

**TOWN OF
CHARLESTOWN, RHODE ISLAND**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**FOR THE YEAR ENDED
JUNE 30, 2004**

Prepared by:

Zallee Rosso

Town Treasurer

TOWN OF CHARLESTOWN, RHODE ISLAND
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2004

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TOWN OF CHARLESTOWN

INTRODUCTORY SECTION

ZALLEE T. ROSSO
Treasurer



4540 SO. COUNTY TRAIL
CHARLESTOWN,
RHODE ISLAND 02813

Tel (401) 364-1235
Fax (401) 364-1238
email: treasurer@charlestownri.org

TOWN OF CHARLESTOWN

December 16, 2004

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, 2004, 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, 2004. 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 2004 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 over 1970 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 21.2% to a total year round resident count of 7,851. Furthermore, these new 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 of 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, and 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 2003-2004 fiscal year:

Continued the preservation of old records in the land evidence area. Restored all land evidence books from 1738 to 1940. Future plans include computerization of land evidence records from 1738 to 1940.

Continued to manage all Town facilities' operations at the lowest possible cost to the taxpayers of Charlestown. Maintained sound capital investment in new equipment and improved Town facilities as allotted for within the 2004 budget.

Opened, July 1, 2000, and operated the newly constructed Residential Collection Center that replaced the Landfill Facility that was in place through June 30, 2000. Continued the capping and covering of the closed facility. In fiscal year 2001 \$435,000 was allocated for this closure from the General fund undesignated, unreserved fund in lieu of bonding the project. The closure bids received were far less than anticipated. At June 30, 2004 the capping was at a standstill due to a problem with the covering at the Landfill. The Town and DEM are working towards a mutual end with the contractor. Fuss and O'Neil remain the Town's Engineers on this project.

The Waste Water Management commission continued their quest, with the assistance of RIDEM, of public awareness and education about wastewater contamination and the need to upgrade failing septic systems. During 2004 the Well Water testing program continued in the Green Hill Pond area. 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, Town of South Kingstown and New Shoreham were recipients of an EPA grant to further enhance ground water protection goals. Five innovative septic systems were installed in the Greenhill Pond Area in 2003.

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, 2002 with two of the Towns' unions and the CPMA management group. A new police contract was negotiated and put into effect July 1, 2003.

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.

Contracted with an architectural firm to begin construction of a new police facility that was approved by voters at the referendum held in June of 2003. A much needed enhancement for the operation of our Town Police Department.

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 \$1.04 million in housing rehabilitation grants to low and moderate-income families through the Community Development Block Grant Program, a federally funded program. Housing grants are distributed through The Community Development Consortium of East Greenwich. This Grant program also enhances resources to residents through other community projects such as the Women's Resource Center, Jonnycake Center, Health Center of South County, Waste Water Management, and various non-profit organizations enabled repairs to property in our community that otherwise would have been impossible due to income levels, and assists citizens with medical, dental and miscellaneous needs they could not afford without assistance. During fiscal year 2004 the Community Development Consortium, headed by Geoffrey Marchant handled the Town's rehabilitation program and now contracts with the Town to handle all aspects of the grant, except the writing thereof. The Shannock Village revitalization project continues between the Towns of Charlestown and Richmond.

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 2004 the Town experienced minimal losses on insurance claims and anticipates a similar situation in 2005. During fiscal year 2003 the Town increased its liability coverage to 3 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 Town saves considerable dollars with this type of coverage. The Trust monitors and evaluates existing and developing risk exposures 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

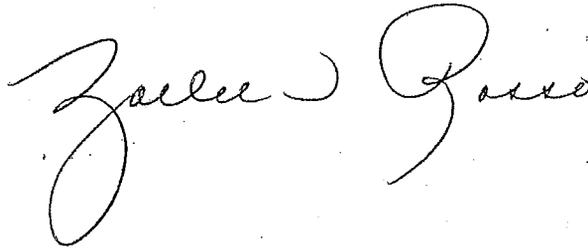
State law requires an annual audit of Town finances by an independent certified public accountant. The accounting firm of Cayer Caccia, LLP was awarded the bid to conduct the Town's audit for fiscal years ending June 30, 2000 through June 30, 2004 in response to the Town's RFP during calendar year 2000.

Acknowledgments

The preparation of this comprehensive annual financial report was made possible by the dedicated service of management and staff who continue to dedicate their efforts to frugal spending on behalf of the citizens of Charlestown.

In closing, without the leadership and support of the Charlestown Town Council, preparation of this report would not have been possible.

Sincerely,

A handwritten signature in cursive script that reads "Zallee T. Rosso". The signature is written in black ink and is positioned above the printed name and title.

*Zallee T. Rosso
Town Treasurer*

MUNICIPAL OFFICERS

Town Council

Deborah A. Carney, President
Christopher J. Sheehan, Vice President.
Harriet A. Allen
Richard Serra
Katharine 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

Zallee T. Rosso

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

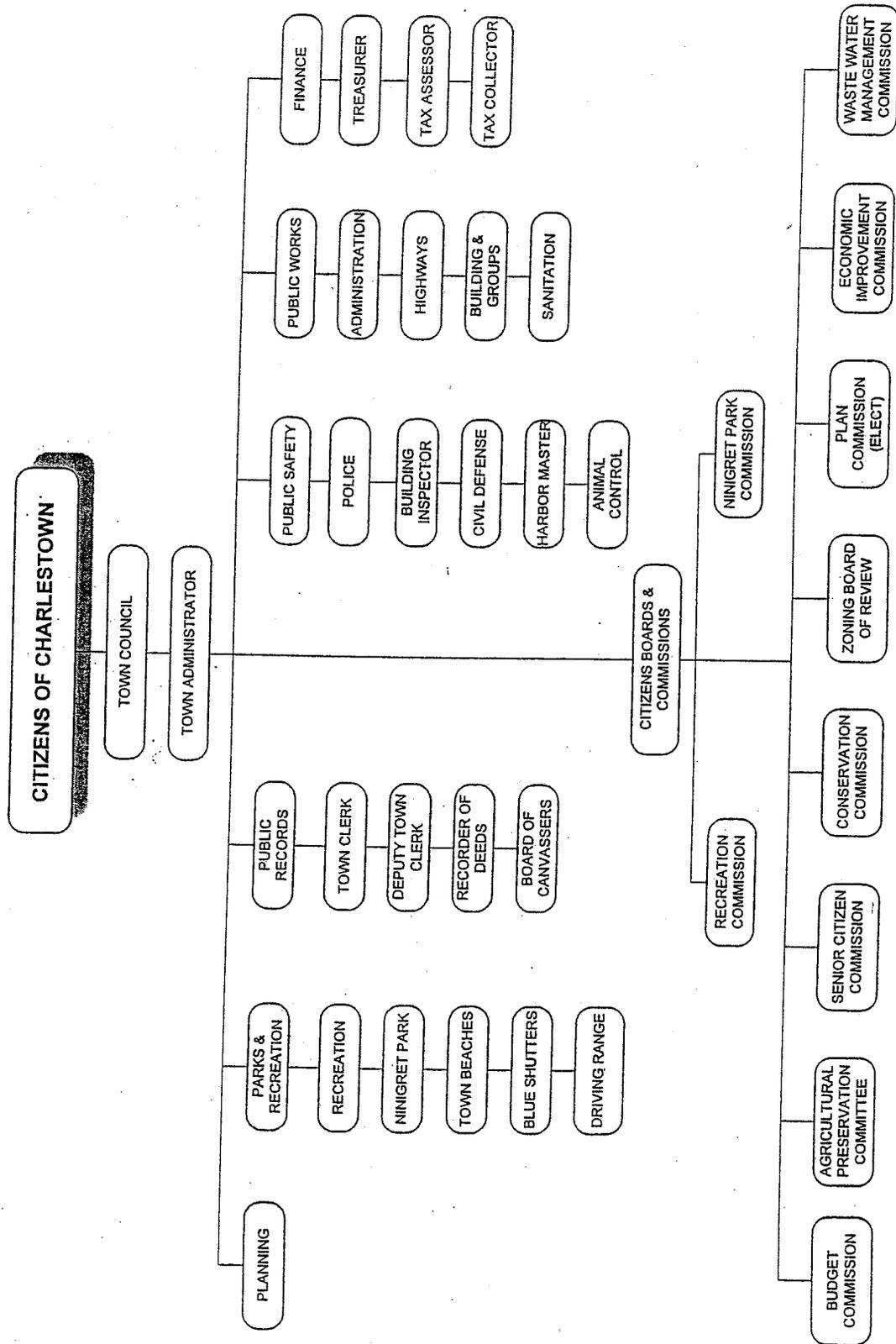
John R.. Rookwood

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, 2004, 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 an opinion 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, 2004, 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 16, 2004, on our consideration of the Town of Charlestown, Rhode Island's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, historical pension information and budgetary comparison information on pages 3 through 15 and 50 through 58 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.

Cayn Carcia, LLP.

December 16, 2004

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 second 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 (MD&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 16).

Highlights

Financial Highlights

The Town's net assets increased by \$1,683,967 (or 21.2%). Governmental net assets increased by \$1,697,347 (or 22.0%) while the business type activities net assets decreased by \$13,380 (or 5.1%). In 2003, governmental net assets increased by \$1,462,038 (or 23.4%) while the business-type activities net assets decreased by \$37,726 (or 12.5%).

Governmental fund general revenues for the year ending June 30, 2004 totaled \$20,041,851 including charges for services at \$1,095,721, operating grants and contributions \$1,949,211, capital grants and contributions \$564,311, with the balance of revenue from property taxes, revenue sharing, investment interest and miscellaneous of \$16,432,608.

Business-type activities revenues for the year ending June 30, 2004 totaled \$203,048, including charges for services of \$163,254, operating grants and contributions of \$38,252 and investment income of \$1,542.

Governmental fund expenditures for the fiscal year totaled \$18,344,504. Business type activities expenses for the fiscal year totaled \$216,428.

On the GAAP basis, expenditures and other financing uses were \$19,850,268 for the general fund; \$878,650 for the police building fund; \$585,469 for the open space acquisition fund; business type funds \$216,428; and \$541,823 in the non-major governmental 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 16 through 18) 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 19. 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 19. 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 Activities</i> | | <i>Business Type Activities</i> | | <i>Total Primary Government</i> | |
|-------------------------------------|------------------------------------|-------------------|-------------------------------------|----------------|-------------------------------------|-------------------|
| | <u>2004</u> | <u>2003</u> | <u>2004</u> | <u>2003</u> | <u>2004</u> | <u>2003</u> |
| <i>Current and Other assets</i> | 8,591,949 | 6,346,028 | 43,123 | 236,494 | 8,635,072 | 6,582,522 |
| <i>Capital Assets</i> | 9,764,739 | 8,062,042 | 223,304 | 248,101 | 9,988,043 | 8,310,143 |
| <i>Total Assets</i> | 18,356,688 | 14,408,070 | 266,427 | 484,595 | 18,623,115 | 14,892,665 |
| | | | | | | |
| <i>Current Liabilities</i> | 2,967,622 | 3,319,623 | 9,304 | 218,044 | 2,976,926 | 3,537,667 |
| <i>Long Term Liabilities</i> | 5,994,852 | 3,391,580 | 8,009 | 4,057 | 6,002,861 | 3,395,637 |
| <i>Total Liabilities</i> | 8,962,474 | 6,711,203 | 17,313 | 222,101 | 8,979,787 | 6,933,304 |
| | | | | | | |
| <i>Invested in Capital Assets</i> | | | | | | |
| <i>Net of related Debt</i> | 5,280,114 | 6,431,157 | 223,304 | 248,101 | 5,503,418 | 6,679,258 |
| <i>Restricted for other purpose</i> | 1,933,381 | 185,730 | 10,000 | 10,000 | 1,943,381 | 195,730 |
| <i>Unrestricted</i> | 2,180,719 | 1,079,980 | 15,810 | 4,393 | 2,196,529 | 1,084,373 |
| <i>Total Net Assets</i> | 9,394,214 | 7,696,867 | 249,114 | 262,494 | 9,643,328 | 7,959,361 |

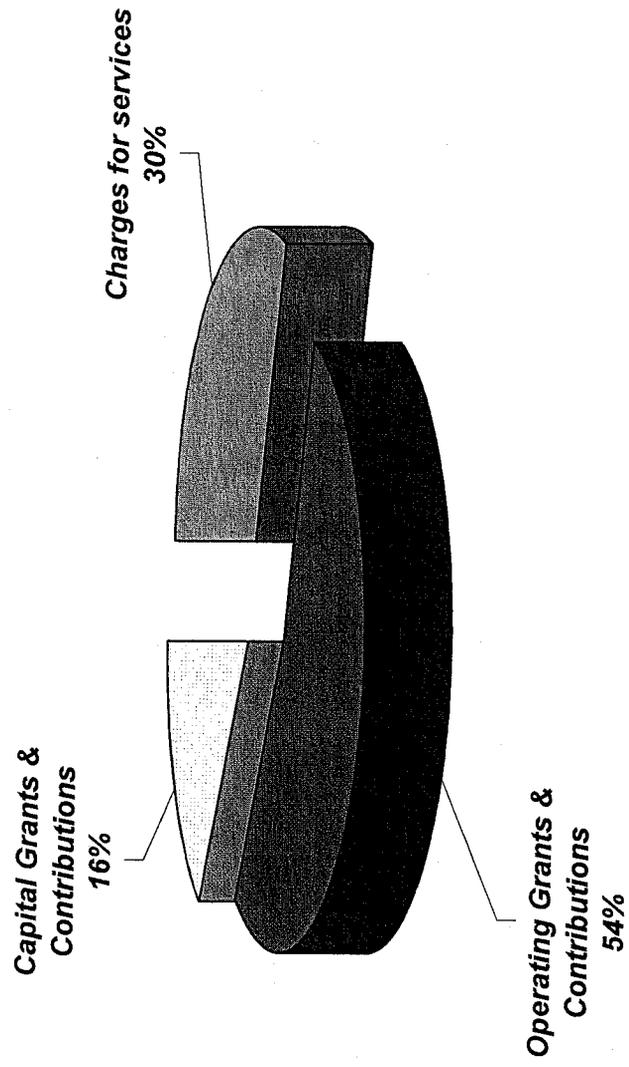
Net Assets equals Total Assets less Liabilities

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

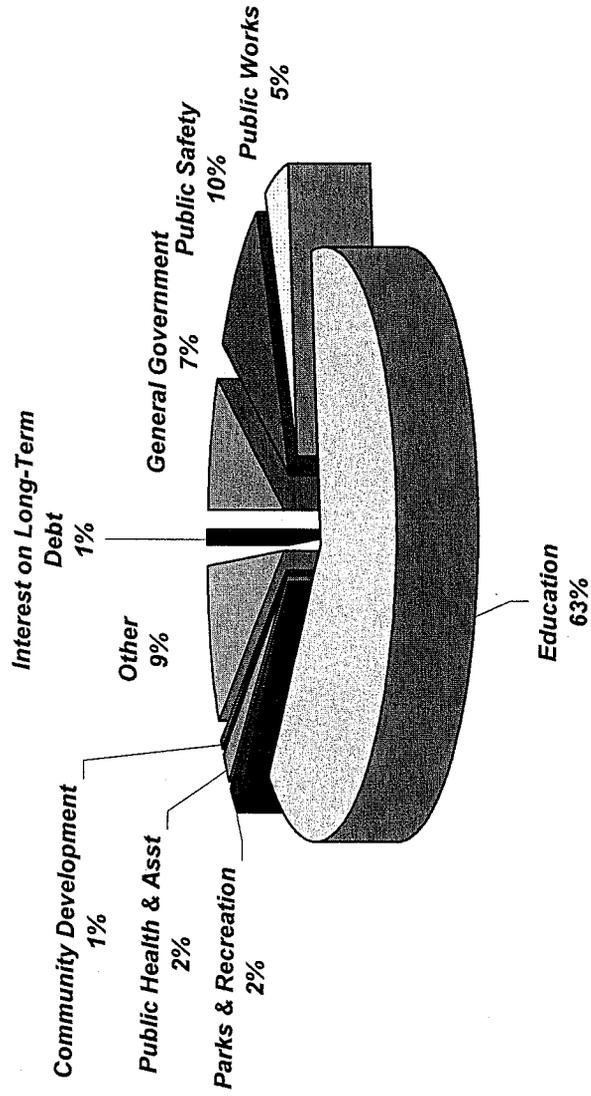
| | <i>Governmental Activities</i> | | <i>Business-type Activities</i> | | <i>Total Primary Government</i> | |
|---|------------------------------------|--------------------|-------------------------------------|------------------|-------------------------------------|--------------------|
| | <u>2004</u> | <u>2003</u> | <u>2004</u> | <u>2003</u> | <u>2004</u> | <u>2003</u> |
| Revenue: | | | | | | |
| Program Revenue: | | | | | | |
| <i>Charges for services</i> | \$1,095,721 | \$1,036,178 | \$163,254 | \$142,515 | \$1,258,975 | \$1,178,693 |
| <i>Operating Grants & Contributions</i> | 1,949,211 | 1,819,296 | 38,252 | 16,875 | 1,987,463 | 1,836,171 |
| <i>Capital Grants & contributions</i> | 564,311 | 712,067 | | | 564,311 | 712,067 |
| Total Revenue | 3,609,243 | 3,567,541 | 201,506 | 159,390 | 3,810,749 | 3,726,931 |
| General Revenues: | | | | | | |
| <i>Property Taxes</i> | 15,755,358 | 14,782,095 | | | 15,755,358 | 14,782,095 |
| <i>State Revenue Sharing</i> | 346,452 | 313,286 | | | 346,452 | 313,286 |
| <i>Unrestricted Investment Earnings</i> | 39,181 | 52,070 | 1,542 | 2,081 | 40,723 | 54,151 |
| <i>Miscellaneous</i> | 291,617 | 165,600 | | | 291,617 | 165,600 |
| Total General Revenues | 16,432,608 | 15,313,051 | 1,542 | 2,081 | 16,434,150 | 15,315,132 |
| Total Revenues | 20,041,851 | 18,880,592 | 203,048 | 161,471 | 20,244,899 | 19,042,063 |
| Expenses: | | | | | | |
| <i>General Government</i> | 1,342,990 | 1,230,126 | | | 1,342,990 | 1,230,126 |
| <i>Public Safety</i> | 1,837,182 | 1,527,333 | | | 1,837,182 | 1,527,333 |
| <i>Public Works</i> | 920,595 | 1,171,528 | | | 920,595 | 1,171,528 |
| <i>Education</i> | 11,852,749 | 11,307,643 | | | 11,852,749 | 11,307,643 |
| <i>Parks & Recreation</i> | 349,846 | 252,360 | | | 349,846 | 252,360 |
| <i>Public Health & Asst</i> | 330,896 | 417,546 | | | 330,896 | 417,546 |
| <i>Community Development</i> | 124,979 | 82,025 | | | 124,979 | 82,025 |
| <i>Other</i> | 1,451,952 | 1,297,611 | 216,428 | 199,197 | 1,668,380 | 1,496,808 |
| <i>Interest on Long Term Debt</i> | 133,315 | 132,382 | | | 133,315 | 132,382 |
| Total Expenses | 18,344,504 | 17,418,554 | 216,428 | 199,197 | 18,560,932 | 17,617,751 |
| Change in Net Assets | 1,697,347 | 1,462,038 | (13,380) | (37,726) | 1,683,967 | 1,424,312 |
| Net Assets Beginning | 7,696,867 | 6,234,829 | 262,494 | 300,220 | 7,959,361 | 6,535,049 |
| Ending Net Assets | \$9,394,214 | \$7,696,867 | \$249,114 | \$262,494 | \$9,643,328 | \$7,959,361 |

This is the second 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.

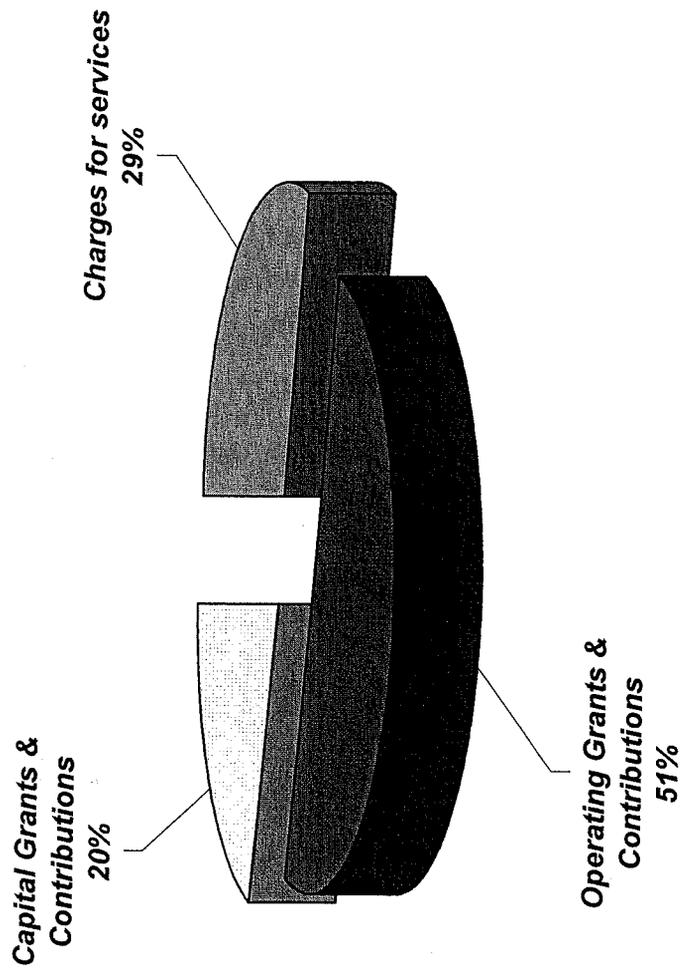
2004 Program Revenues



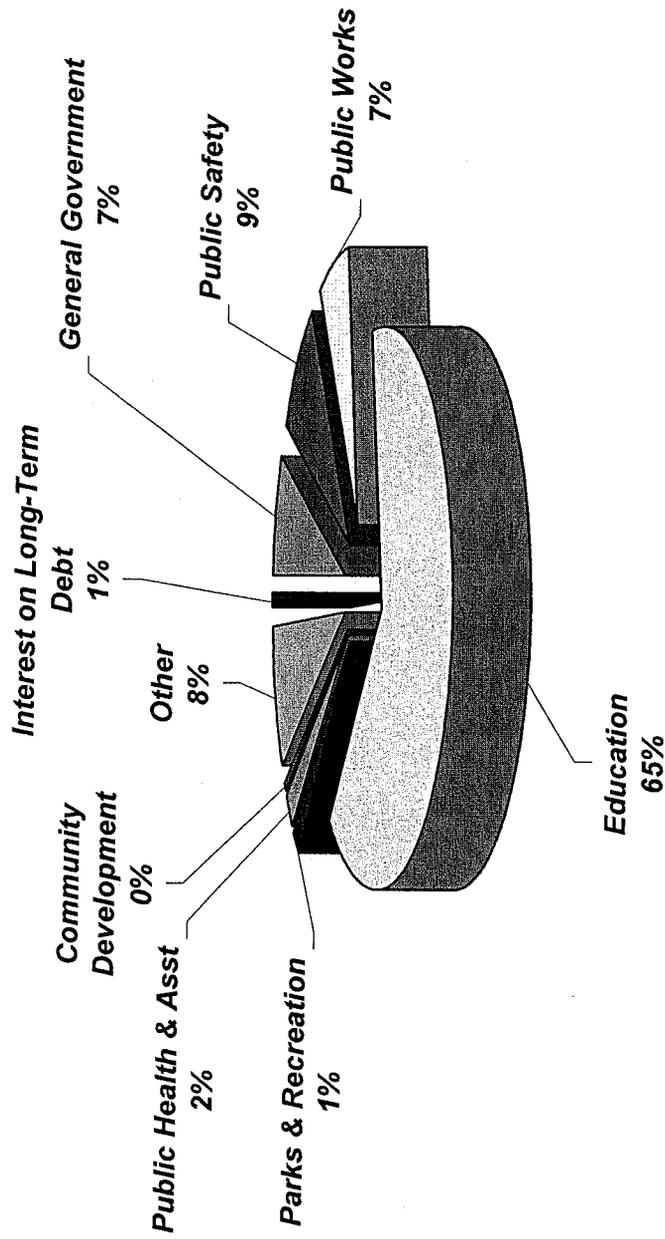
2004 Expenses



2003 Program Revenues



2003 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 \$1,683,967 and \$1,424,312 for fiscal year 2004 and 2003, respectively, resulting from the difference between expenses and revenues. For fiscal year 2004, expenses net of their pertinent revenues was \$14,750,183, while revenues not attributed to any activity in the government was \$16,434,150, therefore netting an increase of \$1,683,967 in net assets. For fiscal year 2003, expenses net of their pertinent revenues were \$13,890,820, while revenue not attributed to any activity in the government was \$15,315,132, therefore netting an increase of \$1,424,312 in net assets.

Business type Activities:

The decrease in net assets for the business type activities for fiscal year 2004 and 2003 was \$13,380 and \$37,726, respectively 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 2004, the general fund balance sheet showed a fund balance of \$4,581,506. This figure results from all assets allocated to the fund less its liabilities, as presented on page 20. Of this total \$397,288 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 funds of the Town for fiscal year 2004 were the Police Building Fund and Open Space Acquisition Fund. At the end of June 2004, the Police Building Fund showed a fund deficit of \$163,650 while the Open Space Acquisition had a fund balance of \$1,067,877. Other governmental funds had a fund balance of \$849,833. The total fund balance for the aforementioned funds is \$6,335,566. See Schedule B-1.

General Fund & Other Governmental funds (Continued):

At the end of June 2003, the general fund balance sheet showed a fund balance of \$4,326,561. This figure results from all assets allocated to this fund less its liabilities. Of this total \$185,730 is reserved for encumbrances, prepaids, and other. Other governmental funds had a fund deficit of \$779,924. The total fund balance for the aforementioned funds is \$3,546,637.

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 \$294,114 at June 30, 2004, of which \$223,304 is invested in capital assets, net of related debt, \$10,000 is restricted and \$15,810 is unrestricted. At June 30, 2003, these two entities combined had total net assets of \$262,494 of which \$248,101 was invested in capital assets, net of related debt \$10,000 was restricted and \$4,393 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 52. 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, 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.

For the year ended June 30, 2003, the general fund revenues exceeded budget projections by \$0.5 million or 3.1%. General fund expenditures were less than the budget by \$0.1 million or 0.4%. This resulted in a \$0.6 million budgetary surplus in the General Fund for the year ending June 30, 2003.

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, 2004 and 2003 amounted to \$10.0 and \$8.3 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)

| | Governmental Activities | | Business-Type Activities | | Totals | |
|---------------------------------------|------------------------------------|--------------------|-------------------------------------|--------------------|--------------------|--------------------|
| | <u>2004</u> | <u>2003</u> | <u>2004</u> | <u>2003</u> | <u>2004</u> | <u>2003</u> |
| Motor Vehicles | \$1.5 | \$1.3 | | | \$1.5 | 1.3 |
| Equipment | 0.2 | 0.2 | \$0.2 | \$0.2 | 0.4 | 0.4 |
| Infrastructure | 0.4 | 0.2 | | | 0.4 | 0.2 |
| Buildings and Improvements | 3.0 | 2.6 | | | 3.0 | 2.6 |
| Land and Land Improvements | 6.3 | 5.2 | 0.2 | 0.2 | 6.5 | 5.4 |
| Construction-in-progress | 0.2 | | | | 0.2 | |
| Total Assets | 11.6 | 9.5 | 0.4 | 0.4 | 12.0 | 9.9 |
| Less: Accumulated Depreciation | (1.8) | (1.5) | (0.2) | (0.1) | (2.0) | (1.6) |
| Net Capital Assets | \$9.8 | \$8.0 | \$0.2 | \$0.3 | \$10.0 | \$8.3 |

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.

Capital Assets (Continued)

The Town's investment in capital assets for its governmental and business type activities as of June 30, 2003 was \$9.9 million less accumulated depreciation of \$1.6 million for a net investment in capital assets of \$8.3 million.

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

- *\$100,000 of road maintenance*
- *\$300,000 of open space land*
- *\$100,000 of Public Works vehicles*
- *\$700,000 of land for the new police building (gift and purchase)*
- *\$100,000 of Public Safety vehicles*
- *\$200,000 of construction-in-progress for the new Police building*
- *\$400,000 of various building improvements*

Additional information on the Town's capital assets can be found on Note 13 on page 47 of this report.

Long Term Debt

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. See Note 8 for further explanation of the Town's long-term liabilities.

As of June 30, 2003, the Town had total long-term liabilities of \$3.8 million. Of that, \$1.3 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 \$8,000 and \$4,000 at June 30, 2004 and 2003, 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, 2004

| | Governmental Activities | Business-type Activities | Total |
|--------------------------------------|----------------------------|-----------------------------|-------------------|
| ASSETS: | | | |
| <i>Current assets:</i> | | | |
| Cash and cash equivalents | \$ 6,926,855 | \$ 236,781 | \$ 7,163,636 |
| Restricted cash and cash equivalents | | 41,715 | 41,715 |
| Investments | 500 | | 500 |
| Receivables: | | | |
| Taxes, net | 563,859 | | 563,859 |
| Other receivables | 14,953 | 3,750 | 18,703 |
| Internal balances | 239,123 | (239,123) | |
| Due from other governments | 648,704 | | 648,704 |
| Other assets | 42,323 | | 42,323 |
| Tax sale property | 71,750 | | 71,750 |
| Total current assets | 8,508,067 | 43,123 | 8,551,190 |
| <i>Noncurrent assets:</i> | | | |
| Capital assets: | | | |
| Non-depreciable | 6,488,756 | 99,500 | 6,588,256 |
| Depreciable, net | 3,275,983 | 123,804 | 3,399,787 |
| Bond issuance costs | 83,882 | | 83,882 |
| Total noncurrent assets | 9,848,621 | 223,304 | 10,071,925 |
| TOTAL ASSETS | 18,356,688 | 266,427 | 18,623,115 |
| LIABILITIES: | | | |
| <i>Current liabilities:</i> | | | |
| Accounts payable | 295,295 | 9,304 | 304,599 |
| Accrued interest | 62,807 | | 62,807 |
| Retainage payable | 35,564 | | 35,564 |
| Due to other governments | 26,577 | | 26,577 |
| Current portion of long-term debt | 670,000 | | 670,000 |
| Bond anticipation notes payable | 500,000 | | 500,000 |
| Unearned revenue | 1,148,062 | | 1,148,062 |
| Other liabilities | 229,317 | | 229,317 |
| Total current liabilities | 2,967,622 | 9,304 | 2,976,926 |
| <i>Noncurrent liabilities:</i> | | | |
| Long term debt, net | 5,994,852 | 8,009 | 6,002,861 |
| Total noncurrent liabilities | 5,994,852 | 8,009 | 6,002,861 |
| TOTAL LIABILITIES | 8,962,474 | 17,313 | 8,979,787 |

(CONTINUED)

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF CHARLESTOWN, RHODE ISLANDSTATEMENT OF NET ASSETS
JUNE 30, 2004

| | Governmental Activities | Business-type Activities | Total |
|---|----------------------------|-----------------------------|---------------------|
| NET ASSETS: | | | |
| Invested in capital assets, net of related debt | 5,280,114 | 223,304 | 5,503,418 |
| Restricted for: | | | |
| Capital projects | 1,157,293 | | 1,157,293 |
| Specific projects and programs | 776,088 | 10,000 | 786,088 |
| Unrestricted | 2,180,719 | 15,810 | 2,196,529 |
| TOTAL NET ASSETS | \$ 9,394,214 | \$ 249,114 | \$ 9,643,328 |

(CONCLUDED)

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF CHARLESTOWN, RHODE ISLAND

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004**

| | 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 |
| Functions/Programs: | | | | | | | |
| Governmental activities: | | | | | | | |
| General government | \$ 1,342,990 | \$ 678,475 | \$ 240,115 | \$ 75,000 | \$ (349,400) | \$ | \$ (349,400) |
| Public safety | 1,837,182 | 59,323 | 39,603 | 489,311 | (1,248,945) | | (1,248,945) |
| Public works | 882,343 | 145 | 29,610 | | (852,588) | | (852,588) |
| Education | 11,852,749 | | 1,509,604 | | (10,343,145) | | (10,343,145) |
| Parks and recreation | 349,846 | 346,748 | 5,300 | | 2,202 | | 2,202 |
| Public health and assistance | 330,896 | 11,030 | | | (319,866) | | (319,866) |
| Community development | 124,979 | | 124,979 | | | | |
| Other | 1,451,952 | | | | (1,451,952) | | (1,451,952) |
| Interest on long-term debt | 133,315 | | | | (133,315) | | (133,315) |
| Total governmental activities | 18,306,252 | 1,095,721 | 1,949,211 | 564,311 | (14,697,009) | | (14,697,009) |
| Business-type activities: | | | | | | | |
| Residential Collection Center | 182,435 | 122,644 | | | | \$ (59,791) | (59,791) |
| Coastal Pond Management | 33,993 | 40,610 | | | | 6,617 | 6,617 |
| Total business-type activities | 216,428 | 163,254 | 0 | 0 | 0 | (53,174) | (53,174) |
| Total | \$ 18,522,680 | \$ 1,258,975 | \$ 1,949,211 | \$ 564,311 | (14,697,009) | (53,174) | (14,750,183) |
| General revenues: | | | | | | | |
| Property taxes | | | | | 15,755,358 | | 15,755,358 |
| State revenue sharing | | | | | 346,452 | | 346,452 |
| Unrestricted investment earnings | | | | | 39,181 | 1,542 | 40,723 |
| Miscellaneous | | | | | 291,617 | | 291,617 |
| Transfers | | | | | (38,252) | 38,252 | |
| Total general revenues and transfers | | | | | 16,394,356 | 39,794 | 16,434,150 |
| Change in Net Assets | | | | | 1,697,347 | (13,380) | 1,683,967 |
| Net Assets - beginning of year | | | | | 7,696,867 | 262,494 | 7,959,361 |
| Net Assets - end of year | | | | | \$ 9,394,214 | \$ 249,114 | \$ 9,643,328 |

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF CHARLESTOWN, RHODE ISLAND

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004**

| | General Fund | Police Building Fund | Open Space Acquisitions | Other Governmental Funds | Total Governmental Funds |
|---------------------------------------|---------------------|----------------------|-------------------------|--------------------------|--------------------------|
| ASSETS: | | | | | |
| Cash and cash equivalents | \$ 5,936,960 | \$ 398,774 | | \$ 591,121 | \$ 6,926,855 |
| Investments | | | | 500 | 500 |
| Receivables: | | | | | |
| Taxes, net | 563,859 | | | | 563,859 |
| Other | 13,371 | | | 1,582 | 14,953 |
| Due from: | | | | | |
| Other funds | | | | | |
| Other governments | 157,060 | | \$ 1,067,877 | 543,747 | 1,611,624 |
| Prepaid items | 42,323 | | | 491,644 | 648,704 |
| Tax sale property | 71,750 | | | | 42,323 |
| TOTAL ASSETS | \$ 6,785,323 | \$ 398,774 | \$ 1,067,877 | \$ 1,628,594 | \$ 9,880,568 |
| LIABILITIES AND FUND BALANCES: | | | | | |
| LIABILITIES: | | | | | |
| Accounts payable | \$ 268,049 | | | \$ 27,246 | \$ 295,295 |
| Retainage payable | | | | 35,564 | 35,564 |
| Due to: | | | | | |
| Other funds | 1,279,495 | \$ 62,424 | | 30,582 | 1,372,501 |
| Other governments | 23,462 | | | 3,115 | 26,577 |
| Deferred revenues | 501,545 | | | 584,203 | 1,085,748 |
| Bond anticipation notes payable | | 500,000 | | | 500,000 |
| Other liabilities | 131,266 | | | 98,051 | 229,317 |
| TOTAL LIABILITIES | 2,203,817 | 562,424 | \$ 0 | 778,761 | 3,545,002 |

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004**

| | General Fund | Police Building Fund | Open Space Acquisitions | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|----------------------|-------------------------|--------------------------|--------------------------|
| FUND BALANCES: | | | | | |
| Reserved for prepaid items | 42,323 | | | | 42,323 |
| Reserved for tax sale property | 71,750 | | | | 71,750 |
| Reserved for perpetual care | | | | 1,484 | 1,484 |
| Reserved for encumbrances | 84,671 | 32,500 | | 202,669 | 319,840 |
| Reserved for unexpended school aid | 35,365 | | | | 35,365 |
| Reserved for amounts not due within one year | 163,179 | | | | 163,179 |
| Unreserved: designated for subsequent years | 370,000 | | | | 370,000 |
| Unreserved, reported in: | | | | | |
| General fund | 3,814,218 | | | | 3,814,218 |
| Special revenue funds | | | | 614,432 | 614,432 |
| Capital project funds | | (196,150) | 1,067,877 | 19,333 | 891,060 |
| Debt service funds | | | | 11,915 | 11,915 |
| TOTAL FUND BALANCES (DEFICITS) | 4,581,506 | (163,650) | 1,067,877 | 849,833 | 6,335,566 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 6,785,323 | \$ 398,774 | \$ 1,067,877 | \$ 1,628,594 | \$ 9,880,568 |

(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, 2004**

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

| | |
|--|-----------------------------------|
| Total Fund Balances (B-1) | \$ 6,335,566 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | 9,764,739 |
| Long-term liabilities (including bond premium) are not due and payable in the current period and therefore are not reported in the funds. | (6,664,852) |
| 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. | (62,314) |
| Accrued interest payable is recorded in governmental activities, but is not recorded in the funds. | (62,807) |
| 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>83,882</u> |
| Total Net Assets (A-1) | <u><u>\$ 9,394,214</u></u> |

(CONCLUDED)

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF CHARLESTOWN, RHODE ISLAND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2004**

| | General Fund | Police Building Fund | Open Space Acquisitions | Other Governmental Funds | Total Governmental Funds |
|---|-------------------|----------------------|-------------------------|--------------------------|--------------------------|
| REVENUES: | | | | | |
| General property taxes | \$ 15,361,868 | | | | \$ 15,361,868 |
| Intergovernmental | 2,421,638 | | | \$ 339,250 | 2,760,888 |
| Departmental | 944,830 | | | | 944,830 |
| Investment income | | | \$ 5,336 | 3,242 | 39,181 |
| Other | 30,603 | \$ 415,000 | 75,000 | 134,356 | 624,356 |
| TOTAL REVENUES | 18,758,939 | 415,000 | 80,336 | 476,848 | 19,731,123 |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| General government | 1,030,794 | | | 175,683 | 1,206,477 |
| Public safety | 1,553,667 | | | 115,566 | 1,669,233 |
| Public works | 796,393 | | | 28,322 | 824,715 |
| Education | 11,788,605 | | | 42,144 | 11,830,749 |
| Parks and recreation | 337,264 | | | 4,212 | 341,476 |
| Public health and assistance | 330,000 | | | | 330,000 |
| Community development | | | | 124,979 | 124,979 |
| Other | 1,451,952 | | | | 1,451,952 |
| Debt Service: | | | | | |
| Principal | 170,000 | | | | 170,000 |
| Interest and other costs | 256,527 | | | | 256,527 |
| Capital: | | | | | |
| Capital outlay | 266,577 | 878,650 | 525,919 | 45,917 | 1,717,063 |
| TOTAL EXPENDITURES | 17,981,779 | 878,650 | 525,919 | 536,823 | 19,923,171 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES) | 777,160 | (463,650) | (445,583) | (59,975) | (192,048) |

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2004**

| | General Fund | Police Building Fund | Open Space Acquisitions | Other Governmental Funds | Total Governmental Funds |
|---|------------------|----------------------|-------------------------|--------------------------|--------------------------|
| OTHER FINANCING SOURCES (USES): | | | | | |
| Transfers in | | | | | |
| Transfers out | (567,774) | 300,000 | | 234,522 | 534,522 |
| Proceeds from bond issuance | | | | (5,000) | (572,774) |
| Proceeds from refunding bonds | 1,230,000 | | 3,000,000 | | 3,000,000 |
| Proceeds from capital leases | 114,419 | | | | 1,230,000 |
| Payment to refunded bond escrow agent | (1,204,663) | | | | 114,419 |
| Bond issuance costs | (27,192) | | (59,550) | | (1,204,663) |
| Premium on long-term debt issued | 1,855 | | 33,220 | | (86,742) |
| Landfill monitoring | (68,860) | | | | 35,075 |
| NET OTHER FINANCING SOURCES (USES) | (522,215) | 300,000 | 2,973,670 | 229,522 | (68,860) |

**EXCESS OF REVENUES AND OTHER FINANCING SOURCES
OVER (UNDER) EXPENDITURES AND OTHER FINANCING
USES**

| | | | | | |
|--|---------------------|---------------------|---------------------|-------------------|---------------------|
| | 254,945 | (163,660) | 2,528,087 | 169,547 | 2,788,929 |
| FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR | 4,326,561 | 0 | (1,460,210) | 680,286 | 3,546,637 |
| FUND BALANCE (DEFICIT) AT END OF YEAR | \$ 4,581,506 | \$ (163,650) | \$ 1,067,877 | \$ 849,833 | \$ 6,335,566 |

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

(CONCLUDED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES (B-2) TO THE GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES (A-2)
YEAR ENDED JUNE 30, 2004**

| | |
|---|---------------------|
| Net Change in Fund Balances - Total Governmental Funds (B-2): | \$ 2,788,929 |
| Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. | 1,702,697 |
| The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences. | (2,858,272) |
| Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in governmental funds. | 19,111 |
| Adjustment to accrued interest payable related to long-term liabilities which is required to be recorded for government-wide financial statement presentation. | (39,000) |
| 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. | 83,882 |
| Change in Net Assets of Governmental Activities in the Statement of Activities (A-2) | \$ 1,697,347 |

TOWN OF CHARLESTOWN, RHODE ISLAND

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2004

| | Residential Collection Center | Coastal Pond Management | Totals |
|---|----------------------------------|----------------------------|-------------------|
| ASSETS: | | | |
| <i>Current assets:</i> | | | |
| Cash and cash equivalents | \$ 167,588 | \$ 69,193 | \$ 236,781 |
| Restricted cash and cash equivalents | 28,107 | 13,608 | 41,715 |
| Receivables, net | 3,750 | | 3,750 |
| Total current assets | 199,445 | 82,801 | 282,246 |
| <i>Noncurrent assets:</i> | | | |
| Net capital assets | 223,304 | | 223,304 |
| Total noncurrent assets | 223,304 | 0 | 223,304 |
| TOTAL ASSETS | 422,749 | 82,801 | 505,550 |
| LIABILITIES: | | | |
| <i>Current liabilities:</i> | | | |
| Accounts payable | 7,492 | 1,812 | 9,304 |
| Due to other funds | 219,344 | 19,779 | 239,123 |
| Total current liabilities | 226,836 | 21,591 | 248,427 |
| <i>Noncurrent liabilities:</i> | | | |
| Accrued compensated absences | 8,009 | | 8,009 |
| Total noncurrent liabilities | 8,009 | 0 | 8,009 |
| TOTAL LIABILITIES | 234,845 | 21,591 | 256,436 |
| NET ASSETS: | | | |
| Invested in capital assets, net of related debt | 223,304 | | 223,304 |
| Restricted for endowment | | 10,000 | 10,000 |
| Unrestricted | (35,400) | 51,210 | 15,810 |
| TOTAL NET ASSETS | \$ 187,904 | \$ 61,210 | \$ 249,114 |

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, 2004**

| | Residential Collection Center | Coastal Pond Management | Totals |
|---|----------------------------------|----------------------------|-------------------|
| OPERATING REVENUES: | | | |
| Charges for usage and service | \$ 122,644 | \$ 40,610 | \$ 163,254 |
| Total operating revenues | 122,644 | 40,610 | 163,254 |
| OPERATING EXPENSES: | | | |
| Operations | 82,603 | 9,403 | 92,006 |
| Personnel | 72,560 | 24,590 | 97,150 |
| Depreciation | 27,272 | | 27,272 |
| Total operating expenses | 182,435 | 33,993 | 216,428 |
| OPERATING INCOME (LOSS) | (59,791) | 6,617 | (53,174) |
| NONOPERATING REVENUES: | | | |
| Investment income | 1,090 | 452 | 1,542 |
| Total nonoperating revenues | 1,090 | 452 | 1,542 |
| INCOME BEFORE TRANSFERS | (58,701) | 7,069 | (51,632) |
| TRANSFERS IN | 33,000 | 5,252 | 38,252 |
| CHANGE IN NET ASSETS | (25,701) | 12,321 | (13,380) |
| TOTAL NET ASSETS - BEGINNING OF YEAR | 213,605 | 48,889 | 262,494 |
| TOTAL NET ASSETS - END OF YEAR | \$ 187,904 | \$ 61,210 | \$ 249,114 |

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF CHARLESTOWN, RHODE ISLAND

**STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2004**

| | Residential Collection Center | Coastal Pond Management | Totals |
|---|----------------------------------|----------------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Cash received from customers | \$ 121,894 | \$ 40,610 | \$ 162,504 |
| Cash paid to suppliers | (80,628) | (8,761) | (89,389) |
| Cash paid to employees | (68,608) | (24,590) | (93,198) |
| Net cash provided by (used for) operating activities | (27,342) | 7,259 | (20,083) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | |
| Transfers from General Fund | 33,000 | 5,252 | 38,252 |
| Increase (decrease) in due to other funds | 32,481 | (1,715) | 30,766 |
| Net cash provided by noncapital financing activities | 65,481 | 3,537 | 69,018 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | |
| Acquisition of capital assets | (2,475) | | (2,475) |
| Net cash used for capital and related financing activities | (2,475) | 0 | (2,475) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Investment income | 1,090 | 452 | 1,542 |
| Net cash provided by investing activities | 1,090 | 452 | 1,542 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 36,754 | 11,248 | 48,002 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 158,941 | 71,553 | 230,494 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | \$ 195,695 | \$ 82,801 | \$ 278,496 |
| Reconciliation of operating income (loss) to net cash provided by (used for) operating activities: | | | |
| Operating income (loss) | \$ (59,791) | \$ 6,617 | \$ (53,174) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities: | | | |
| Depreciation | 27,272 | | 27,272 |
| Increase in receivables | (750) | | (750) |
| Decrease in prepaid expenses | 3,000 | | 3,000 |
| Increase (decrease) in accounts payable | (1,025) | 642 | (383) |
| Increase in accrued compensated absences | 3,952 | | 3,952 |
| Net cash provided by (used for) operating activities | \$ (27,342) | \$ 7,259 | \$ (20,083) |

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF CHARLESTOWN, RHODE ISLAND

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2004

| | Agency Funds |
|-------------------------------------|----------------------|
| | Unclaimed Estates |
| | <u> </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, 2004

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, 2004**

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

Basis of Presentation

Government-Wide Financial Statements

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds and component units that are fiduciary in nature. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, receivables and payables.

Fund Financial Statements

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

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

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

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

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2004**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds (Continued)

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.

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

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2004

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

Major and Non-Major Funds

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

| <u>Fund</u> | <u>Brief Description</u> |
|-------------------|--|
| Major: | |
| General: | See above for description |
| 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. Open Space Acquisitions: accounts for costs related to the purchase of open space land. |
| Proprietary: | Residential Collection Center: accounts for the operation and maintenance of the Residential Collection Center. Coastal Pond Management: accounts for the operation of the Coastal Pond Management Fund. |
| Non-Major: | |
| Special Revenue: | Police Grants – LLEBG Grants, Police Grants – Byrne, Seat Belt Grant, Farm Viability Grant, School Impact Fees, Educational Planning, Historical and Vital Records, Municipal Planning, Revaluation Fund, Reserve for Employee Severance Benefits, Comprehensive Planning Grant, Wellhead Protection, RI Economic Development Grant, Ninigret Arts and Entertainment, Ninigret Park Fund, Bicentennial Fund, RI Emergency Management Grant, Teen Camp Special Fund, 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, Juvenile Justice Grant, COPS Hiring Grant, Cops That Care, FEMA Hazard Mitigation, EPA Grant, Wastewater Management, Community Development Block Grant, Senior Community Activities, Housing Preservation Grants Program, Special Donations, and Tri-Town Task Force. |
| Capital Projects: | Landfill Closure, Capital Acquisitions, DPW Road Engineering |
| Debt Service: | Ocean Ridge Road |
| Permanent: | Zennis 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.

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2004

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

Measurement Focus (Continued)

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

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

Basis of Accounting

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

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

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

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

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.

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2004

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

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.

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.

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, 2004

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, 2004, 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, 2004

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, 2004 amounted to \$629,087. 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, 2004.

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) .. | \$20,755,213 | \$19,883,159 |
| Reappropriated fund balance..... | (650,000) | |
| Current year encumbrances | | (84,671) |
| Prior year encumbrances..... | | <u>51,780</u> |
| Statement of Revenues, Expenditures and Changes in Fund | | |
| Balance (B-2) | <u>\$20,105,213</u> | <u>\$19,850,268</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, 2004

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.

3. **DEPOSITS AND INVESTMENTS**

Deposits

The Town maintains deposits at local financial institutions. At year end, the carrying amount of such deposits was \$2,568,035, while the bank balance was \$2,602,408 of which \$200,000 was covered by federal depository insurance and \$1,850,088 was collateralized, and \$552,320 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, 2004.

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

| | |
|---|---------------------------|
| Unrestricted cash deposits..... | \$2,568,035 |
| Petty cash..... | 1,675 |
| Investments classified as cash equivalents | 4,593,935 |
| Investments classified as restricted cash equivalents | 41,715 |
| Less: Fiduciary funds cash (not included in the government-wide statement) | (9) |
| Total cash and cash equivalents – (A-1)..... | <u>\$7,205,351</u> |

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2004

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

Investments

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

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

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

The Town's investments are categorized below to give an indication of the level of risk associated with the investment at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the Town or its agent in the Town's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Town's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the Town's name.

| <u>Description</u> | <u>Category</u> | | | <u>Fair Value</u> |
|------------------------------------|--------------------|------------|------------|-------------------|
| | <u>1</u> | <u>2</u> | <u>3</u> | |
| Series H Bond..... | \$ 500 | \$0 | \$0 | \$ 500 |
| U.S. Government Money Market Funds | 3,439,572 | 0 | 0 | 3,439,572 |
| Subtotal | <u>\$3,440,072</u> | <u>\$0</u> | <u>\$0</u> | 3,440,072 |

Investments not subject to categorization:

U.S. government insured mutual funds 1,196,078

Total \$4,636,150

Reconciliation to Government-wide Statement of Net Assets:

| | |
|---|--------------------|
| Investments..... | \$4,636,150 |
| Less: investments classified as cash equivalents..... | <u>(4,635,650)</u> |
| Total investments (A-1) | <u>\$ 500</u> |

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2004

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, 2004 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 2004 were based on an assessed value of approximately \$1,264,615,027 at December 31, 2002 and amounted to \$15,139,130. Collections through June 30, 2004 amounted to \$14,911,098, 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, 2004 are recorded as a receivable and amounted to \$563,859. Those net property taxes receivable which were not collected within the 60 days immediately following June 30, 2004 are recorded as deferred revenue and amounted to \$501,545 at June 30, 2004. Property taxes recognized as revenue for the fiscal year ended June 30, 2004 (due to their collection within the 60 days immediately following June 30, 2004) amounted to \$62,314.

5. **INTERGOVERNMENTAL RECEIVABLES/PAYABLES**

Intergovernmental receivables and payables consisted of the following at June 30, 2004:

| | <u>Due From</u> | <u>Due To</u> |
|--|------------------|-----------------|
| Governmental activities: | | |
| State of Rhode Island: | | |
| Major funds: | | |
| General Fund | \$108,108 | \$23,462 |
| Non-major funds | 39,000 | 3,115 |
| Total | <u>147,108</u> | <u>26,577</u> |
| Federal government: | | |
| Major funds: | | |
| General Fund | 48,952 | |
| Non-major funds | 451,829 | |
| Total | <u>500,781</u> | <u>0</u> |
| Local government: | | |
| Non-major funds | 815 | |
| Total | <u>815</u> | <u>0</u> |
| Total governmental activities | <u>\$648,704</u> | <u>\$26,577</u> |

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2004

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 1.78% 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 2004, the Town's annual pension cost of \$24,514 for MERS was equal to the Town's required and actual contributions. The required contribution was determined as part of the June 30, 2001 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, 2004 was 5 years.

(b) **Municipal Police Pension Plan**

Plan Description

All full-time police members participate in the same Municipal Employee's Retirement System of the State of Rhode Island (described above).

Funding Policy

Covered police employees are required to contribute 9.0% of their salary. The Town is required to contribute at an actuarially determined rate; the current rate is 18.11% 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, 2004

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

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

Annual Pension Cost

For 2004, the Town's annual pension cost of \$174,548 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, 2001 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, 2004 was 8 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 2003 Annual Financial Report, which may be obtained from the administrative offices of the State of Rhode Island Retirement Board, 40 Fountain Street, Providence, Rhode Island. This report is the most recent report available from the State, who administers the Plan.

(c) **Other Retirement Plans**

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

Town Funded Retirement Benefits

During fiscal year 2004, the Town provided retirement benefits to three former employees. These pensions are self-funded by the Town on a pay-as-you-go basis. Two of the pensions are based on fixed annual amounts ranging from \$4,800 to \$6,000 and are payable for the remainder of the retirees 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, 2004, the total cost to the Town for providing retirement benefits to these three retirees amounted to \$22,242.

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2004**

7. INTERFUND BALANCES

Interfund receivable and payable balances at June 30, 2004 are as follows:

| | <u>Due From Other Funds</u> | <u>Due To Other Funds</u> |
|---|---------------------------------|-------------------------------|
| Governmental activities: | | |
| Major funds: | | |
| General Fund | | \$1,279,495 |
| Police Building Fund | | 62,424 |
| Open Space Acquisitions | \$1,067,877 | |
| Non-major funds | 543,747 | 30,582 |
| Total governmental activities | <u>\$1,611,624</u> | <u>\$1,372,501</u> |
| Business-type activities: | | |
| Major funds: | | |
| Residential Collection Center | | \$ 219,344 |
| Coastal Pond Management | | 19,779 |
| Total business-type activities | <u>\$ 0</u> | <u>\$ 239,123</u> |

8. LONG-TERM LIABILITIES

(a) Long-Term Liability Activity

Long-term liability activity for the year ended June 30, 2004 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 | \$1,320,000 | \$4,230,000 | \$1,320,000 | \$4,230,000 | \$355,000 |
| Leases payable | 310,885 | 114,419 | 153,543 | 271,761 | 95,000 |
| Subtotal | 1,630,885 | 4,344,419 | 1,473,543 | 4,501,761 | 450,000 |
| Plus: bond premium, net of amortization | | 35,075 | 802 | 34,273 | |
| Less: amount deferred on refunding | | (54,663) | 3,254 | (51,409) | |
| Total long-term debt | <u>1,630,885</u> | <u>4,324,831</u> | <u>1,471,091</u> | <u>4,484,625</u> | <u>450,000</u> |
| Other long-term liabilities: | | | | | |
| Compensated absences | 555,695 | 73,392 | | 629,087 | 160,000 |
| Landfill monitoring costs | 1,620,000 | | 68,860 | 1,551,140 | 60,000 |
| Total other long-term liabilities | <u>2,175,695</u> | <u>73,392</u> | <u>68,860</u> | <u>2,180,227</u> | <u>220,000</u> |
| Governmental activities: Long-term liabilities | <u>\$3,806,580</u> | <u>\$4,398,223</u> | <u>\$1,539,951</u> | <u>\$6,664,852</u> | <u>\$670,000</u> |
| Business-type Activities: | | | | | |
| Long-term liabilities: | | | | | |
| Compensated absences | \$ 4,057 | \$ 3,952 | \$ 0 | \$ 8,009 | \$ 0 |
| Business-type activities long-term liabilities | <u>\$ 4,057</u> | <u>\$ 3,952</u> | <u>\$ 0</u> | <u>\$ 8,009</u> | <u>\$ 0</u> |

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2004**

8. LONG-TERM LIABILITIES (Continued)

(a) Long-Term Liability Activity (Continued)

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, 2004, the Town has \$5,000,000 of remaining authorized unissued bond authority.

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

| <u>Year ending June 30:</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------|--------------------|--------------------|--------------------|
| 2005 | \$ 355,000 | \$ 121,389 | \$ 476,389 |
| 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 | \$4,230,000 | \$1,284,830 | \$5,514,830 |

At June 30, 2004, 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, 2004, consisted of the following:

| | <u>Interest Rate</u> | <u>Issue Date</u> | <u>Maturity Date</u> | <u>Original Issue</u> | <u>Balance June 30, 2004</u> |
|---|--------------------------|-----------------------|--------------------------|---------------------------|----------------------------------|
| General obligation serial bonds: | | | | | |
| Open Space bond | 2.25% - 4.30% | 2/12/04 | 2/1/24 | \$3,000,000 | \$3,000,000 |
| Refunding bond | 1.0% - 2.75% | 2/12/04 | 2/1/11 | \$1,230,000 | <u>1,230,000</u> |
| Total general obligation bonds | | | | | <u>\$4,230,000</u> |

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2004

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.

(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 \$415,806, while the accumulated depreciation on those assets amounted to \$119,152 at June 30, 2004. 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, 2004:

Fiscal year ending
June 30:

| | |
|---|-------------------------|
| 2005 | \$106,985 |
| 2006 | 89,740 |
| 2007 | 74,838 |
| 2008 | <u>25,052</u> |
| Total minimum lease payments | 296,615 |
| Less: amount representing interest | <u>(24,854)</u> |
| Present value of future minimum lease payments | <u>\$271,761</u> |

(e) **Short-Term Debt**

The Town reissued a \$500,000, 1.99% Bond Anticipation Note on March 5, 2004. The note matures on March 4, 2005. 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..... | \$1,435,000 | \$500,000 | \$1,435,000 | \$500,000 |

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2004

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, 2004, the total cost to the Town for providing retirement benefits to these eleven former employees amounted to \$71,365.

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, 2004 totaled \$2,608 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 27 years.

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2004

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, 2004 were as follows:

General Fund:

| | |
|--|-------------------------|
| Reserved for tax sale property..... | \$ 71,750 |
| Reserved for prepaid expenditures..... | 42,323 |
| Reserved for encumbrances..... | 84,671 |
| Reserved for unexpended school aid | 35,365 |
| Reserved for amounts not due within one year | <u>163,179</u> |
| Total | <u>\$397,288</u> |

Special Revenue Funds:

| | |
|--------------------------------|------------------|
| Reserved for encumbrances..... | <u>\$147,669</u> |
|--------------------------------|------------------|

Capital Projects Funds:

| | |
|--------------------------------|------------------|
| Reserved for encumbrances..... | <u>\$ 87,500</u> |
|--------------------------------|------------------|

Permanent Funds:

| | |
|-----------------------------------|-----------------|
| Reserved for perpetual care | <u>\$ 1,484</u> |
|-----------------------------------|-----------------|

Designations of unreserved fund balances at June 30, 2004 were as follows:

General Fund:

| | |
|---|------------------|
| Designated for fiscal 2005 operations | <u>\$370,000</u> |
|---|------------------|

(b) Net Assets

Restriction of net assets at June 30, 2004 were as follows:

Enterprise Funds:

| | |
|--------------------------------|------------------|
| Restriction for endowment..... | <u>\$ 10,000</u> |
|--------------------------------|------------------|

(c) Fund Deficits

The following funds had cumulative deficits at June 30, 2004:

Major Governmental Funds:

| | |
|----------------------------|-----------|
| Police Building Fund | \$163,650 |
|----------------------------|-----------|

Non-major Governmental Funds:

| | |
|-----------------------------------|-----------|
| Senior Community Activities | \$ 588 |
| Landfill Closure | \$ 15,083 |

The deficit in the Police Building Fund will be funded by permanent financing through USDA. The deficit in the Landfill Closure Fund and Senior Community Activities will be funded by General Fund contributions.

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2004**

13. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2004 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 | \$5,221,892 | \$1,085,968 | | \$6,307,860 |
| Construction-in-progress..... | | 180,896 | | 180,896 |
| Total capital assets not being depreciated .. | <u>5,221,892</u> | <u>1,266,864</u> | <u>\$ 0</u> | <u>6,488,756</u> |
| Other capital assets: | | | | |
| Buildings and improvements..... | 2,648,650 | 413,586 | | 3,062,236 |
| Equipment..... | 185,032 | 38,042 | (22,620) | 200,454 |
| Vehicles | 1,311,741 | 181,974 | | 1,493,715 |
| Infrastructure..... | 225,247 | 129,781 | | 355,028 |
| Total other capital assets | <u>4,370,670</u> | <u>763,383</u> | <u>(22,620)</u> | <u>5,111,433</u> |
| Less: accumulated depreciation for: | | | | |
| Buildings and improvements..... | (962,062) | (65,411) | | (1,027,473) |
| Equipment..... | (82,326) | (37,808) | 22,620 | (97,514) |
| Vehicles | (479,210) | (206,964) | | (686,174) |
| Infrastructure..... | (6,922) | (17,367) | | (24,289) |
| Total accumulated depreciation | <u>(1,530,520)</u> | <u>(327,550)</u> | <u>22,620</u> | <u>(1,835,450)</u> |
| Other capital assets, net | <u>2,840,150</u> | <u>435,833</u> | <u>0</u> | <u>3,275,983</u> |
| Governmental activities capital assets, net | <u>\$8,062,042</u> | <u>\$1,702,697</u> | <u>\$ 0</u> | <u>\$9,764,739</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..... | 176,096 | 2,475 | (10,100) | 168,471 |
| Total other capital assets | <u>308,330</u> | <u>2,475</u> | <u>(10,100)</u> | <u>300,705</u> |
| Less: accumulated depreciation for: | | | | |
| Buildings..... | (17,064) | (371) | | (17,435) |
| Land improvements | (22,737) | (7,579) | | (30,316) |
| Machinery and equipment..... | (119,928) | (19,322) | 10,100 | (129,150) |
| Total accumulated depreciation | <u>(159,729)</u> | <u>(27,272)</u> | <u>10,100</u> | <u>(176,901)</u> |
| Other capital assets, net | <u>148,601</u> | <u>(24,797)</u> | <u>0</u> | <u>123,804</u> |
| Business-type activities capital assets, net | <u>\$ 248,101</u> | <u>\$ (24,797)</u> | <u>\$ 0</u> | <u>\$ 223,304</u> |

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2004

13. CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions as follows:

| | |
|---|-------------------------|
| Governmental activities: | |
| General government | \$ 44,379 |
| Public safety | 141,677 |
| Recreation | 19,626 |
| Public works | 99,868 |
| Education | <u>22,000</u> |
| Total governmental activities depreciation expense | <u>\$327,550</u> |
| | |
| Business-type activities: | |
| Residential Collection Center | <u>\$ 27,272</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, 2004.

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 \$3,000,000 per occurrence. Settled claims resulting from these risks have not exceeded the Trust Coverage in any of the past ten fiscal years.

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2004

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 \$250,000 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, 2004, approximately \$155,432 of loans have been disbursed under this program.

17. INTERFUND TRANSFERS

Interfund transfers for fiscal year ended June 30, 2004 are as follows:

| | <u>Transfers In</u> | <u>Transfers Out</u> |
|---|---------------------|----------------------|
| Governmental activities: | | |
| Major funds: | | |
| General Fund | | \$567,774 |
| Police Building Fund | \$300,000 | |
| Open Space Acquisitions | | |
| Non-major funds | <u>234,522</u> | <u>5,000</u> |
| Total governmental activities | <u>\$534,522</u> | <u>\$572,774</u> |
| Business-type activities: | | |
| Major funds: | | |
| Residential Collection Center | \$ 33,000 | |
| Coastal Pond Management | 5,252 | |
| Total business-type activities | <u>\$ 38,252</u> | <u>\$ 0</u> |

18. CONSTRUCTION COMMITMENTS

As of June 30, 2004, the Town had the following commitments with respect to unfinished capital projects:

| | |
|----------------------------|-----------------|
| Police building fund | \$32,500 |
| Landfill closure | 25,000 |
| DPW road engineering | <u>30,000</u> |
| Total | <u>\$87,500</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> | | | | | | |
| 2001 | \$2,531,120 | \$2,479,926 | \$ (51,194) | 102.1% | \$1,098,944 | (4.7)% |
| 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 % |
| <u>Police</u> | | | | | | |
| 2001 | \$2,789,915 | \$3,352,130 | \$ 562,215 | 83.2% | \$790,121 | 71.2% |
| 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% |

SCHEDULE OF CONTRIBUTIONS FROM THE TOWN

| Year Ended <u>June 30,</u> | Annual Pension Cost (APC) | Percentage of APC <u>Contributed</u> | Net Pension Obligation |
|----------------------------------|---------------------------------|--|------------------------------|
| <u>General Employees</u> | | | |
| 2002 | \$83,528 | 100% | \$0 |
| 2003 | \$70,547 | 100% | \$0 |
| 2004 | \$24,514 | 100% | \$0 |
| <u>Police</u> | | | |
| 2002 | \$167,292 | 100% | \$0 |
| 2003 | \$191,711 | 100% | \$0 |
| 2004 | \$174,548 | 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, 2003 |
| 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 AND CHANGES IN FUND BALANCE
(NON GAAP BUDGETARY BASIS) BUDGET AND ACTUAL****GENERAL FUND
YEAR ENDED JUNE 30, 2004**

| | Originally Adopted Budget | Final Approved Budget | Actual (Budgetary Basis) | Variance Favorable (Unfavorable) |
|--|---------------------------------|-----------------------------|--------------------------------|--|
| REVENUES: | | | | |
| General property taxes | \$ 15,089,800 | \$ 15,089,800 | \$ 15,361,868 | \$ 272,068 |
| Intergovernmental | 2,303,978 | 2,303,978 | 2,421,638 | 117,660 |
| Investment income | 60,100 | 60,100 | 30,603 | (29,497) |
| Departmental | 828,313 | 828,313 | 944,830 | 116,517 |
| Total revenues | 18,282,191 | 18,282,191 | 18,758,939 | 476,748 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government | 1,070,597 | 1,080,897 | 1,030,411 | 50,486 |
| Public safety | 1,659,429 | 1,659,429 | 1,552,218 | 107,211 |
| Public works | 767,684 | 833,684 | 794,451 | 39,233 |
| Education | 11,782,685 | 11,788,605 | 11,788,605 | |
| Recreation | 388,677 | 388,677 | 333,551 | 55,126 |
| Public health and assistance | 330,000 | 330,000 | 330,000 | |
| Miscellaneous | 1,535,515 | 1,556,295 | 1,451,952 | 104,343 |
| Debt service: | | | | |
| Principal | 170,000 | 170,000 | 170,000 | |
| Interest and other costs | 398,587 | 295,587 | 256,527 | 39,060 |
| Capital: | | | | |
| Capital improvements | 215,981 | 215,981 | 311,655 | (95,674) |
| Total expenditures | 18,319,155 | 18,319,155 | 18,019,370 | 299,785 |
| Excess of revenues over (under) expenditures | (36,964) | (36,964) | 739,569 | 776,533 |
| Other financing sources (uses): | | | | |
| Transfers from fund balance | 650,000 | 650,000 | 650,000 | |
| Proceeds from refunding bonds | | | 1,230,000 | 1,230,000 |
| Proceeds from capital leases | | | 114,419 | 114,419 |
| Payment to refunded bond escrow agent | | | (1,204,663) | (1,204,663) |
| Bond issuance costs | | | (27,192) | (27,192) |
| Premium on long-term debt issued | | | 1,855 | 1,855 |
| Transfers out | (534,468) | (534,468) | (564,024) | (29,556) |
| Landfill monitoring | (78,568) | (78,568) | (67,910) | 10,658 |
| Net other financing sources | 36,964 | 36,964 | 132,485 | 95,521 |
| Excess of revenues and other sources over expenditures and other uses | \$ 0 | \$ 0 | 872,054 | \$ 872,054 |
| Less: transfers from fund balance | | | (650,000) | |
| Less: prior year encumbrances | | | (51,780) | |
| Add: current year encumbrances | | | 84,671 | |
| Fund balance, beginning of year | | | 4,326,561 | |
| Fund balance, end of year | | | \$ 4,581,506 | |

TOWN OF CHARLESTOWN, RHODE ISLANDGENERAL FUND**SCHEDULE OF BUDGET ESTIMATES AND ACTUAL REVENUES
YEAR ENDED JUNE 30, 2004**

| | Original and Final <u>Budget</u> | Actual <u>Revenues</u> | Variance Over <u>(Under)</u> |
|---|--|---------------------------|------------------------------------|
| Property taxes: | | | |
| Current and prior years | \$ 14,972,174 | \$ 15,215,755 | \$ 243,581 |
| Interest on delinquent taxes | 117,626 | 146,113 | 28,487 |
| Total property taxes | 15,089,800 | 15,361,868 | 272,068 |
| Intergovernmental revenues: | | | |
| State of Rhode Island including: | | | |
| Beach parking fees | | 23,365 | 23,365 |
| School aid | 1,491,870 | 1,509,604 | 17,734 |
| General revenue sharing | 313,286 | 346,452 | 33,166 |
| Beverage tax on meals | | 50,706 | 50,706 |
| Hotel tax | 9,100 | 9,204 | 104 |
| Public service corporation tax | 135,098 | 107,928 | (27,170) |
| Motor vehicle phaseout | 354,624 | 374,379 | 19,755 |
| Total intergovernmental revenues | 2,303,978 | 2,421,638 | 117,660 |
| Departmental revenues: | | | |
| Town Clerk: | | | |
| Business licenses and fees | 21,000 | 16,705 | (4,295) |
| Non-business licenses and fees | 1,100 | 930 | (170) |
| Transfer stamps | 160,000 | 196,167 | 36,167 |
| Probate fees | 14,500 | 12,429 | (2,071) |
| Tax certificates | 11,113 | 10,344 | (769) |
| Recording fees | 80,000 | 162,153 | 82,153 |
| Building inspector | 116,500 | 140,504 | 24,004 |
| Police department | 68,718 | 46,845 | (21,873) |
| Recreation | 14,000 | 11,449 | (2,551) |
| Town beach parking and concessions | 66,000 | 64,839 | (1,161) |
| Beach passes | 67,652 | 76,135 | 8,483 |
| Blue Shutters parking and concessions | 92,300 | 103,989 | 11,689 |
| Teen adventure camp | 13,034 | 6,258 | (6,776) |
| Driving range | 30,000 | 26,430 | (3,570) |
| Animal control | 6,359 | 6,778 | 419 |
| Ninigret Park | 5,000 | 6,483 | 1,483 |
| Planning Board | 9,613 | 8,405 | (1,208) |
| Zoning Board and Review | 9,424 | 7,611 | (1,813) |
| Senior/Community Center | 10,000 | 11,030 | 1,030 |
| Other revenues | 32,000 | 29,346 | (2,654) |
| Total departmental revenues | 828,313 | 944,830 | 116,517 |
| Investment income | 60,100 | 30,603 | (29,497) |
| Other financing sources: | | | |
| Transfer from fund balance | 650,000 | 650,000 | |
| Proceeds from refunding bonds | | 1,230,000 | 1,230,000 |
| Proceeds from capital leases | | 114,419 | 114,419 |
| Premium on long-term debt issued | | 1,855 | 1,855 |
| Total other financing sources | 650,000 | 1,996,274 | 1,346,274 |
| Total revenues and other financing sources | \$ 18,932,191 | \$ 20,755,213 | \$ 1,823,022 |

TOWN OF CHARLESTOWN, RHODE ISLAND

GENERAL FUND

**SCHEDULE OF APPROPRIATIONS AND ACTUAL EXPENDITURES - BUDGETARY BASIS
YEAR ENDED JUNE 30, 2004**

| | Original Budget | Budget Amendments | Final Budget | Actual Expenditures and Transfers | Adjustments to Budgetary Basis | Expenditures and Transfers on Budgetary Basis | Variance Under (Over) |
|----------------------------------|------------------|-------------------|------------------|-----------------------------------|--------------------------------|---|-----------------------|
| General Government: | | | | | | | |
| Central services | \$ 170,700 | | \$ 170,700 | \$ 174,142 | \$ (112) | \$ 174,030 | \$ (3,330) |
| Town clerk | 139,814 | | 139,814 | 142,218 | (271) | 141,947 | (2,133) |
| Treasurer | 145,976 | | 145,976 | 139,026 | | 139,026 | 6,950 |
| Town administrator | 119,966 | | 119,966 | 113,263 | | 113,263 | 6,703 |
| Tax assessor | 153,780 | | 153,780 | 148,638 | | 148,638 | 5,142 |
| Building inspector | 98,970 | \$ 7,000 | 105,970 | 105,347 | | 105,347 | 623 |
| Tax collector | 81,052 | | 81,052 | 77,488 | | 77,488 | 3,564 |
| Town planner | 86,704 | | 86,704 | 83,725 | | 83,725 | 2,979 |
| Town council | 19,950 | 3,300 | 23,250 | 21,771 | | 21,771 | 1,479 |
| Elections unit | 20,100 | | 20,100 | 7,226 | | 7,226 | 12,874 |
| Boards, agencies, and committees | 33,585 | | 33,585 | 17,950 | | 17,950 | 15,635 |
| Total general government | 1,070,597 | 10,300 | 1,080,897 | 1,030,794 | (383) | 1,030,411 | 50,486 |
| Public Safety: | | | | | | | |
| Police department | 1,587,700 | | 1,587,700 | 1,486,849 | (1,499) | 1,485,350 | 102,350 |
| Animal control | 61,729 | | 61,729 | 57,193 | (200) | 56,993 | 4,736 |
| Civil preparedness | 10,000 | | 10,000 | 9,625 | 250 | 9,875 | 125 |
| Total public safety | 1,659,429 | 0 | 1,659,429 | 1,553,667 | (1,449) | 1,552,218 | 107,211 |
| Public Works: | | | | | | | |
| Highway department | 521,500 | 27,000 | 548,500 | 525,543 | 106 | 525,649 | 22,851 |
| Public buildings and grounds | 160,935 | 39,000 | 199,935 | 194,897 | (2,048) | 192,849 | 7,086 |
| Administration | 76,249 | | 76,249 | 74,024 | | 74,024 | 2,225 |
| Wastewater management | 9,000 | | 9,000 | 1,929 | | 1,929 | 7,071 |
| Total public works | 767,684 | 66,000 | 833,684 | 796,393 | (1,942) | 794,451 | 39,233 |

TOWN OF CHARLESTOWN, RHODE ISLAND

GENERAL FUND

**SCHEDULE OF APPROPRIATIONS AND ACTUAL EXPENDITURES - BUDGETARY BASIS
YEAR ENDED JUNE 30, 2004**

| | Original Budget | Budget Amendments | Final Budget | Actual Expenditures and Transfers | Adjustments to Budgetary Basis | Expenditures and Transfers on Budgetary Basis | Variance Under (Over) |
|---|-----------------|-------------------|----------------|-----------------------------------|--------------------------------|---|-----------------------|
| Recreation: | | | | | | | |
| Participation recreation | 111,940 | | 111,940 | 101,942 | 104 | 102,046 | 9,894 |
| Senior/Community Center | 87,487 | | 87,487 | 81,464 | | 81,464 | 6,023 |
| Blue Shutters Beach | 59,750 | | 59,750 | 49,231 | 349 | 49,580 | 10,170 |
| Town Beach | 69,500 | | 69,500 | 61,802 | 566 | 62,368 | 7,132 |
| Driving Range | 35,000 | | 35,000 | 16,383 | | 16,383 | 18,617 |
| Ninigret Park | 25,000 | | 25,000 | 26,442 | (4,732) | 21,710 | 3,290 |
| Total recreation | 388,677 | 0 | 388,677 | 337,264 | (3,713) | 333,551 | 55,126 |
| Public Health and Assistance: | | | | | | | |
| Cross Mills Library | 175,000 | | 175,000 | 175,000 | | 175,000 | 0 |
| Ambulance services | 120,000 | | 120,000 | 120,000 | | 120,000 | 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 | 2,000 | | 2,000 | 2,000 | | 2,000 | 0 |
| Women's Resource Center | 1,000 | | 1,000 | 1,000 | | 1,000 | 0 |
| Health Center of South County | 2,000 | | 2,000 | 2,000 | | 2,000 | 0 |
| Westerly Adult Day Care | 500 | | 500 | 500 | | 500 | 0 |
| Washington County Adult Learning | 500 | | 500 | 500 | | 500 | 0 |
| Warm Shelter | 500 | | 500 | 500 | | 500 | 0 |
| Gallilee Mission | 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 |
| Memorial Day Parade | 500 | | 500 | 500 | | 500 | 0 |
| Community 2000 Education Foundation | 500 | | 500 | 500 | | 500 | 0 |
| Charlho Cowboys | 500 | | 500 | 500 | | 500 | 0 |
| Charlestown Memorial Parade | 500 | | 500 | 500 | | 500 | 0 |
| Charlestown School playground | 10,000 | | 10,000 | 10,000 | | 10,000 | 0 |
| Chamber of Commerce | 3,000 | | 3,000 | 3,000 | | 3,000 | 0 |
| Total public health and assistance | 330,000 | 0 | 330,000 | 330,000 | 0 | 330,000 | 0 |

TOWN OF CHARLESTOWN, RHODE ISLAND

GENERAL FUND

SCHEDULE OF APPROPRIATIONS AND ACTUAL EXPENDITURES - BUDGETARY BASIS
YEAR ENDED JUNE 30, 2004

| | Original Budget | Budget Amendments | Final Budget | Actual Expenditures and Transfers | Adjustments to Budgetary Basis | Expenditures and Transfers on Budgetary Basis | Variance Under (Over) |
|--------------------------------------|--------------------|----------------------|------------------|---|--------------------------------------|---|-----------------------------|
| Education: | | | | | | | |
| Charlho Regional High School | 11,782,685 | 5,920 | 11,788,605 | 11,788,605 | 0 | 11,788,605 | 0 |
| Debt Service: | | | | | | | |
| General Obligation Bond: | | | | | | | |
| Principal | 170,000 | | 170,000 | 170,000 | | 170,000 | 0 |
| Interest | 87,330 | | 87,330 | 49,148 | | 49,148 | 38,182 |
| Tax anticipation note - interest | 7,500 | | 7,500 | 0 | | 0 | 7,500 |
| Open Space BAN - interest | 112,175 | (103,000) | 9,175 | 26,172 | | 26,172 | (16,997) |
| Senior/Community Center mortgage | 24,000 | | 24,000 | 13,981 | | 13,981 | 10,019 |
| Capital leases | 167,582 | | 167,582 | 167,226 | | 167,226 | 356 |
| Total debt service | 568,587 | (103,000) | 465,587 | 426,527 | 0 | 426,527 | 39,060 |
| Miscellaneous: | | | | | | | |
| Employee insurance and benefits | 1,167,565 | | 1,167,565 | 1,068,827 | | 1,068,827 | 98,738 |
| Council contingency | 15,000 | (9,220) | 5,780 | 1,629 | | 1,629 | 4,151 |
| Town insurance | 137,550 | | 137,550 | 135,586 | | 135,586 | 1,964 |
| Auditing | 16,500 | | 16,500 | 19,291 | | 19,291 | (2,791) |
| Legal services | 198,900 | 30,000 | 228,900 | 226,619 | | 226,619 | 2,281 |
| Total miscellaneous | 1,535,515 | 20,780 | 1,556,295 | 1,451,952 | 0 | 1,451,952 | 104,343 |
| Capital Improvements Program: | | | | | | | |
| Police | 75,000 | | 75,000 | 71,882 | | 71,882 | 3,118 |
| Public Works | 54,740 | | 54,740 | 18,500 | 31,983 | 50,483 | 4,257 |
| Animal control | 3,500 | | 3,500 | 3,970 | (1,670) | 2,300 | 1,200 |
| Computer/equipment upgrades | 56,000 | | 56,000 | 24,075 | 30,454 | 54,529 | 1,471 |
| Recreation facility | 0 | | 0 | 17,060 | (17,060) | 0 | 0 |
| Town hall maintenance | 16,741 | | 16,741 | 7,360 | 1,371 | 8,731 | 8,010 |
| Clerk restoration program | 10,000 | | 10,000 | 9,311 | | 9,311 | 689 |
| Capital leases | 0 | | 0 | 114,419 | | 114,419 | (114,419) |
| Total capital improvements | 215,981 | 0 | 215,981 | 266,577 | 45,078 | 311,655 | (95,674) |

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

GENERAL FUND

**SCHEDULE OF APPROPRIATIONS AND ACTUAL EXPENDITURES - BUDGETARY BASIS
YEAR ENDED JUNE 30, 2004**

| | <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 Under (Over)</u> |
|---|----------------------------|------------------------------|-------------------------|--|---|--|--------------------------------------|
| Transfers out: | | | | | | | |
| Enterprise funds | 38,252 | | 38,252 | 38,252 | | 38,252 | 0 |
| Special revenue funds - Revaluation | 50,000 | | 50,000 | 50,000 | | 50,000 | 0 |
| Special revenue funds - Teen Camp Special Fund | 11,800 | | 11,800 | 7,891 | | 7,891 | 3,909 |
| Special revenue funds - Police Grants | 5,000 | | 5,000 | 3,241 | | 3,241 | 1,759 |
| Special revenue funds - Universal Hiring Fund | 0 | | 0 | 10,974 | | 10,974 | (10,974) |
| Special revenue funds - Educational Planning | 0 | | 0 | 30,000 | (3,750) | 26,250 | (26,250) |
| 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 - Senior Comm. Activities | 2,000 | | 2,000 | 0 | | 0 | 2,000 |
| Capital project funds - Police Building Expansion | 300,000 | | 300,000 | 300,000 | | 300,000 | 0 |
| Capital project funds - DPW Road Engineering | 37,416 | | 37,416 | 37,416 | | 37,416 | 0 |
| Total transfers out | 534,468 | 0 | 534,468 | 567,774 | (3,750) | 564,024 | (29,556) |
| Other financing uses: | | | | | | | |
| Payment to refunding bond escrow agent | 0 | | 0 | 1,204,663 | | 1,204,663 | (1,204,663) |
| Bond issuance costs | 0 | | 0 | 27,192 | | 27,192 | (27,192) |
| Landfill monitoring | 78,568 | | 78,568 | 68,860 | (950) | 67,910 | 10,658 |
| Total other | 78,568 | 0 | 78,568 | 1,300,715 | (950) | 1,299,765 | (1,221,197) |
| Total expenditures | \$ 18,932,191 | \$ 0 | \$ 18,932,191 | \$ 19,850,268 | \$ 32,891 | \$ 19,883,159 | \$ (950,968) |

TOWN OF CHARLESTOWN, RHODE ISLAND

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2004

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, 2004:

| | |
|--|------------------|
| Excess of revenues and other sources over expenditures and other uses (Non-GAAP Budgetary Basis)..... | \$872,054 |
| Fund balance reappropriated..... | (650,000) |
| Current year encumbrances | 84,671 |
| Prior year encumbrances..... | <u>(51,780)</u> |
| Excess of revenues and other sources over expenditures and other uses (GAAP) | <u>\$254,945</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.

Seat Belt Fund

This fund accounts for grant monies received from the U.S. Department of Transportation through the Governor's Office on Highway Safety.

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.

Wellhead Protection

This fund accounts for funds received for protection of ground water resources.

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.

Ninigret Arts and Entertainment

This fund accounts for grant monies received from the Rhode Island Foundation to be used for an entertainment complex at Ninigret Park.

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.

Teen Camp Special Fund

This fund accounts for activities related to the operation of the Xtreme Teen Camp and is funded through the general fund.

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.

Juvenile Justice Grant

This fund accounts for activities related to the Xtreme Teen Camp to be financed with grant proceeds.

(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.

Cops That Care Grant

This fund accounts for grant monies used to educate children on the safety of bike helmets.

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.

Tri-Town Task Force

This fund accounts for monies to be used for counseling within the Chariho Regional School District Regional area for drug problems within the area.

(CONTINUED)

Town Of Charlestown

NON-MAJOR GOVERNMENTAL FUNDS

CAPITAL PROJECT FUNDS

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

Landfill Closure

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

Capital Acquisitions

Accounts for costs related to the purchase of equipment for the Department of Public Works.

DPW Road Engineering

Accounts for costs related to road engineering.

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.

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.

Cemetery Fund

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

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.

(CONCLUDED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2004**

| | Special Revenue Funds | | | | | |
|--|------------------------------|-----------------------|-----------------|----------------------|--------------------|----------------------|
| | Police Grants - LLEBG Grants | Police Grants - Byrne | Seat Belt Grant | Farm Viability Grant | School Impact Fees | Educational Planning |
| ASSETS: | | | | | | |
| Cash and cash equivalents | | | | | \$ 361,691 | |
| Investments | | | | | | |
| Other receivables | | | | | | |
| Due from: | | | | | | |
| Other funds | \$ 2,410 | \$ 17,140 | | \$ 3,226 | 2,854 | \$ 62,856 |
| Other governments | | | | | | |
| TOTAL ASSETS | \$ 2,410 | \$ 17,140 | \$0 | \$ 3,226 | \$ 364,545 | \$ 62,856 |
| LIABILITIES AND FUND BALANCES: | | | | | | |
| LIABILITIES: | | | | | | |
| Accounts payable | | | | | | |
| Due to: | | | | | | |
| Other funds | | \$ 9,101 | | | | |
| Other governments | | | | | | |
| Retainage payable | | | | | | |
| Deferred revenues | \$ 2,026 | 5,182 | | \$ 3,226 | | |
| Other liabilities | | | | | | |
| TOTAL LIABILITIES | 2,026 | 14,283 | \$0 | 3,226 | 0 | 0 |
| FUND BALANCES: | | | | | | |
| Reserved for: | | | | | | |
| Perpetual care | | | | | | 17,000 |
| Encumbrances | | | | | | |
| Unreserved, reported in: | | | | | | |
| Special revenue funds | 384 | 2,857 | | | 364,545 | 45,856 |
| Capital project funds | | | | | | |
| Debt service funds | | | | | | |
| TOTAL FUND BALANCES | 384 | 2,857 | 0 | 0 | 364,545 | 62,856 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 2,410 | \$ 17,140 | \$0 | \$ 3,226 | \$ 364,545 | \$ 62,856 |

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2004**

| | Special Revenue Funds | | | | | |
|---------------------------|------------------------------|--------------------|-------------------|---|------------------------------|---------------------|
| | Historical and Vital Records | Municipal Planning | Revaluation Fund | Reserve for Employee Severance Benefits | Comprehensive Planning Grant | Wellhead Protection |
| ASSETS: | | | | | | |
| Cash and cash equivalents | | | | | \$ 777 | |
| Investments | | | | | | |
| Other receivables | | | | | | |
| Due from: | | | | | | |
| Other funds | \$ 22,942 | \$ 29,369 | \$ 115,545 | \$ 53,829 | 29,223 | |
| Other governments | | | | | | |
| TOTAL ASSETS | \$ 22,942 | \$ 29,369 | \$ 115,545 | \$ 53,829 | \$ 30,000 | \$ 0 |

LIABILITIES AND FUND BALANCES:

| | | | | | | |
|--------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| LIABILITIES: | | | | | | |
| Accounts payable | | | | | | |
| Due to: | | | | | | |
| Other funds | | | | | | |
| Other governments | | | | | | |
| Retainage payable | | | | | | |
| Deferred revenues | | | | | | |
| Other liabilities | | | | | | |
| TOTAL LIABILITIES | \$ 0 |

FUND BALANCES:

| | | | | | | |
|----------------------------|---------------|---------------|----------------|---------------|---------------|----------|
| Reserved for: | | | | | | |
| Perpetual care | | | | | | |
| Encumbrances | | | 130,669 | | | |
| Unreserved, reported in: | | | | | | |
| Special revenue funds | 22,942 | 29,369 | (15,124) | 53,829 | 30,000 | |
| Capital project funds | | | | | | |
| Debt service funds | | | | | | |
| TOTAL FUND BALANCES | 22,942 | 29,369 | 115,545 | 53,829 | 30,000 | 0 |

TOTAL LIABILITIES AND FUND BALANCES

| | | | | | | |
|--|------------------|------------------|-------------------|------------------|------------------|-------------|
| TOTAL LIABILITIES AND FUND BALANCES | \$ 22,942 | \$ 29,369 | \$ 115,545 | \$ 53,829 | \$ 30,000 | \$ 0 |
|--|------------------|------------------|-------------------|------------------|------------------|-------------|

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2004**

| | Special Revenue Funds | | | | | |
|--|-------------------------------|---------------------------------|--------------------|-------------------|-------------------------------|------------------------|
| | RI Economic Development Grant | Ninigret Arts and Entertainment | Ninigret Park Fund | Bicentennial Fund | RI Emergency Management Grant | Teen Camp Special Fund |
| ASSETS: | | | | | | |
| Cash and cash equivalents | | | \$ 59,243 | \$ 1,875 | | |
| Investments | | | | | | |
| Other receivables | | | | | \$ 2,500 | |
| Due from: | | | | | 2,500 | |
| Other funds | | | | | | |
| Other governments | \$ 14,000 | | | | | |
| TOTAL ASSETS | \$ 14,000 | \$ 0 | \$ 59,243 | \$ 1,875 | \$ 5,000 | \$ 0 |
| LIABILITIES AND FUND BALANCES: | | | | | | |
| LIABILITIES: | | | | | | |
| Accounts payable | | | | | | |
| Due to: | | | | | | |
| Other funds | \$ 4,851 | | \$ 3,613 | | | |
| Other governments | | | | | | |
| Retainage payable | | | | | | |
| Deferred revenues | 9,074 | | | | \$ 5,000 | |
| Other liabilities | | | | | | |
| TOTAL LIABILITIES | 13,925 | \$ 0 | 3,613 | \$ 0 | 5,000 | \$ 0 |
| FUND BALANCES: | | | | | | |
| Reserved for: | | | | | | |
| Perpetual care | | | | | | |
| Encumbrances | | | | | | |
| Unreserved, reported in: | | | | | | |
| Special revenue funds | 75 | | 55,630 | 1,875 | | |
| Capital project funds | | | | | | |
| Debt service funds | | | | | | |
| TOTAL FUND BALANCES | 75 | 0 | 55,630 | 1,875 | 0 | 0 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 14,000 | \$ 0 | \$ 59,243 | \$ 1,875 | \$ 5,000 | \$ 0 |

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

F-1

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2004**

| | Special Revenue Funds | | | | | |
|--|----------------------------|--------------------|-----------------|----------------------------|----------------------|---------------------|
| | Developer Bond Deposits | Open Space Fees | DARE Program | Naval Airfield Memorial | Police Forfeiture | Employee Vending |
| ASSETS: | | | | | | |
| Cash and cash equivalents | \$ 98,007 | \$ 13,336 | \$ 345 | \$ 4,352 | \$ 412 | \$ 640 |
| Investments | | | | | | |
| Other receivables | | | | | | |
| Due from: | | | | | | |
| Other funds | | | | | | |
| Other governments | | | | | | |
| TOTAL ASSETS | \$ 98,007 | \$ 13,336 | \$ 345 | \$ 4,352 | \$ 412 | \$ 640 |
| LIABILITIES AND FUND BALANCES: | | | | | | |
| LIABILITIES: | | | | | | |
| Accounts payable | | | | | | |
| Due to: | | | | | | |
| Other funds | | | | | | |
| Other governments | | | | | | |
| Retainage payable | | | | | | |
| Deferred revenues | | | | | | |
| Other liabilities | | | | | | |
| TOTAL LIABILITIES | \$ 98,007 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| FUND BALANCES: | | | | | | |
| Reserved for: | | | | | | |
| Perpetual care | | | | | | |
| Encumbrances | | | | | | |
| Unreserved, reported in: | | | | | | |
| Special revenue funds | | 13,336 | 345 | 4,352 | 412 | 640 |
| Capital project funds | | | | | | |
| Debt service funds | | | | | | |
| TOTAL FUND BALANCES | 0 | 13,336 | 345 | 4,352 | 412 | 640 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 98,007 | \$ 13,336 | \$ 345 | \$ 4,352 | \$ 412 | \$ 640 |

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2004**

| | Special Revenue Funds | | | | | |
|--|----------------------------|------------------------------|--------------|--------------------------|---|-----------------------------------|
| | Cops That Care Grant | FEMA Hazard Mitigation | EPA Grant | Wastewater Management | Community Development Block Grant | Senior Community Activities |
| | | | | \$ 16,884 | | |
| | | \$ 3,713 | | | | |
| | | | \$ 266,028 | \$ 25,000 | 100,622 | |
| | \$0 | \$ 3,713 | \$ 266,028 | \$ 25,000 | \$ 117,506 | \$ 0 |
| | | | | | | |

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
Other governments
Retainage payable
Deferred revenues
Other liabilities
TOTAL LIABILITIES

FUND BALANCES:

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

TOTAL LIABILITIES AND FUND BALANCES

| | | | | | | |
|-----|----------|------------|-----------|------------|------|-------|
| | 0 | 0 | 0 | 0 | 219 | (588) |
| \$0 | \$ 3,713 | \$ 266,028 | \$ 25,000 | \$ 117,506 | \$ 0 | |

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2004**

| | Special Revenue Funds | | | Capital Project Funds | | |
|--|-------------------------------------|-------------------|---------------------|-----------------------|----------------------|-------------|
| | Housing Preservation Grants Program | Special Donations | Tri-Town Task Force | Landfill Closure | Capital Acquisitions | |
| ASSETS: | | | | | | |
| Cash and cash equivalents | | \$ 926 | \$ 18,090 | | | |
| Investments | | | | | | |
| Other receivables | | | | | | |
| Due from: | | | | | | |
| Other funds | | | | \$ 20,481 | | |
| Other governments | \$ 14,213 | | | | | |
| TOTAL ASSETS | \$ 14,213 | \$ 926 | \$ 18,090 | \$ 20,481 | | \$ 0 |
| LIABILITIES AND FUND BALANCES: | | | | | | |
| LIABILITIES: | | | | | | |
| Accounts payable | \$ 12,271 | | \$ 14,975 | | | |
| Due to: | | | | | | |
| Other funds | 227 | | | | | |
| Other governments | | | 3,115 | | | |
| Retainage payable | | | | \$ 35,564 | | |
| Deferred revenues | | | | | | |
| Other liabilities | 1,715 | | | | | |
| TOTAL LIABILITIES | 14,213 | \$ 0 | 18,090 | 35,564 | | \$ 0 |
| FUND BALANCES: | | | | | | |
| Reserved for: | | | | | | |
| Perpetual care | | | | | | |
| Encumbrances | | | | 25,000 | | |
| Unreserved, reported in: | | | | | | |
| Special revenue funds | | 926 | | | | |
| Capital project funds | | | | | (40,083) | |
| Debt service funds | | | | | | |
| TOTAL FUND BALANCES | 0 | 926 | 0 | (15,083) | | 0 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 14,213 | \$ 926 | \$ 18,090 | \$ 20,481 | | \$ 0 |

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2004**

| | Capital | | Debt Service | | Permanent Funds | | | Total Non-Major Governmental Funds |
|--|------------------|------------------|---------------------|----------------------|---------------------|--|------------|---|
| | Project Funds | Funds | Ocean Ridge Road | Zenis Ellis Trust | Cemetery Fund | | | |
| ASSETS: | | | | | | | | |
| Cash and cash equivalents | | | \$ 11,915 | \$ 994 | | | \$ 591,121 | |
| Investments | | | | | \$ 500 | | 500 | |
| Other receivables | | | 1,582 | | | | 1,582 | |
| Due from: | | | | | | | | |
| Other funds | \$ 89,416 | | | | 34 | | 543,747 | |
| Other governments | | | | | | | 491,644 | |
| TOTAL ASSETS | \$ 89,416 | \$ 13,497 | \$ 994 | \$ 534 | \$ 1,628,594 | | | |
| LIABILITIES AND FUND BALANCES: | | | | | | | | |
| LIABILITIES: | | | | | | | | |
| Accounts payable | | | | | | | \$ 27,246 | |
| Due to: | | | | | | | | |
| Other funds | | | | | | | 30,582 | |
| Other governments | | | | | | | 3,115 | |
| Retainage payable | | | | | | | 35,564 | |
| Deferred revenues | | | \$ 1,582 | | | | 584,203 | |
| Other liabilities | | | | 44 | | | 98,051 | |
| TOTAL LIABILITIES | \$ 0 | \$ 1,582 | \$ 44 | \$ 0 | \$ 778,761 | | | |
| FUND BALANCES: | | | | | | | | |
| Reserved for: | | | | | | | | |
| Perpetual care | | | | 950 | 534 | | 1,484 | |
| Encumbrances | 30,000 | | | | | | 202,669 | |
| Unreserved, reported in: | | | | | | | | |
| Special revenue funds | | | | | | | 614,432 | |
| Capital project funds | 59,416 | | | | | | 19,333 | |
| Debt service funds | | 11,915 | | | | | 11,915 | |
| TOTAL FUND BALANCES | \$ 89,416 | \$ 13,497 | \$ 994 | \$ 534 | \$ 849,833 | | | |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 89,416 | \$ 13,497 | \$ 994 | \$ 534 | \$ 1,628,594 | | | |

(CONCLUDED)

TOWN OF CHARLESTOWN, RHODE ISLAND

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 NON-MAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2004

| | Special Revenue Funds | | | | | | |
|--|-----------------------|-----------------------|-----------------|----------------------|--------------------|----------------------|---------------|
| | Police Grants - LLEBG | Police Grants - Byrne | Seat Belt Grant | Farm Viability Grant | School Impact Fees | Educational Planning | |
| REVENUES: | | | | | | | |
| Intergovernmental | \$ 6,469 | \$ 11,238 | \$ 445 | \$ 3,472 | \$ 2,380 | | |
| Investment income | | | | | 71,350 | | |
| Other | | | | | | | |
| TOTAL REVENUES | 6,469 | 11,238 | 445 | 3,472 | 73,730 | \$ 0 | |
| EXPENDITURES: | | | | | | | |
| Current: | | | | | | | |
| General government | | | | 3,472 | 1,454 | | |
| Public safety | 6,950 | 4,932 | 445 | | | | |
| Public works | | | | | | | |
| Education | | | | | | | 42,144 |
| Parks and recreation | | | | | | | |
| Community development | | | | | | | |
| Capital: | | | | | | | |
| Capital outlay | | 9,305 | | | | | |
| TOTAL EXPENDITURES | 6,950 | 14,237 | 445 | 3,472 | 1,454 | 42,144 | |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES) | (481) | (2,999) | 0 | 0 | 72,276 | (42,144) | |
| OTHER FINANCING SOURCES (USES): | | | | | | | |
| Transfers in | 384 | 2,857 | | | | | 30,000 |
| Transfers out | | | | | | | |
| NET OTHER FINANCING SOURCES (USES) | 384 | 2,857 | 0 | 0 | 0 | 0 | 30,000 |
| EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | (97) | (142) | 0 | 0 | 72,276 | (12,144) | |
| FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR | 481 | 2,999 | 0 | 0 | 292,269 | 75,000 | |
| FUND BALANCE (DEFICIT) AT END OF YEAR | \$ 384 | \$ 2,857 | \$ 0 | \$ 0 | \$ 364,545 | \$ 62,856 | |

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 NON-MAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2004

| | Special Revenue Funds | | | | | |
|--|------------------------------|--------------------|-------------------|---|------------------------------|---------------------|
| | Historical and Vital Records | Municipal Planning | Revaluation Fund | Reserve for Employee Severance Benefits | Comprehensive Planning Grant | Wellhead Protection |
| REVENUES: | | | | | | |
| Intergovernmental | | | | | | |
| Investment income | | | | | | |
| Other | \$ 16,587 | | | | | \$ 1,921 |
| TOTAL REVENUES | 16,587 | 0 | 0 | 0 | 0 | 1,921 |
| EXPENDITURES: | | | | | | |
| Current: | | | | | | |
| General government | | 5,631 | 43,952 | 38,709 | | 1,921 |
| Public safety | | | | | | |
| Public works | | | | | | |
| Education | | | | | | |
| Parks and recreation | | | | | | |
| Community development | | | | | | |
| Capital: | | | | | | |
| Capital outlay | | | | | | |
| TOTAL EXPENDITURES | 0 | 5,631 | 43,952 | 38,709 | 0 | 1,921 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES) | 16,587 | (5,631) | (43,952) | (38,709) | 0 | 0 |
| OTHER FINANCING SOURCES (USES): | | | | | | |
| Transfers in | | | | | | |
| Transfers out | | | 50,000 | 75,000 | 15,000 | |
| NET OTHER FINANCING SOURCES (USES) | 0 | 0 | 50,000 | 75,000 | 15,000 | 0 |
| EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | 16,587 | (5,631) | 6,048 | 36,291 | 15,000 | 0 |
| FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR | 6,355 | 35,000 | 109,497 | 17,538 | 15,000 | 0 |
| FUND BALANCE (DEFICIT) AT END OF YEAR | \$ 22,942 | \$ 29,369 | \$ 115,545 | \$ 53,829 | \$ 30,000 | \$ 0 |

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2004

| | Special Revenue Funds | | | | | |
|--|-------------------------------|---------------------------------|--------------------|-------------------|-------------------------------|------------------------|
| | RI Economic Development Grant | Ninigret Arts and Entertainment | Ninigret Park Fund | Bicentennial Fund | RI Emergency Management Grant | Teen Camp Special Fund |
| REVENUES: | | | | | | |
| Intergovernmental | \$ 4,925 | | | | \$ 4,307 | |
| Investment income | | \$ 5,300 | \$ 347 | \$ 253 | | |
| Other | | | 27,800 | | | |
| TOTAL REVENUES | <u>4,925</u> | <u>5,300</u> | <u>28,147</u> | <u>253</u> | <u>4,307</u> | <u>\$ 0</u> |
| EXPENDITURES: | | | | | | |
| Current: | | | | | | |
| General government | 9,850 | | | | | 7,115 |
| Public safety | | | | | 4,307 | |
| Public works | | | | | | |
| Education | | | | | | |
| Parks and recreation | | 300 | 3,912 | | | |
| Community development | | | | | | |
| Capital: | | | | | | |
| Capital outlay | | | | | | |
| TOTAL EXPENDITURES | <u>9,850</u> | <u>300</u> | <u>3,912</u> | <u>0</u> | <u>4,307</u> | <u>7,115</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES) | <u>(4,925)</u> | <u>5,000</u> | <u>24,235</u> | <u>253</u> | <u>0</u> | <u>(7,115)</u> |
| OTHER FINANCING SOURCES (USES): | | | | | | |
| Transfers in | 5,000 | | | | | 7,891 |
| Transfers out | | (5,000) | | | | |
| NET OTHER FINANCING SOURCES (USES) | <u>5,000</u> | <u>(5,000)</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>7,891</u> |
| EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | <u>75</u> | <u>0</u> | <u>24,235</u> | <u>253</u> | <u>0</u> | <u>776</u> |
| FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR | <u>0</u> | <u>0</u> | <u>31,395</u> | <u>1,622</u> | <u>0</u> | <u>(776)</u> |
| FUND BALANCE (DEFICIT) AT END OF YEAR | <u>\$ 75</u> | <u>\$ 0</u> | <u>\$ 55,630</u> | <u>\$ 1,875</u> | <u>\$ 0</u> | <u>\$ 0</u> |

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 NON-MAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2004

| | Special Revenue Funds | | | | | | |
|--|----------------------------|--------------------|-----------------|----------------------------|----------------------|---------------------|------|
| | Developer Bond Deposits | Open Space Fees | DARE Program | Naval Airfield Memorial | Police Forfeiture | Employee Vending | |
| REVENUES: | | | | | | | |
| Intergovernmental | | \$ 74 | | \$ 30 | | \$ | 3 |
| Investment income | | 3,274 | 199 | | | | 255 |
| Other | | 3,348 | 199 | 30 | 0 | | 258 |
| TOTAL REVENUES | \$0 | | | | | | |
| EXPENDITURES: | | | | | | | |
| Current: | | | | | | | |
| General government | | | 302 | | | | 333 |
| Public safety | | | | | | | |
| Public works | | | | | | | |
| Education | | | | | | | |
| Parks and recreation | | | | | | | |
| Community development | | | | | | | |
| Capital: | | | | | | | |
| Capital outlay | | | | | | | |
| TOTAL EXPENDITURES | 0 | 0 | 302 | 0 | 0 | 0 | 333 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES) | 0 | 3,348 | (103) | 30 | 0 | 0 | (75) |
| OTHER FINANCING SOURCES (USES): | | | | | | | |
| Transfers in | | | | | | | |
| Transfers out | | | | | | | |
| NET OTHER FINANCING SOURCES (USES) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | 0 | 3,348 | (103) | 30 | 0 | 0 | (75) |
| FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR | 0 | 9,988 | 448 | 4,322 | 412 | 715 | |
| FUND BALANCE (DEFICIT) AT END OF YEAR | \$0 | \$ 13,336 | \$ 345 | \$ 4,352 | \$ 412 | \$ 640 | |

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 NON-MAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2004

| | Special Revenue Funds | | | | | | |
|--|---------------------------|--------------------|-------------------------|---|------------------------|-------------------|----------|
| | Police Bike Unit Training | Birthday Committee | Homeland Security Grant | State Homeland Security Grant - Terrorism | Juvenile Justice Grant | COPS Hiring Grant | |
| REVENUES: | | | | | | | |
| Intergovernmental | | | | | | | |
| Investment income | \$ 5,700 | \$ 11 | \$ 48,104 | \$ 8,500 | \$ 283 | \$ 32,926 | |
| Other | 5,700 | 11 | 48,104 | 8,500 | 283 | 32,926 | |
| TOTAL REVENUES | | | | | | | |
| | | | | | | | |
| EXPENDITURES: | | | | | | | |
| Current: | | | | | | | |
| General government | | | | | 283 | | |
| Public safety | 6,219 | | 42,105 | 3,495 | | | 43,900 |
| Public works | | | | | | | |
| Education | | | | | | | |
| Parks and recreation | | | | | | | |
| Community development | | | | | | | |
| Capital: | | | | | | | |
| Capital outlay | | | 5,999 | 5,005 | | | |
| TOTAL EXPENDITURES | | | | | | | |
| | 6,219 | 0 | 48,104 | 8,500 | 283 | | 43,900 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES) | (519) | 11 | 0 | 0 | 0 | | (10,974) |
| OTHER FINANCING SOURCES (USES): | | | | | | | |
| Transfers in | | | | | | | |
| Transfers out | | | | | | | 10,974 |
| NET OTHER FINANCING SOURCES (USES) | 0 | 0 | 0 | 0 | 0 | | 10,974 |
| EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | (519) | 11 | 0 | 0 | 0 | | 0 |
| FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR | 1,437 | 1,623 | 0 | 0 | 0 | | 0 |
| FUND BALANCE (DEFICIT) AT END OF YEAR | \$ 918 | \$ 1,634 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |

TOWN OF CHARLESTOWN, RHODE ISLAND

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2004

| | Special Revenue Funds | | | | | |
|---|-----------------------|------------------------|---------------|-----------------------|-----------------------------------|-----------------------------|
| | Cops That Care Grant | FEMA Hazard Mitigation | EPA Grant | Wastewater Management | Community Development Block Grant | Senior Community Activities |
| REVENUES: | | | | | | |
| Intergovernmental | \$ 1,925 | \$ 1,288 | \$ 28,047 | \$ 275 | \$ 124,979 | \$ 1,517 |
| Investment income | | | | | | |
| Other | | | | | | |
| TOTAL REVENUES | 1,925 | 1,288 | 28,047 | 275 | 124,979 | 1,517 |
| EXPENDITURES: | | | | | | |
| Current: | | | | | | |
| General government | | | | | | 2,105 |
| Public safety | 1,925 | 1,288 | | | | |
| Public works | | | 28,047 | 275 | | |
| Education | | | | | | |
| Parks and recreation | | | | | | |
| Community development | | | | | 124,979 | |
| Capital: | | | | | | |
| Capital outlay | | | | | | |
| TOTAL EXPENDITURES | 1,925 | 1,288 | 28,047 | 275 | 124,979 | 2,105 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES) | 0 | 0 | 0 | 0 | 0 | (588) |
| OTHER FINANCING SOURCES (USES): | | | | | | |
| Transfers in | | | | | | |
| Transfers out | | | | | | |
| NET OTHER FINANCING SOURCES (USES) | 0 | 0 | 0 | 0 | 0 | 0 |
| EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | 0 | 0 | 0 | 0 | 0 | (588) |
| FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR | 0 | 0 | 0 | 0 | 219 | 0 |
| FUND BALANCE (DEFICIT) AT END OF YEAR | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 219 | \$ (588) |

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2004

| | Special Revenue Funds | | | Capital Project Funds | | |
|--|-------------------------------------|-------------------|---------------------|-----------------------|----------------------|--------------|
| | Housing Preservation Grants Program | Special Donations | Tri-Town Task Force | Landfill Closure | Capital Acquisitions | |
| REVENUES: | | | | | | |
| Intergovernmental | \$ 12,498 | | \$ 47,648 | | | |
| Investment income | | 2 | 3 | | | |
| Other | | 1,115 | 216 | | | |
| TOTAL REVENUES | 12,498 | 1,117 | 47,867 | 0 | 0 | \$ 0 |
| EXPENDITURES: | | | | | | |
| Current: | | | | | | |
| General government | | 191 | 47,867 | | | |
| Public safety | | | | | | |
| Public works | | | | | | |
| Education | | | | | | |
| Parks and recreation | | | | | | |
| Community development | | | | | | |
| Capital: | | | | | | |
| Capital outlay | | | | 2,608 | | 3,000 |
| TOTAL EXPENDITURES | 12,498 | 191 | 47,867 | 2,608 | 2,608 | 3,000 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES) | 0 | 926 | 0 | (2,608) | (3,000) | |
| OTHER FINANCING SOURCES (USES): | | | | | | |
| Transfers in | | | | | | |
| Transfers out | | | | | | |
| NET OTHER FINANCING SOURCES (USES) | 0 | 0 | 0 | 0 | 0 | 0 |
| EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | 0 | 926 | 0 | (2,608) | (3,000) | |
| FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR | 0 | 0 | 0 | (12,475) | 3,000 | |
| FUND BALANCE (DEFICIT) AT END OF YEAR | \$ 0 | \$ 926 | \$ 0 | \$ (15,083) | \$ 0 | |

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 NON-MAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2004

| | Capital Project Funds | | Debt Service Funds | | Permanent Funds | | | Total Non-Major Governmental Funds |
|--|-----------------------|------------------|--------------------|---------------|-----------------|--|------------|------------------------------------|
| | DPW Road Engineering | Ocean Ridge Road | Zenis Ellis Trust | Cemetery Fund | | | | |
| REVENUES: | | | | | | | | |
| Intergovernmental | | \$ 125 | | \$ 14 | | | \$ 339,250 | |
| Investment income | | 1,043 | | | | | 3,242 | |
| Other | | | | | | | 134,356 | |
| TOTAL REVENUES | \$ 0 | \$ 1,168 | \$ 0 | \$ 14 | | | \$ 476,848 | |
| EXPENDITURES: | | | | | | | | |
| Current: | | | | | | | | |
| General government | | | | | | | 175,683 | |
| Public safety | | | | | | | 115,566 | |
| Public works | | | | | | | 28,322 | |
| Education | | | | | | | 42,144 | |
| Parks and recreation | | | | | | | 4,212 | |
| Community development | | | | | | | 124,979 | |
| Capital: | | | | | | | | |
| Capital outlay | 20,000 | | | | | | 45,917 | |
| TOTAL EXPENDITURES | 20,000 | 0 | 0 | 0 | | | 536,823 | |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES) | (20,000) | 1,168 | 0 | 14 | | | (59,975) | |
| OTHER FINANCING SOURCES (USES): | | | | | | | | |
| Transfers in | 37,416 | | | | | | 234,522 | |
| Transfers out | | | | | | | (5,000) | |
| NET OTHER FINANCING SOURCES (USES) | 37,416 | 0 | 0 | 0 | | | 229,522 | |
| EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | 17,416 | 1,168 | 0 | 14 | | | 169,547 | |
| FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR | 72,000 | 10,747 | 950 | 520 | | | 680,286 | |
| FUND BALANCE (DEFICIT) AT END OF YEAR | \$ 89,416 | \$ 11,915 | \$ 950 | \$ 534 | | | \$ 849,833 | |

(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, 2004, which collectively comprise the Town of Charlestown, Rhode Island's basic financial statements and have issued our report thereon dated December 16, 2004. 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 would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Town of Charlestown, Rhode Island in a separate letter dated December 16, 2004.

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 16, 2004.

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.

Cayer Caccia, LLP.

December 16, 2004