12,294,846	12,294,846	0	12,294,846	0
Debt Service:							
General Obligation Bond:							
Principal	355,000		355,000	355,000		355,000	0
Interest	121,543		121,543	121,390		121,390	153
Tax anticipation note - interest	7,500		7,500	0		0	7,500
Open Space BAN - interest	90,000	(58,515)	31,485	11,558		11,558	19,927
Capital leases	136,216		136,216	106,986		106,986	29,230
Fiscal agent fees	0		0	700		700	(700)
Total debt service	710,259	(58,515)	651,744	595,634	0	595,634	56,110
Miscellaneous:							
Employee insurance and benefits	1,345,397	(26,962)	1,318,435	1,185,290		1,185,290	133,145
Council contingency	27,755	(7,500)	20,255	6,479		6,479	13,776
Town insurance	157,000		157,000	146,283		146,283	10,717
Auditing	16,500		16,500	20,980		20,980	(4,480)
Legal services	249,200		249,200	162,048		162,048	87,152
Total miscellaneous	1,795,852	(34,462)	1,761,390	1,521,080	0	1,521,080	240,310
Capital Improvements Program:							
Police	75,000		75,000	68,025		68,025	6,975
Public Works	77,000		77,000	105,806	(26,296)	79,510	(2,510)
Animal control	5,000		5,000	286		286	4,714
Computer/equipment upgrades	8,473		8,473	30,454	(30,454)	0	8,473
Recreation facility	17,000		17,000	5,615	618	6,233	10,767
Town hall maintenance	17,300		17,300	10,760	6,804	17,564	(264)
Clerk restoration program	5,000		5,000	5,000		5,000	0
Capital leases	0		0	205,769		205,769	(205,769)
Total capital improvements	204,773	0	204,773	431,715	(49,328)	382,387	(177,614)

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

GENERAL FUND

**SCHEDULE OF APPROPRIATIONS AND ACTUAL EXPENDITURES - BUDGETARY BASIS
YEAR ENDED JUNE 30, 2005**

	<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>
Transfers out:							
Enterprise funds	50,000		50,000	50,000		50,000	0
Special revenue funds - Revaluation	75,000		75,000	75,000		75,000	0
Special revenue funds - Police Grants	5,000		5,000	3,077		3,077	1,923
Special revenue funds - Reserve for Leave	75,000		75,000	75,000		75,000	0
Special revenue funds - Comprehensive Planning	15,000		15,000	15,000		15,000	0
Special revenue funds - Municipal Planning	50,000		50,000	50,000		50,000	0
Special revenue funds - Facility Maintenance	12,000		12,000	12,000		12,000	0
Special revenue funds - Town Hall Bldg Upgrade	35,000		35,000	35,000		35,000	0
Capital project funds - DPW Road Engineering	30,000		30,000	30,000		30,000	0
Total transfers out	347,000	0	347,000	345,077	0	345,077	1,923
Other:							
Landfill monitoring	78,568		78,568	47,713		47,713	30,855
Total other	78,568	0	78,568	47,713	0	47,713	30,855
Total expenditures	\$ 19,738,798	\$ 0	\$ 19,738,798	\$ 19,481,479	\$ (50,667)	\$ 19,430,812	\$ 307,986

(CONCLUDED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2005**

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, 2005:

Excess of revenues and other sources over expenditures and other uses (Non-GAAP Budgetary Basis).....	\$916,361
Fund balance reappropriated.....	(405,365)
Current year encumbrances	34,004
Prior year encumbrances.....	<u>(84,671)</u>
Excess of revenues and other sources over expenditures and other uses (GAAP)	<u>\$460,329</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.

Farm Viability Grant

This fund account for grant monies received to set-up a web site to promote farming.

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.

Revaluation Fund

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

(CONTINUED)

Town Of Charlestown

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS (CONTINUED)

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.

RI Emergency Management Grant

This fund accounts for grant monies received for Homeland Security and/or emergency management.

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.

(CONTINUED)

Town Of Charlestown

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS (CONTINUED)

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.

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.

(CONTINUED)

Town Of Charlestown

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS (CONTINUED)

COPS Hiring Grant

This fund accounts for federal funds received to offset costs associated with the hiring of new police officers.

Homeland Security Grant - Police Department

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

FEMA Hazard Mitigation

This fund accounts for Federal Emergency Management Agency funds received to offset costs associated with the performance of a Flood Mitigation Project.

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.

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.

(CONTINUED)

Town Of Charlestown

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS (CONTINUED)

Homeland Security Grant - EMA Citizens

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

Police Grant - Operation Blue Riptide

This fund accounts for grant monies received for speed and impaired driving enforcement.

Columbia Heights Streetscapes Enhancement

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

CAPITAL PROJECT FUNDS

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

DPW 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)

Town Of Charlestown

NON-MAJOR GOVERNMENTAL FUNDS

PERMANENT FUNDS

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

Zenis 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)

TOWN OF CHARLESTOWN, RHODE ISLAND

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2005**

		Special Revenue Funds				
	Police Grants - LLEBG Grants	Police Grants - Byrne	DEM Grant - Tennis Court	Farm Viability Grant	School Impact Fees	Educational Planning
	\$ 206	\$ 1,619		\$ 466		\$ 19,933
		17,140	\$ 25,000			
	\$ 206	\$ 18,759	\$ 25,000	\$ 466	\$ 430,162	\$ 19,933

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

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2005

	Special Revenue Funds					
	Historical and Vital Records	Municipal Planning	Revaluation Fund	Reserve for Employee Severance Benefits	Comprehensive Planning Grant	Neighborhood Crime Prevention
ASSETS:						
Cash and cash equivalents					\$ 777	
Investments						
Other receivables						
Due from:						
Other funds						
Other governments	\$ 31,228	\$ 74,369	\$ 52,934	\$ 100,426	\$ 44,223	\$ 1,000
TOTAL ASSETS	<u>\$ 31,228</u>	<u>\$ 74,369</u>	<u>\$ 52,934</u>	<u>\$ 100,426</u>	<u>\$ 45,000</u>	<u>\$ 1,000</u>
LIABILITIES AND FUND BALANCES:						
LIABILITIES:						
Accounts payable						
Due to other funds						
Retainage payable						
Deferred revenues						
Other liabilities						\$ 1,000
TOTAL LIABILITIES	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,000</u>
FUND BALANCES:						
Reserved for:						
Perpetual care						
Encumbrances						
Unreserved, reported in:						
Special revenue funds						
Capital project funds	31,228	74,369	52,934	100,426	45,000	
Debt service funds						
TOTAL FUND BALANCES	<u>31,228</u>	<u>74,369</u>	<u>52,934</u>	<u>100,426</u>	<u>45,000</u>	<u>0</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 31,228</u>	<u>\$ 74,369</u>	<u>\$ 52,934</u>	<u>\$ 100,426</u>	<u>\$ 45,000</u>	<u>\$ 1,000</u>

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2005**

	Special Revenue Funds					
	RI Economic Development Grant	Recreation Donations	Ninigret Park Fund	Bicentennial Fund	RI Emergency Management Grant	Facilities Maintenance
ASSETS:						
Cash and cash equivalents		\$ 83,062		\$ 1,904		
Investments						
Other receivables						
Due from:						
Other funds	\$ 1,159				\$ 522	\$ 12,000
Other governments					2,500	
TOTAL ASSETS	\$ 14,000	\$ 83,062	\$ 1,904	\$ 3,022	\$ 12,000	\$ 12,000
LIABILITIES AND FUND BALANCES:						
LIABILITIES:						
Accounts payable	\$ 2,100					
Due to other funds	8,227	\$ 787				
Retainage payable						
Deferred revenues	6,336				\$ 3,022	
Other liabilities						
TOTAL LIABILITIES	16,663	\$ 0	787	\$ 0	3,022	\$ 0
FUND BALANCES:						
Reserved for:						
Perpetual care						
Encumbrances						
Unreserved, reported in:						
Special revenue funds	(2,663)	1,159	1,904			12,000
Capital project funds						
Debt service funds						
TOTAL FUND BALANCES	(2,663)	1,159	82,275	1,904	0	12,000
TOTAL LIABILITIES AND FUND BALANCES	\$ 14,000	\$ 83,062	\$ 1,904	\$ 3,022	\$ 12,000	\$ 12,000

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2005**

	Special Revenue Funds					
	Developer Bond Deposits	Open Space Fees	DARE Program	Naval Airfield Memorial	Police Forfeiture	Employee Vending
ASSETS:						
Cash and cash equivalents	\$ 68,366	\$ 20,940	\$ 30	\$ 4,429	\$ 412	\$ 1,117
Investments						
Other receivables						
Due from:						
Other funds		1,455				
Other governments						
TOTAL ASSETS	\$ 68,366	\$ 22,395	\$ 30	\$ 4,429	\$ 412	\$ 1,117
LIABILITIES AND FUND BALANCES:						
LIABILITIES:						
Accounts payable						
Due to other funds						
Retainage payable						
Deferred revenues						
Other liabilities	\$ 68,366	0	0	0	0	0
TOTAL LIABILITIES	\$ 68,366	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
FUND BALANCES:						
Reserved for:						
Perpetual care						
Encumbrances						
Unreserved, reported in:						
Special revenue funds		22,395	30	4,429	412	1,117
Capital project funds						
Debt service funds						
TOTAL FUND BALANCES	0	22,395	30	4,429	412	1,117
TOTAL LIABILITIES AND FUND BALANCES	\$ 68,366	\$ 22,395	\$ 30	\$ 4,429	\$ 412	\$ 1,117

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2005**

	Special Revenue					
	Police Bike Unit Training	Birthday Committee	Homeland Security Grant	State Homeland Security Grant - Terrorism	Town Hall Building Upgrade	COPS Hiring Grant
		\$ 1,663				
	\$ 294		\$ 3,448	\$ 2,535	\$ 35,000	
	\$ 294	\$ 1,663	\$ 3,448	\$ 2,535	\$ 35,000	\$ 4,152
						\$ 4,152

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

	294	1,663	0	0	35,000	0
	\$ 294	\$ 1,663	\$ 3,448	\$ 2,535	\$ 35,000	\$ 4,152

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2005**

	Special Revenue Funds					
	Homeland Security Grant - Police Dept	FEMA Hazard Mitigation	EPA Grant	Wastewater Management	Community Development Block Grant	Senior Community Activities
ASSETS:						
Cash and cash equivalents					\$ 2,322	
Investments						
Other receivables						
Due from:						
Other funds						
Other governments	\$ 113,541		\$ 262,673	\$ 23,680	27,500	
TOTAL ASSETS	\$ 113,541	\$ 0	\$ 262,673	\$ 23,680	\$ 193,189	\$ 0
LIABILITIES AND FUND BALANCES:						
LIABILITIES:						
Accounts payable						
Due to other funds	\$ 4,070		\$ 33,313	\$ 100		\$ 1,169
Retainage payable						
Deferred revenues	109,471		229,360	23,580	\$ 192,970	
Other liabilities						
TOTAL LIABILITIES	113,541	\$ 0	262,673	23,680	192,970	1,169
FUND BALANCES:						
Reserved for:						
Perpetual care						
Encumbrances						
Unreserved, reported in:						
Special revenue funds					219	(1,169)
Capital project funds						
Debt service funds						
TOTAL FUND BALANCES	0	0	0	0	219	(1,169)
TOTAL LIABILITIES AND FUND BALANCES	\$ 113,541	\$ 0	\$ 262,673	\$ 23,680	\$ 193,189	\$ 0

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2005**

	Special Revenue Funds					
	Housing Preservation Grants Program	Special Donations	Stormwater Management Grant	Homeland Security Grant - EMA Citizens	Police Grant - Operation Blue Riptide	Columbia Heights Streetscapes Enhancement
		\$ 2,841				
	\$ 73		\$ 25,000	\$ 18,750	\$ 457	\$ 431,190
	\$ 73	\$ 2,841	\$ 25,000	\$ 18,750	\$ 457	\$ 431,190

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	2,841	0	0	0	0
\$	73	\$ 2,841	\$ 25,000	\$ 18,750	\$ 457	\$ 431,190

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

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**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2005**

	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	Ocean Ridge Road	Zenis Ellis Trust	Cemetery Fund	
ASSETS:										
Cash and cash equivalents										
Investments										
Other receivables										
Due from:										
Other funds										
Other governments										
TOTAL ASSETS	\$ 101,916	\$ 1,114,408	\$ 19,041		\$ 12,577	\$ 1,012		\$ 500		\$ 631,614
					992					500
										992
										1,645,796
										1,101,450
										\$ 3,380,352
LIABILITIES AND FUND BALANCES:										
LIABILITIES:										
Accounts payable										\$ 2,639
Due to other funds										111,094
Retainage payable										35,564
Deferred revenues										1,028,118
Other liabilities										68,428
TOTAL LIABILITIES	\$ 0	\$ 0	\$ 35,564		\$ 992	\$ 62		\$ 0		\$ 1,245,843
FUND BALANCES:										
Reserved for:										
Perpetual care										1,491
Encumbrances										44,388
Unreserved, reported in:										
Special revenue funds										913,752
Capital project funds										1,162,301
Debt service funds										12,577
TOTAL FUND BALANCES	12,500	1,114,408	25,000		12,577	950		541		2,134,509
										913,752
										1,162,301
										12,577
										2,134,509
TOTAL LIABILITIES AND FUND BALANCES	\$ 101,916	\$ 1,114,408	\$ 19,041		\$ 13,569	\$ 1,012		\$ 541		\$ 3,380,352

(CONCLUDED)

TOWN OF CHARLESTOWN, RHODE ISLAND

COMBINING STATEMENT OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES AND CHANGES IN FUND BALANCE
 NON-MAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2005

	Special Revenue Funds						
	Police Grants - LLEBG	Police Grants - Byrne	DEM Grant - Tennis Court	Farm Viability Grant	School Impact Fees	Educational Planning	
REVENUES:							
Intergovernmental	\$ 4,221	\$ 8,282		\$ 3,226			
Investment income					\$ 7,110		
Other					59,934		
TOTAL REVENUES	4,221	8,282	\$0	3,226	67,044	\$ 0	
EXPENDITURES:							
Current:							
General government				3,226			
Public safety					1,427		
Public works	4,619	9,520					
Education							42,923
Parks and recreation							
Community development							
Capital:							
Capital outlay							
TOTAL EXPENDITURES	4,619	9,520	0	3,226	1,427	42,923	
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES	(398)	(1,238)	0	0	65,617	(42,923)	
OTHER FINANCING SOURCES:							
Transfers in	220	2,857					
NET OTHER FINANCING SOURCES	220	2,857	0	0	0	0	
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	(178)	1,619	0	0	65,617	(42,923)	
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	384	2,857	0	0	364,545	62,856	
FUND BALANCE (DEFICIT) AT END OF YEAR	\$ 206	\$ 4,476	\$0	\$ 0	\$ 430,162	\$ 19,933	

TOWN OF CHARLESTOWN, RHODE ISLAND

COMBINING STATEMENT OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES AND CHANGES IN FUND BALANCE
 NON-MAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2005

	Special Revenue Funds					
	Historical and Vital Records	Municipal Planning	Revaluation Fund	Reserve for Employee Severance Benefits	Comprehensive Planning Grant	Neighborhood Crime Prevention
REVENUES:						
Intergovernmental	\$ 1,200					\$ 1,335
Investment income	24,900					
Other	26,100	0	0	0	0	1,335
TOTAL REVENUES		\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,335
EXPENDITURES:						
Current:						
General government	17,814	5,000	137,611	28,403		1,335
Public safety						
Public works						
Education						
Parks and recreation						
Community development						
Capital:						
Capital outlay						
TOTAL EXPENDITURES	17,814	5,000	137,611	28,403	0	1,335
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES	8,286	(5,000)	(137,611)	(28,403)	0	0
OTHER FINANCING SOURCES:						
Transfers in						
NET OTHER FINANCING SOURCES	0	50,000	75,000	75,000	15,000	0
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	8,286	45,000	(62,611)	46,597	15,000	0
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	22,942	29,369	115,545	53,829	30,000	0
FUND BALANCE (DEFICIT) AT END OF YEAR	\$ 31,228	\$ 74,369	\$ 52,934	\$ 100,426	\$ 45,000	\$ 0

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005**

	Special Revenue Funds					
	RI Economic Development Grant	Recreation Donations	Ninigret Park Fund	Bicentennial Fund	RI Emergency Management Grant	Facilities Maintenance
REVENUES:						
Intergovernmental	\$ 2,738				\$ 1,978	
Investment income		\$ 2,150	\$ 1,397	\$ 29		
Other			27,360			
TOTAL REVENUES	2,738	2,150	28,757	29	1,978	0
EXPENDITURES:						
Current:						
General government	5,476					
Public safety					1,978	
Public works						
Education						
Parks and recreation		991	2,112			
Community development						
Capital:						
Capital outlay						
TOTAL EXPENDITURES	5,476	991	2,112	0	1,978	0
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES	(2,738)	1,159	26,645	29	0	0
OTHER FINANCING SOURCES:						
Transfers in						12,000
NET OTHER FINANCING SOURCES	0	0	0	0	0	12,000
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	(2,738)	1,159	26,645	29	0	12,000
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	75	0	55,630	1,875	0	0
FUND BALANCE (DEFICIT) AT END OF YEAR	\$ (2,663)	\$ 1,159	\$ 82,275	\$ 1,904	\$ 0	\$ 12,000

TOWN OF CHARLESTOWN, RHODE ISLAND

COMBINING STATEMENT OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES AND CHANGES IN FUND BALANCE
 NON-MAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2005

	Special Revenue Funds						
	Developer Bond Deposits	Open Space Fees	DARE Program	Naval Airfield Memorial	Police Forfeiture	Employee Vending	
REVENUES:							
Intergovernmental		\$ 331		\$ 77		\$	4
Investment income		8,728	100				473
Other		9,059	100	77	0		477
TOTAL REVENUES	\$0						
EXPENDITURES:							
Current:							
General government							
Public safety			415				
Public works							
Education							
Parks and recreation							
Community development							
Capital:							
Capital outlay							
TOTAL EXPENDITURES	0	0	415	0	0	0	0
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES	0	9,059	(315)	77	0	0	477
OTHER FINANCING SOURCES:							
Transfers in							
NET OTHER FINANCING SOURCES	0	0	0	0	0	0	0
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	0	9,059	(315)	77	0	0	477
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	0	13,336	345	4,352	412	640	
FUND BALANCE (DEFICIT) AT END OF YEAR	\$0	\$ 22,395	\$ 30	\$ 4,429	\$ 412	\$ 1,117	

TOWN OF CHARLESTOWN, RHODE ISLAND

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005**

		Special Revenue Funds					
		Police Bike Unit Training	Birthday Committee	Homeland Security Grant	State Homeland Security Grant - Terrorism	Town Hall Building Upgrade	COPS Hiring Grant
REVENUES:							
Intergovernmental		\$ 160	\$	\$ 98,448			\$ 42,074
Investment income			29				
Other							
TOTAL REVENUES		160	29	98,448	\$0	0	42,074
EXPENDITURES:							
Current:							
General government							
Public safety							
Public works							
Education							
Parks and recreation							
Community development							
Capital:							
Capital outlay							
TOTAL EXPENDITURES		784					42,074
		784	0	98,448	0	0	42,074
		(624)	29	0	0	0	0
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES							
OTHER FINANCING SOURCES:							
Transfers in							
NET OTHER FINANCING SOURCES							
		0	0	0	0	35,000	0
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES		(624)	29	0	0	35,000	0
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR		918	1,634	0	0	0	0
FUND BALANCE (DEFICIT) AT END OF YEAR		\$ 294	\$ 1,663	\$ 0	\$ 0	\$ 35,000	\$ 0

TOWN OF CHARLESTOWN, RHODE ISLAND

COMBINING STATEMENT OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES AND CHANGES IN FUND BALANCE
 NON-MAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2005

	Special Revenue Funds					
	Homeland Security Grant - Police Dept	FEMA Hazard Mitigation	EPA Grant	Wastewater Management	Community Development Block Grant	Senior Community Activities
REVENUES:						
Intergovernmental	\$ 4,070	\$ 3,713	\$ 35,853	\$ 100	\$ 71,816	\$ 924
Investment income						
Other						
TOTAL REVENUES	4,070	3,713	35,853	100	71,816	924
EXPENDITURES:						
Current:						
General government						
Public safety	4,070	3,713				1,505
Public works			35,853	100		
Education						
Parks and recreation						
Community development					71,816	
Capital:						
Capital outlay						
TOTAL EXPENDITURES	4,070	3,713	35,853	100	71,816	1,505
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES	0	0	0	0	0	(581)
OTHER FINANCING SOURCES:						
Transfers in						
NET OTHER FINANCING SOURCES	0	0	0	0	0	0
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	0	0	0	0	0	(581)
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	0	0	0	0	219	(588)
FUND BALANCE (DEFICIT) AT END OF YEAR	\$ 0	\$ 0	\$ 0	\$ 0	\$ 219	\$ (1,169)

TOWN OF CHARLESTOWN, RHODE ISLAND

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005**

	Special Revenue Funds						
	Housing Preservation Grants Program	Special Donations	Stormwater Management Grant	Homeland Security - EMA Citizens	Police Grant - Operation Blue Riptide	Columbia Heights Streetscapes Enhancement	
REVENUES:							
Intergovernmental	\$ 1,715	\$ 35	\$ 14,430	\$ 1,736	\$ 2,323	\$ 33,840	
Investment income		1,880					
Other							
TOTAL REVENUES	<u>1,715</u>	<u>1,915</u>	<u>14,430</u>	<u>1,736</u>	<u>2,323</u>	<u>33,840</u>	
EXPENDITURES:							
Current:							
General government	1,715						
Public safety				1,736			
Public works			14,430				
Education							
Parks and recreation							
Community development							33,840
Capital:							
Capital outlay							
TOTAL EXPENDITURES	<u>1,715</u>	<u>0</u>	<u>14,430</u>	<u>1,736</u>	<u>2,323</u>	<u>33,840</u>	
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES	0	1,915	0	0	0	0	0
OTHER FINANCING SOURCES:							
Transfers in							
NET OTHER FINANCING SOURCES	0	0	0	0	0	0	0
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	0	1,915	0	0	0	0	0
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	0	926	0	0	0	0	0
FUND BALANCE (DEFICIT) AT END OF YEAR	<u>\$ 0</u>	<u>\$ 2,841</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

TOWN OF CHARLESTOWN, RHODE ISLAND

COMBINING STATEMENT OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES AND CHANGES IN FUND BALANCE
 NON-MAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2005

	Capital Project Funds			Debt Service Funds			Total Non-Major Governmental Funds
	DPW Road Engineering	Open Space Acquisitions	Landfill Closure	Ocean Ridge Road	Zenis Ellis Trust	Cemetery Fund	
REVENUES:							
Intergovernmental							
Investment income		\$ 12,041		\$ 49		\$ 7	\$ 333,258
Other		37,490		613			21,109
TOTAL REVENUES	\$ 0	49,531	\$ 0	662	\$ 0	7	164,552
EXPENDITURES:							
Current:							
General government							202,592
Public safety							69,829
Public works							50,383
Education							42,923
Parks and recreation							36,943
Community development							71,816
Capital:							
Capital outlay	17,500	3,000	1,440				122,711
TOTAL EXPENDITURES	17,500	3,000	1,440	0	0	0	597,197
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES	(17,500)	46,531	(1,440)	662	0	7	(78,278)
OTHER FINANCING SOURCES:							
Transfers in	30,000						295,077
NET OTHER FINANCING SOURCES	30,000	0	0	0	0	0	295,077
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	12,500	46,531	(1,440)	662	0	7	216,799
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	89,416	1,067,877	(15,083)	11,915	950	534	1,917,710
FUND BALANCE (DEFICIT) AT END OF YEAR	\$ 101,916	\$ 1,114,408	\$ (16,523)	\$ 12,577	\$ 950	\$ 541	\$ 2,134,509

(CONCLUDED)

TOWN OF CHARLESTOWN

REPORTS IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

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, 2005, which collectively comprise the Town of Charlestown, Rhode Island's basic financial statements and have issued our report thereon dated December 23, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of 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 over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

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*.

However, we noted certain matters that we reported to management of the Town of Charlestown, Rhode Island, in a separate letter dated December 23, 2005.

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 23, 2005

Cayer Caccia, LLP.