

**TOWN OF
CHARLESTOWN, RHODE ISLAND**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**FOR THE YEAR ENDED
JUNE 30, 2010**

Prepared by:

Patricia M. Anderson

Treasurer

TOWN OF CHARLESTOWN, RHODE ISLAND

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2010**

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COMPREHENSIVE ANNUAL FINANCIAL REPORT
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TOWN OF CHARLESTOWN

INTRODUCTORY SECTION

Patricia M. Anderson
Treasurer
PAnderson@CharlestownRI.org



TOWN OF CHARLESTOWN

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

December 22, 2010

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, 2010, 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, 2010. The Comprehensive Annual Financial Report is a joint effort between Town management and our auditing firm, Cayer Caccia, LLP Certified Public Accountants.

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

A single audit section relating to federal financial assistance is required for the 2010 fiscal year. In 1996, the US Office of Management and Budget issued Circular A-133 rescinding Circular A-128 as it related to Audits of State and Local Governments. The Single Audit applies in years that the Town of Charlestown expends \$500,000 or more in federal funds.

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

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

Community Description

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

Charlestown's year-round population, according to the year 2000 census, increased to 7,851 year-round residents. In 1970, year-round residents totaled 3,200, 1980 totaled 4,800, an increase of 1,600 residents. In 1990, the population of year-round residents had grown to 6,478, increasing another 1,678, or 35%. The 2000 census showed an increase of 21% to a total year-round resident count of 7,851. Furthermore, the 2000 census figures indicated that of the 7,851 residents, 2,066 are age fifty-five and older, accounting for 26% of total year-round residents. The senior population increased 41% over 1990's count of 1,462. From this, an assumption may be made that sizable amounts of people choose Charlestown as a retirement location.

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

Major Initiatives

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

The Governing Council identifies needs to meet citizen's demands for services and to safeguard the environment with conformity to applicable local, state and federal law. Following is a list of undertakings initiated, or completed, during the 2009-2010 fiscal year:

During 2010, the Town continued its computerization of land evidence records as an on-going project. These records have been indexed back to 1738. The Town also installed ClerkBase which allows Council meetings to be streamed live. All agendas and minutes can now be accessed on the Town's website.

The Town has completed the salt and sand shed that is located behind the Town Hall and continues to work on crack sealing the town's roads.

The tennis and basketball courts at Ninigret Park have been restored and the dog park is nearing completion. Work at the Frosty Drew Observatory and Blue Shutters Beach was completed.

The Town continued to manage all of the Town facilities at the lowest possible cost to the taxpayers of Charlestown. The Town maintained sound capital investment in new equipment and improved Town facilities as allotted for within the 2010 budget.

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

The Town continued to maintain an excellent working relationship with all units representing employees within the structure of government for the Town. Bargaining agreements with all of the Town's unions and the professional management group expired as of June 30, 2009. Three of the bargaining units have negotiated new contracts. Negotiations with the police are ongoing with the expired contract remaining in full force and effect. The current police contract was re-negotiated and put into effect for July 1, 2006 through June 30, 2009.

The electors of the Town as well as the Rhode Island General Assembly have authorized the Town to issue not more than \$1,000,000 in bonds or other debt to finance Affordable Housing initiatives. The Town has also been authorized to issue not more than \$2,000,000 for the purchase of open space property.

Renovation of the historic sheep barn on the South Farm Property has been completed. The renovation included the addition of shutters and doors. The sheep barn is thought to have been built in the early 1800s. Funding for the project was from Impact Fees and the Open Space Recreation bond.

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

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

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

Community Development

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

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

Financial Management

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

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

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

Risk Management

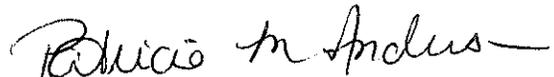
During 2010, the Town experienced minimal losses on insurance claims and anticipates a similar situation in 2011. The Town has taken steps to maintain adequate and cost effective insurance coverage for all related municipal services and facilities. Our insurance carrier reviews all Town facilities each year so that we minimize exposure to any risk of liability. In addition, the Town is subject to an annual review by the Occupational Safety and Health Administration (OSHA) to detect any existing or potential hazards to municipal employees or citizens while on Town property.

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

Independent Audit

State law requires an annual audit of Town finances by an independent certified public accountant. The accounting firm of Cayer Caccia, LLP was awarded the bid to conduct the Town's audit for fiscal years ending June 30, 2008 through 2010 in response to the Town's request for proposal issued in 2008.

Sincerely,



Patricia M. Anderson
Treasurer

MUNICIPAL OFFICERS

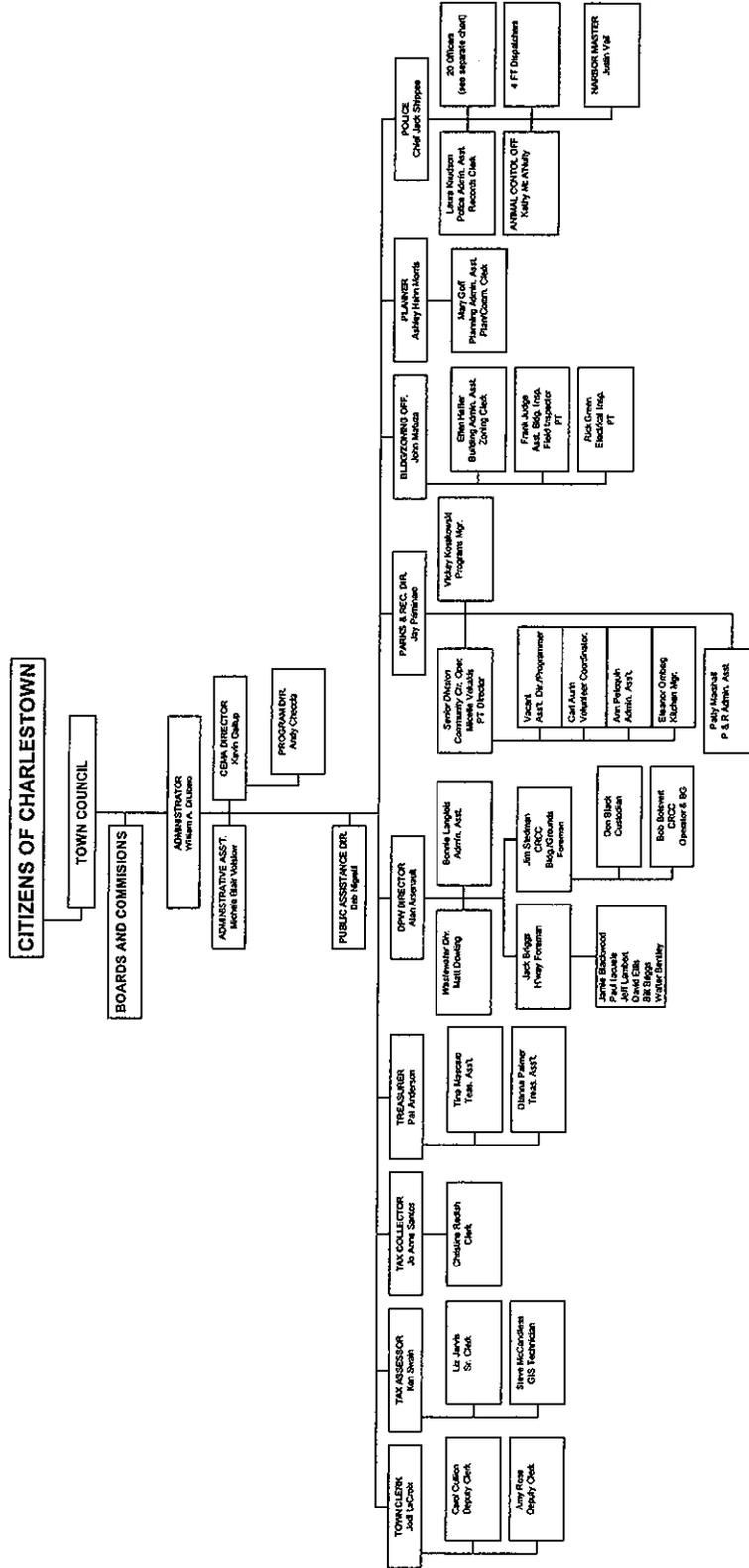
Town Council

Marjorie Frank, President
Gregory J. Avedisian, Vice President
Charlene Q. Dunn
Richard H. Hosp
Forrester C. Safford

Town Officials

<i>Town Administrator</i>	<i>William DiLibero</i>
<i>Chief of Police</i>	<i>Jack Shippee</i>
<i>Town Clerk</i>	<i>Jodi LaCroix, CMC</i>
<i>Treasurer</i>	<i>Patricia Anderson</i>
<i>Tax Assessor</i>	<i>Kenneth J. Swain</i>
<i>Tax Collector</i>	<i>Jo-Anne Santos</i>
<i>Building & Zoning Official</i>	<i>John J. Matuza</i>
<i>Public Works Director</i>	<i>Alan A. Arsenault</i>
<i>Acting Parks & Recreation Director</i>	<i>John Primiano</i>
<i>Town Planner</i>	<i>Ashley Hahn-Morris</i>
<i>Animal Control Officer</i>	<i>Kathy M. McA'Nulty</i>
<i>Harbormaster</i>	<i>Justin Vail</i>
<i>Town Solicitor</i>	<i>Peter Ruggiero</i>
<i>Probate Solicitor</i>	<i>Robert Craven</i>
<i>Solicitor Indian Affairs</i>	<i>Joseph Larisa, Jr.</i>
<i>Emergency Management</i>	<i>Kevin Gallup</i>
<i>Town Moderator</i>	<i>Henry Walsh</i>
<i>Sealer of Weights & Measures</i>	<i>Bernard Augustine</i>
<i>Custodian of Cemeteries</i>	<i>Francis Fenner</i>
<i>Public Assistance</i>	<i>Deb Nigrelli</i>
<i>GIS</i>	<i>Steven McCandless</i>

Town of Charlestown, RI



TOWN OF CHARLESTOWN

FINANCIAL SECTION

Gerard R. Cayer
CPA, MST, CVA

Mark V. Caccia
CPA, MST, CVA

Donna T. Caccia
CPA, MST, CFP™

INDEPENDENT AUDITOR'S REPORT

To the Honorable Town Council
Charlestown, Rhode Island

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Charlestown, Rhode Island, as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Charlestown, Rhode Island's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Charlestown, Rhode Island, as of June 30, 2010, 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 22, 2010, on our consideration of the Town of Charlestown, Rhode Island's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, historical pension and other post-employment benefit information, and budgetary comparison information on pages 3 through 16 and 62 through 69 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

December 22, 2010

Cayer Caccia, LLP

Town of Charlestown, Rhode Island

Management's Discussion and Analysis

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

Highlights

Financial Highlights

The Town's net assets increased by \$2,652,102 (or 12.0%). Governmental net assets increased by \$2,637,713, (or 12.1%) while the business type activities net assets increased by \$14,389, (or 4.5%). In 2009, governmental net assets decreased by \$899,677, (or 4.0%) while the business-type activities net assets decreased by \$9,929, (or 3.0%).

Governmental fund general revenues for the year ending June 30, 2010 totaled \$24,343,573 including charges for services at \$942,482, operating grants and contributions \$2,170,552, capital grants and contributions \$304,150 with the balance of revenue from property taxes, revenue sharing, and investment interest of \$20,926,389.

Business-type activities revenues for the year ending June 30, 2010 totaled \$256,966 including charges for services of \$231,285, investment income of \$681, and transfers of \$25,000.

Governmental fund expenditures and transfers for the fiscal year totaled \$21,680,860 and \$25,000, respectively. Business type activities expenses for the fiscal year totaled \$242,577.

On the GAAP basis, expenditures and other financing uses were \$23,067,862 for the general fund; \$1,037,224 for the non-major governmental funds; and \$242,577 for business-type funds.

Town Highlights:

The Town Clerks' office has installed ClerkBase for the Council agendas and minutes. The Council meetings are now streaming live. Land evidence records have been indexed back to 1738. The records will soon be available on-line. The Department of Public Works continued working on crack sealing roads throughout the town and paved East Beach Road and Shumankanuc Road. The salt and sand shed behind the Town Hall has been completed. The Recreation department added many new programs such as zumba and youth and adult yoga classes and additional trips. The department is preparing for the New Year's Eve bonfire and first ever "Ice Bowl". The tennis and basketball courts at Ninigret Park have been restored. New basketball backboards have been installed. The Dog Park at Ninigret is nearing completion. Numerous trees have been removed from the park to improve the sight lines for the Frosty Drew Observatory. A new entrance and new ticket taking facility were completed at Blue Shutters Beach. Preparation work for the second floor of the Community Center has started and a gazebo was also constructed at the Center.

Use of the Annual Report

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

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

Reporting the Town as a whole:

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

Reporting the Town as a whole (Continued):

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

Significant Funds

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

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

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

Town as a Whole

Analysis as a Whole

Included below is a condensed Statement of Net Assets for the Town. The condensed format allows the reader to view the overall financial position of the Town.

Governments Wide Statements

Statement of Net Assets As of June 30:

	Governmental Activities		Business Type Activities		Total Primary Government	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Current and Other Assets	\$10,263,695	\$ 8,631,408	\$172,790	\$151,677	\$10,436,485	\$ 8,783,085
Capital Assets	22,366,779	23,296,126	184,521	200,366	22,551,300	23,496,492
Total Assets	32,630,474	31,927,534	357,311	352,043	32,987,785	32,279,577
Current Liabilities	2,182,201	1,959,996	13,127	14,826	2,195,328	1,974,822
Long-Term Liabilities	6,066,080	8,223,058	10,897	18,319	6,076,977	8,241,377
Total Liabilities	8,248,281	10,183,054	24,024	33,145	8,272,305	10,216,199
Invested in Capital Assets						
Net of Related Debt	16,719,198	17,181,465	173,843	183,216	16,893,041	17,364,681
Restricted for Other Purpose	1,980,042	1,908,022	10,000	10,000	1,990,042	1,918,022
Unrestricted	5,682,953	2,654,993	149,444	125,682	5,832,397	2,780,675
Total Net Assets	\$24,382,193	\$21,744,480	\$333,287	\$318,898	\$24,715,480	\$22,063,378

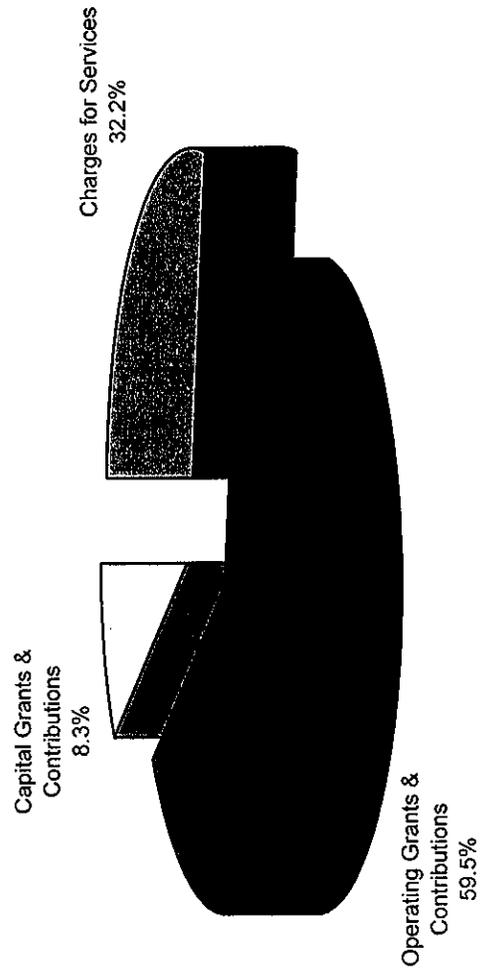
Net Assets equal Total Assets less Total Liabilities

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

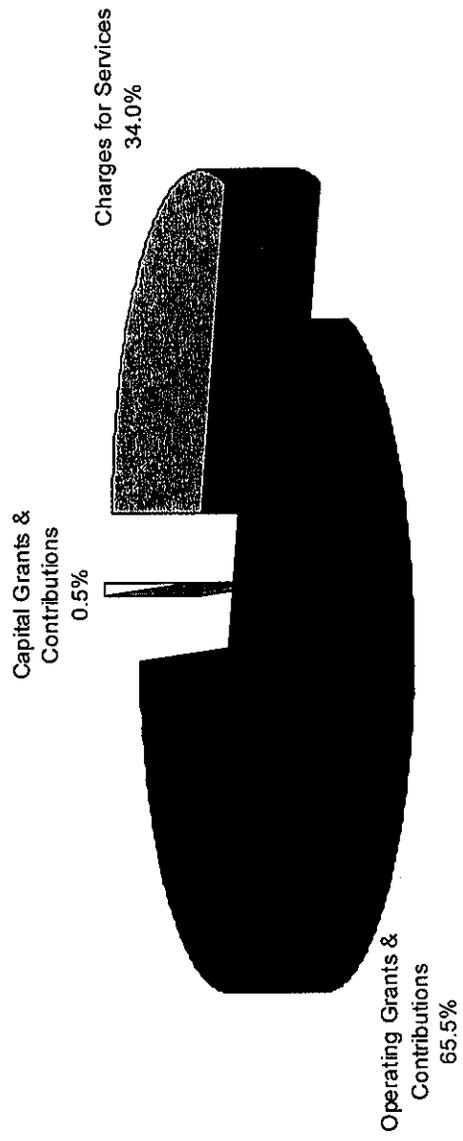
	Governmental Activities		Business Type Activities		Total Primary Government	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Revenue:						
Program Revenue:						
Charges for services	\$ 942,482	\$ 873,850	\$ 231,285	\$ 201,271	\$ 1,173,767	\$ 1,075,121
Operating Grants & Contributions	2,170,552	2,067,857			2,170,552	2,067,857
Capital Grants & Contributions	304,150	15,652			304,150	15,652
Total Program Revenue	3,417,184	2,957,359	231,285	201,271	3,648,469	3,158,630
General Revenue:						
Property Tax	20,901,205	20,246,598			20,901,205	20,246,598
State Revenue Sharing	-	156,748			-	156,748
Unrestricted Investment Earnings	25,184	79,498	681	1,639	25,865	81,137
Total General Revenue	20,926,389	20,482,844	681	1,639	20,927,070	20,484,483
Total Revenue	24,343,573	23,440,203	231,966	202,910	24,575,539	23,643,113
Expenses:						
General Government	1,624,697	1,542,964			1,624,697	1,542,964
Public Safety	2,500,262	2,227,137			2,500,262	2,227,137
Public Works	564,584	2,977,778			564,584	2,977,778
Education	13,724,263	13,947,768			13,724,263	13,947,768
Parks & Recreation	371,206	412,883			371,206	412,883
Public Health & Asst	418,931	425,063			418,931	425,063
Community Development	296,941	182,981			296,941	182,981
Other	1,949,478	2,377,469	242,577	237,839	2,192,055	2,615,308
Interest on Long Term Debt	230,498	220,837			230,498	220,837
Total Expenses	21,680,860	24,314,880	242,577	237,839	21,923,437	24,552,719
Excess (deficiency) Of Revenue Over Expenditures Before Transfers	2,662,713	(874,677)	(10,611)	(34,929)	2,652,102	(909,606)
Transfers	(25,000)	(25,000)	25,000	25,000	-	-
Change in Net Assets	2,637,713	(899,677)	14,389	(9,929)	2,652,102	(909,606)
Net Assets Beginning	21,744,480	22,644,157	318,898	328,827	22,063,378	22,972,984
Net Assets Ending	\$ 24,382,193	\$ 21,744,480	\$ 333,287	\$ 318,898	\$ 24,715,480	\$ 22,063,378

This is the eighth year Charlestown is reporting fixed assets in its financials and infrastructure additions are included. Infrastructure, roads, culverts, bridges, etc. were inventoried, valued and reported in the financials for fiscal year 2010. 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.

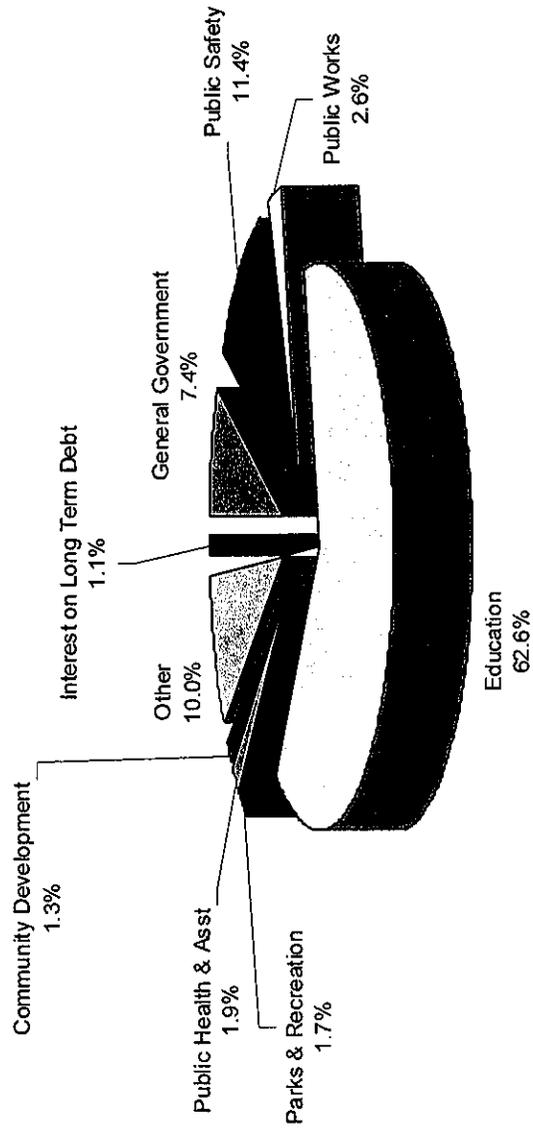
2010 Program Revenues



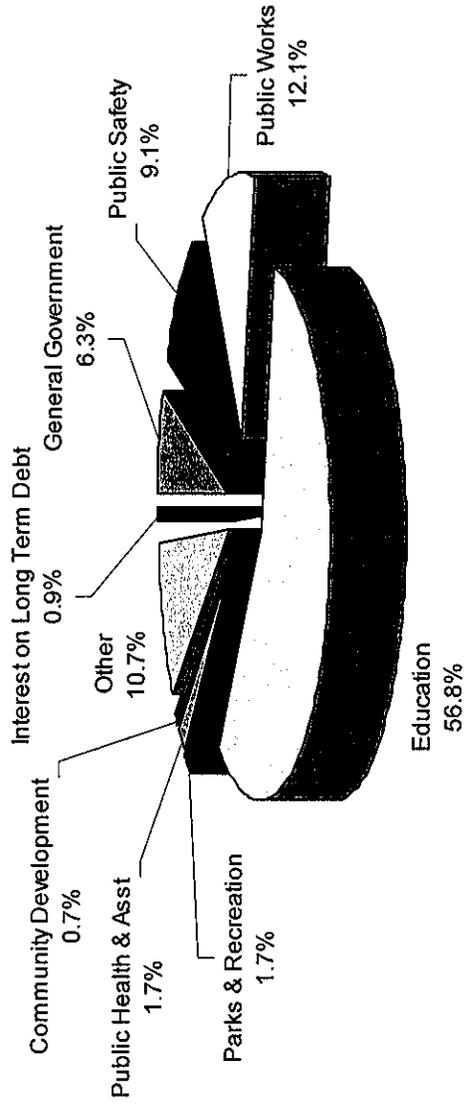
2009 Program Revenues



2010 Expenses



2009 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 \$2,652,102 and \$(909,606) for fiscal year 2010 and 2009, respectively, resulting from the difference between expenses and revenues. For fiscal year 2010, expenses net of their pertinent revenues were \$18,274,968, while revenue not attributed to any activity in the government were \$20,927,070, therefore netting an increase of \$2,652,102 in net assets. For fiscal year 2009, expenses net of their pertinent revenues was \$21,394,089, while revenues not attributed to any activity in the government were \$20,484,483, therefore netting a decrease of \$909,606 in net assets.

Business type Activities:

The change in net assets for the business type activities for fiscal year 2010 and 2009 was \$14,389 and \$(9,929), respectively.

Town's Funds:

General Fund & Other Governmental funds:

At the end of June 2010, the general fund balance sheet showed a fund balance of \$6,835,476. This figure results from all assets allocated to the fund less its liabilities, as presented on page 21. Of this total, \$122,958 was reserved for encumbrances and tax sale property, and \$908,713 was reserved for deficits in other funds. The Town was also required to show any other major funds which are determined by criteria listed by the GASB. The other major fund of the Town for fiscal year 2010 is the Buckeye Brook Road, Phase II project. At the end of June 2010, the Buckeye Brook Road Phase II showed a deficit of \$(650,849). Other governmental funds had a fund balance of \$1,723,692. The total fund balance for the aforementioned funds is \$7,908,319. See Schedule B-1.

At the end of June 2009, the general fund balance sheet showed a fund balance of \$6,289,796. This figure results from all assets allocated to this fund less its liabilities. Of this total, \$99,423 was reserved for encumbrances, prepaids, and other. The other major funds of the Town for fiscal year 2009 were the Buckeye Brook Road and the Buckeye Brook Road, Phase II project. At the end of June 2009, the Buckeye Brook Road Fund showed a fund deficit of \$(576,208). Buckeye Brook Road, Phase II showed a deficit of \$(650,849). Other governmental funds had a fund balance of \$1,613,401. The total fund balance for the aforementioned funds is \$6,676,140.

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 \$333,287 at June 30, 2010, of which \$173,843 is invested in capital assets, net of related debt, \$10,000 is restricted and \$149,444 is unrestricted. At June 30, 2009, these two entities combined had total net assets of \$318,898 of which \$183,216 was invested in capital assets, net of related debt, \$10,000 was restricted and \$125,682 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 63. 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, 2010, the general fund revenues exceeded budget projections by \$108,568 or 0.4%. The general fund expenditures were less than the budget by \$1,327,419 or 5.4%. This resulted in a \$1,435,987 budgetary surplus in the General Fund for the year ending June 30, 2010.

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

For the year ended June 30, 2009, the general fund revenues exceeded budget projections by \$48,142 or 0.2%. The general fund expenditures were less than the budget by \$477,376 or 2.0%. This resulted in a \$525,518 budgetary surplus in the General Fund for the year ending June 30, 2009.

The most significant revenue variance was the loss of General Revenue Sharing in the amount of \$195,746. The most significant expense variance was a saving of \$198,764 for Employee Insurance and Benefits.

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, 2010 and 2009 amounted to \$22.6 and \$23.5 million, respectively (net of accumulated depreciation). This investment in capital assets includes construction-in-progress, land, buildings and improvements, motor vehicles, equipment and infrastructure.

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

Capital Assets at June 30:
(In Millions)

	Governmental Activities		Business-Type Activities		Totals	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Motor Vehicles	\$ 3.0	\$ 2.9			\$ 3.0	\$ 2.9
Equipment	0.9	0.9	\$0.2	\$0.2	1.1	1.1
Infrastructure	43.3	42.9			43.3	42.9
Buildings and Improvements	7.0	7.0	0.1	0.1	7.1	7.1
Land and Land Improvements	7.2	7.2	0.2	0.2	7.4	7.4
Construction-in-progress	0.1	0.1			0.1	0.1
Total Assets	61.5	61.0	0.5	0.5	62.0	61.5
Less: Accumulated Depreciation	(39.1)	(37.7)	(0.3)	(0.3)	(39.4)	(38.0)
Net Capital Assets	\$22.4	\$23.3	\$0.2	\$0.2	\$22.6	\$23.5

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

The Town's investment in capital assets for its governmental and business type activities as of June 30, 2009 was \$61.5 million less accumulated depreciation of \$38.0 million for a net investment in capital assets of \$23.5 million.

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

- \$325,342 for Infrastructure
- \$50,000 for Public Safety vehicles
- \$130,179 for Public Works vehicles
- \$86,854 for construction in progress
- \$12,462 for buildings and grounds
- \$31,664 for equipment

Additional information on the Town's capital assets can be found on Note 12 on page 54-55 of this report.

Long Term Debt

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

As of June 30, 2009, the Town had total long-term liabilities of \$8.9 million. Of that, \$5.5 million related to bonded debt guaranteed by the Town's assets, \$2.1 related to landfill monitoring costs; \$0.7 million related to compensated absences; and \$0.6 million related to leases payable.

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

The business type activities had long-term liabilities \$24,791 at June 30, 2009. Of that, \$17,150 related to leases payable and \$7,641 related to compensated absences.

The Town's bond ratings are as follows:

- Moody's: Aa2

TOWN OF CHARLESTOWN

BASIC
FINANCIAL STATEMENTS



TOWN OF CHARLESTOWN, RHODE ISLANDSTATEMENT OF NET ASSETS
JUNE 30, 2010

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 7,368,592	\$ 376,486	\$ 7,745,078
Restricted cash and cash equivalents		15,856	15,856
Investments	500		500
Receivables:			
Taxes, net	780,904		780,904
Other receivables	125,062	11,303	136,365
Internal balances	232,855	(232,855)	
Due from other governments	1,315,829		1,315,829
Prepaid expenses		2,000	2,000
Tax sale property	90,760		90,760
Total current assets	9,914,502	172,790	10,087,292
Noncurrent assets:			
Capital assets:			
Non-depreciable	7,374,080	99,500	7,473,580
Depreciable, net	14,992,699	85,021	15,077,720
Bond issuance costs	49,645		49,645
Net other post-employment benefit asset	299,548		299,548
Total noncurrent assets	22,715,972	184,521	22,900,493
TOTAL ASSETS	32,630,474	357,311	32,987,785
LIABILITIES:			
Current liabilities:			
Accounts payable	338,037	6,362	344,399
Accrued interest	167,983		167,983
Due to other governments	11,422		11,422
Current portion of long-term debt	627,541	6,765	634,306
Unearned revenue	965,364		965,364
Other liabilities	71,854		71,854
Total current liabilities	2,182,201	13,127	2,195,328
Noncurrent liabilities:			
Long-term debt, net	6,066,080	10,897	6,076,977
Total noncurrent liabilities	6,066,080	10,897	6,076,977
TOTAL LIABILITIES	8,248,281	24,024	8,272,305

(CONTINUED)

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF CHARLESTOWN, RHODE ISLANDSTATEMENT OF NET ASSETS
JUNE 30, 2010

	Governmental Activities	Business-type Activities	Total
NET ASSETS:			
Invested in capital assets, net of related debt	16,719,198	173,843	16,893,041
Restricted for:			
Capital projects	489,326		489,326
Specific projects and programs	1,490,716	10,000	1,500,716
Unrestricted	5,682,953	149,444	5,832,397
TOTAL NET ASSETS	\$ 24,382,193	\$ 333,287	\$ 24,715,480

(CONCLUDED)

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF CHARLESTOWN, RHODE ISLAND

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010**

Functions/Programs:	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 1,624,697	\$ 509,698	\$ 213,735		\$ (901,264)	\$	\$ (901,264)
Public safety	2,500,262	54,296	18,005	\$ 99,796	(2,328,165)		(2,328,165)
Public works	564,584		80,071	151,404	(333,109)		(333,109)
Education	13,724,263		1,349,891		(12,374,372)		(12,374,372)
Parks and recreation	371,206	378,488	37,891	52,950	98,123		98,123
Public health and assistance	418,931				(418,931)		(418,931)
Community development	296,941		470,959		174,018		174,018
Other	1,949,478				(1,949,478)		(1,949,478)
Interest on long-term debt	230,498				(230,498)		(230,498)
Total governmental activities	21,680,860	942,482	2,170,552	304,150	(18,263,676)		(18,263,676)
Business-type activities:							
Residential Collection Center	199,775	189,125			\$ (10,650)	\$	(10,650)
Coastal Pond Management	42,802	42,160			(642)		(642)
Total business-type activities	242,577	231,285	0	0	0	(11,292)	(11,292)
Total	\$ 21,923,437	\$ 1,173,767	\$ 2,170,552	\$ 304,150	(18,263,676)	(11,292)	(18,274,968)
General revenues:							
Property taxes					20,901,205		20,901,205
Unrestricted investment earnings					25,184	681	25,865
Transfers					(25,000)	25,000	
Total general revenues and transfers					20,901,389	25,681	20,927,070
Change in net assets					2,637,713	14,389	2,652,102
Net Assets - beginning					21,744,480	318,898	22,063,378
Net Assets - ending					\$ 24,382,193	\$ 333,287	\$ 24,715,480

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF CHARLESTOWN, RHODE ISLAND

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010**

	General Fund	Buckeye Brook Road Phase #2	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash and cash equivalents	\$ 6,189,786		\$ 1,178,806	\$ 7,368,592
Investments			500	500
Receivables:				
Taxes, net	780,904			780,904
Other	124,079		983	125,062
Due from:				
Other funds	1,404,153		1,028,784	2,432,937
Other governments	85,091		1,230,738	1,315,829
Tax sale property	90,760			90,760
TOTAL ASSETS	\$ 8,674,773	\$ 0	\$ 3,439,811	\$ 12,114,584

LIABILITIES AND FUND BALANCE:

LIABILITIES:				
Accounts payable	\$ 285,932		\$ 52,105	\$ 338,037
Due to:				
Other funds	842,956	\$ 650,849	706,277	2,200,082
Other governments	11,422			11,422
Deferred revenues	640,212		944,658	1,584,870
Other liabilities	58,775		13,079	71,854
TOTAL LIABILITIES	1,839,297	650,849	1,716,119	4,206,265

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010**

	General Fund	Buckeye Brook Road Phase #2	Other Governmental Funds	Total Governmental Funds
FUND BALANCE:				
Reserved for tax sale property	90,760			90,760
Reserved for perpetual care			1,514	1,514
Reserved for encumbrances	32,198		58,854	91,052
Reserved for amounts not due within one year	908,713			908,713
Unreserved: designated for subsequent years	340,000			340,000
Unreserved, reported in:				
General fund	5,463,805			5,463,805
Special revenue funds			1,431,862	1,431,862
Capital project funds		(650,849)	231,462	(419,387)
TOTAL FUND BALANCE (DEFICIT)	<u>6,835,476</u>	<u>(650,849)</u>	<u>1,723,692</u>	<u>7,908,319</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 8,674,773</u>	<u>\$ 0</u>	<u>\$ 3,439,811</u>	<u>\$ 12,114,584</u>

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

(CONCLUDED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET (B-1)
TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS (A-1)
JUNE 30, 2010**

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

Total Fund Balance (B-1)	\$ 7,908,319
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	22,366,779
Net other post-employment benefit (OPEB) asset is not reported in the governmental funds. This amount represents accumulated plan contributions in excess of annual OPEB costs.	299,548
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(6,693,621)
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.	619,506
Accrued interest payable is recorded in governmental activities, but is not recorded in the funds.	(167,983)
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>49,645</u>
Total Net Assets (A-1)	<u><u>\$ 24,382,193</u></u>

(CONCLUDED)

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF CHARLESTOWN, RHODE ISLAND

STATEMENT OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES),
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010

	General Fund	Buckeye Brook Road Phase #2	Other Governmental Funds	Total Governmental Funds
REVENUES:				
General property taxes	\$ 20,431,007			\$ 20,431,007
Intergovernmental	2,018,504		\$ 880,862	2,899,366
Departmental	872,022			872,022
Investment income	22,946		2,238	25,184
Other			87,043	87,043
TOTAL REVENUES	23,344,479	\$ 0	970,143	24,314,622
EXPENDITURES:				
Current:				
General government	1,194,823		77,315	1,272,138
Public safety	2,118,084		30,004	2,148,088
Public works	1,189,996		80,071	1,270,067
Education	13,702,263			13,702,263
Parks and recreation	350,251		46,937	397,188
Public health and assistance	418,931			418,931
Community development			296,941	296,941
Other	1,949,478			1,949,478
Debt Service:				
Principal	338,975		2,370	341,345
Interest and other costs	464,042		330	464,372
Capital:				
Capital outlay	208,174		335,114	543,288
TOTAL EXPENDITURES	21,935,017	0	869,082	22,804,099
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	1,409,462	0	101,061	1,510,523

(CONTINUED)

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF CHARLESTOWN, RHODE ISLAND

**STATEMENT OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES),
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010**

	General Fund	Buckeye Brook Road Phase #2	Other Governmental Funds	Total Governmental Funds
OTHER FINANCING SOURCES (USES):				
Transfers in	163,142		753,580	916,722
Transfers out	(1,073,580)		(168,142)	(1,241,722)
Proceeds from capital leases	105,921			105,921
Landfill monitoring	(59,265)			(59,265)
NET OTHER FINANCING SOURCES (USES)	(863,782)	0	585,438	(278,344)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	545,680	0	686,499	1,232,179
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	6,289,796	(650,849)	1,037,193	6,676,140
FUND BALANCE (DEFICIT) AT END OF YEAR	\$ 6,835,476	\$ (650,849)	\$ 1,723,692	\$ 7,908,319

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

(CONCLUDED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, OTHER FINANCING SOURCES (USES) AND CHANGES IN FUND BALANCE (B-2)
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES (A-2)
YEAR ENDED JUNE 30, 2010**

Net Change in Fund Balances - Total Governmental Funds (B-2):	\$ 1,232,179
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.	(929,347)
The governmental funds report OPEB contributions as expenditures when paid. However, in the statement of activities, differences between OPEB plan contributions and OPEB costs for the year are reported as an OPEB asset.	47,766
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.	2,255,946
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in governmental funds.	28,951
Adjustment to accrued interest payable related to long-term liabilities which is required to be recorded for government-wide financial statement presentation.	9,276
Bond issuance costs are reported as expenditures in the Governmental Funds financial statements. The cost and related accumulated amortization is reflected as an other asset on the Government-wide financial statements.	<u>(7,058)</u>
Change in Net Assets of Governmental Activities in the Statement of Activities (A-2)	<u><u>\$ 2,637,713</u></u>

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF CHARLESTOWN, RHODE ISLAND

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010**

	Residential Collection Center	Coastal Pond Management	Totals
ASSETS:			
<i>Current Assets:</i>			
Cash and cash equivalents	\$ 231,302	\$ 145,184	\$ 376,486
Restricted cash and cash equivalents		15,856	15,856
Receivables, net	11,303		11,303
Prepaid expenses	2,000		2,000
Total Current Assets	244,605	161,040	405,645
<i>Noncurrent Assets:</i>			
Net capital assets	184,041	480	184,521
Total Noncurrent Assets	184,041	480	184,521
TOTAL ASSETS	428,646	161,520	590,166
LIABILITIES:			
<i>Current Liabilities:</i>			
Accounts payable	5,839	523	6,362
Due to other funds	155,388	77,467	232,855
Capital leases payable	6,765		6,765
Total Current Liabilities	167,992	77,990	245,982
<i>Noncurrent Liabilities:</i>			
Capital leases payable, net	3,913		3,913
Accrued compensated absences	6,984		6,984
Total Noncurrent Liabilities	10,897	0	10,897
TOTAL LIABILITIES	178,889	77,990	256,879
NET ASSETS:			
Invested in capital assets, net of related debt	173,363	480	173,843
Restricted for endowment		10,000	10,000
Unrestricted	76,394	73,050	149,444
TOTAL NET ASSETS	\$ 249,757	\$ 83,530	\$ 333,287

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, 2010**

	Residential Collection Center	Coastal Pond Management	Totals
OPERATING REVENUES:			
Charges for usage and service	\$ 189,125	\$ 42,160	\$ 231,285
Total Operating Revenues	<u>189,125</u>	<u>42,160</u>	<u>231,285</u>
OPERATING EXPENSES:			
Operations	91,152	10,779	101,931
Personnel	93,741	31,060	124,801
Depreciation	14,882	963	15,845
Total Operating Expenses	<u>199,775</u>	<u>42,802</u>	<u>242,577</u>
OPERATING LOSS	<u>(10,650)</u>	<u>(642)</u>	<u>(11,292)</u>
NONOPERATING REVENUES:			
Investment income	386	295	681
Total Nonoperating Revenues	<u>386</u>	<u>295</u>	<u>681</u>
LOSS BEFORE TRANSFERS	<u>(10,264)</u>	<u>(347)</u>	<u>(10,611)</u>
TRANSFERS IN	<u>25,000</u>	<u>0</u>	<u>25,000</u>
CHANGE IN NET ASSETS	14,736	(347)	14,389
TOTAL NET ASSETS - BEGINNING	<u>235,021</u>	<u>83,877</u>	<u>318,898</u>
TOTAL NET ASSETS - ENDING	<u>\$ 249,757</u>	<u>\$ 83,530</u>	<u>\$ 333,287</u>

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF CHARLESTOWN, RHODE ISLAND

**STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2010**

	<u>Residential Collection Center</u>	<u>Coastal Pond Management</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 183,947	\$ 42,160	\$ 226,107
Cash paid to suppliers	(94,714)	(11,208)	(105,922)
Cash paid to employees	(94,398)	(31,060)	(125,458)
Net cash used for operating activities	<u>(5,165)</u>	<u>(108)</u>	<u>(5,273)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers from General Fund	25,000		25,000
Increase in due to other funds	68,741	31,540	100,281
Net cash provided by noncapital financing activities	<u>93,741</u>	<u>31,540</u>	<u>125,281</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Principal payment on capital lease payable	(6,473)		(6,473)
Net cash used for capital and related financing activities	<u>(6,473)</u>	<u>0</u>	<u>(6,473)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest on investments	386	295	681
Net cash provided by investing activities	<u>386</u>	<u>295</u>	<u>681</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	82,489	31,727	114,216
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>148,813</u>	<u>129,313</u>	<u>278,126</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 231,302</u>	<u>\$ 161,040</u>	<u>\$ 392,342</u>
Reconciliation of operating loss to net cash used for operating activities:			
Operating loss	\$ (10,650)	\$ (642)	\$ (11,292)
Adjustments to reconcile:			
Depreciation	14,882	963	15,845
Increase in receivables, net	(5,178)		(5,178)
Increase in prepaid expenses	(2,000)		(2,000)
Decrease in accounts payable	(1,562)	(429)	(1,991)
Decrease in accrued compensated absences	(657)		(657)
Net cash used for operating activities	<u>\$ (5,165)</u>	<u>\$ (108)</u>	<u>\$ (5,273)</u>

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF CHARLESTOWN, RHODE ISLAND

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2010**

	<u>Other Post-Employment Benefit Trust Fund</u>
ASSETS:	
Cash and cash equivalents	\$ 20,827
Investments, at fair value	<u>793,836</u>
Total assets	<u>814,663</u>
LIABILITIES	<u>0</u>
NET ASSETS:	
Held in trust for other post-employment benefits	<u>\$ 814,663</u>

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF CHARLESTOWN, RHODE ISLAND

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2010**

	<u>Other Post-Employment Benefit Trust Fund</u>
ADDITIONS:	
Contributions:	
Employer contributions	\$ 300,000
Total contributions	<u>300,000</u>
Investment income:	
Interest and dividends	15,743
Net decrease in fair value of investments	<u>(2,804)</u>
Total investment income	<u>12,939</u>
Total additions	<u>312,939</u>
DEDUCTIONS:	
Benefits	0
Administrative expenses	<u>0</u>
Total deductions	<u>0</u>
CHANGE IN NET ASSETS	312,939
NET ASSETS - BEGINNING	501,724
NET ASSETS - ENDING	<u>\$ 814,663</u>

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

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, 2010**

1. REPORTING ENTITY (Continued)

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Recently Issued Accounting Standards

The Town implemented the following pronouncements for the year ended June 30, 2010:

- GASB Statement No. 51 - Accounting and Financial Reporting for Intangible Assets.
- GASB Statement No. 53 - Accounting and Financial Reporting for Derivative Instruments.
- GASB Statement No. 57 - OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans.

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

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

- GASB Statement No. 54 - Fund Balance Reporting and Governmental Fund Type Definitions, effective for the Town's fiscal year ending June 30, 2011.
- GASB Statement No. 59 - Financial Instruments Omnibus, effective for the Town's fiscal year ending June 30, 2011.

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

Basis of Presentation

Government-Wide Financial Statements

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

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Fund Financial Statements

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

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

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

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

Special Revenue Funds

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

Capital Project Funds

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

Debt Service Funds

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

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds (Continued)

Permanent Funds

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

Proprietary Funds

Proprietary funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. Operating revenues of the Proprietary Funds consist of customer/taxpayer charges for uses and services and certain other miscellaneous revenues. All other revenues of the Proprietary Funds are considered non-operating sources of revenue.

Fiduciary Funds (Not included in government-wide statements)

Other Post-Employment Benefit Trust Funds

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

Agency Funds

Agency funds account for assets held by the Town in a purely custodial capacity. Since agency funds are custodial in nature (i.e. assets equal liabilities), they do not involve the measurement of results of operations. The Town did not have any agency funds at June 30, 2010.

Major and Non-Major Funds

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

<u>Fund</u>	<u>Brief Description</u>
<i>Major:</i>	
General:	See above for description
Capital Projects :	Buckeye Brook Road Phase #2: accounts for the funds needed to reconstruct the remaining portion of Buckeye Brook Road (from the end of the 2006 reconstruction to Shumankanunc Hill Road), as approved at the Financial Town Meeting on June 4, 2007.

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Major and Non-Major Funds (Continued)

<u>Fund</u>	<u>Brief Description</u>
Major:	
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:	Ad Hoc Withdrawal Committee, Police Grants – Byrne, MEDS Grant - R.I. Dept. of Health, Police Grant - NCHIP, School Impact Fees, Educational Planning, Historical and Vital Records, Green Hill/Beach Road Infiltration Grant, Municipal Planning, Revaluation Fund, Reserve for Employee Severance Benefits, Comprehensive Planning Grant, Operation Blue Riptide, Mud Cove Recreation Development, Recreation Donations, Ninigret Park Fund, Bicentennial Fund, Facilities Maintenance, Developer Bond Deposits, Open Space Fees, FEMA 2010 Floods, Naval Airfield Memorial, Police Forfeiture, Employee Vending, Police Bike Unit Training, Birthday Committee, Trail Improvement Grant - Mud Cove, 2009 Byrne/JAG ARRA, Bulletproof Vest, RIEMA Police Homeland Grant, Community Development Block Grant, Senior Community Activities, RIIRMT Safety Enhancement Parks and Rec, GIS Project, RIHPHC Preservation is Local Grant, Special Donations, Ninigret Dog Park, Accounting Software Fund, Columbia Heights Streetscapes Enhancement, RI Historical Preservation Grant, Tax Anticipation Note Interest, South Farm Trails Grant, Energy Efficient and Conservation Block Grant, NHTSA, and Speed Trailer.
Capital Projects:	Buckeye Brook Road, RI LEAP, DPW Salt/Sand Equipment Shed, DPW – Old Coach Road Reconstruction Phase I, Tennis Court Construction, Town Capital Maintenance Fund, Police Building Fund, DPW Road Engineering, Open Space Acquisitions, and Landfill Closure.
Debt Service:	Ocean Ridge Road
Permanent:	Zenis Ellis Trust, Cemetery Fund

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus

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

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

- (a) All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period. The Town considers property taxes as available if they are collected within 60 days after year end.

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

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

Basis of Accounting

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

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

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

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

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

In the government-wide statements, receivables consist of all revenues earned at year end and not yet received. Allowances for uncollectible accounts receivable are based on historical trends and the periodic aging of accounts receivable. The allowance for uncollectible accounts totaled \$330,300 for property taxes. Major receivable balances for the governmental activities include property taxes and intergovernmental grants and aid. Business-type activities report service fees as its major receivables.

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

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in certain governmental funds. 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. The Town's cash and cash equivalents consist of cash on hand, demand deposits, money market accounts, and short-term investments with original maturities of three months or less from the date of acquisition. Substantially all of the Town's cash and cash equivalents are held in public deposit institutions or collateralized government investment pools, which are available on a daily basis.

Short-term Interfund Receivables/Payables

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

Advances to Other Funds

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

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Transfers

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

During fiscal year 2010, there were no transfers made as budgeted subsidies.

Bond Premiums and Issuance Costs

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

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

The total bond premiums at June 30, 2010 were \$35,075, while the accumulated amortization was \$12,358. The total bond issuance costs at June 30, 2010 were \$94,528, while the accumulated amortization was \$44,883.

Materials and Supplies

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

Prepaid Items

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

Property, Plant and Equipment

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

Government-Wide Statements

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

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Statements Continued

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

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

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

Fund Financial Statements

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

Interfund Transactions

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

Reciprocal interfund activities:

- Interfund loans are reported as interfund receivables in the lending fund and interfund payables in borrower funds.

Non-reciprocal interfund activities:

- Interfund transfers are reported in governmental funds as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers. In proprietary funds, transfers are reported after nonoperating revenues and expenses.

Compensated Absences

The Town's policy is to recognize the cost of sick leave and vacation pay in governmental funds at the time payments are made. Vested sick leave and accumulated vacation pay for governmental fund employees at June 30, 2010 amounted to \$746,040. 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, 2010.

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets

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

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

	<u>Revenues and Transfers</u>	<u>Expenditures and Transfers</u>
Schedule of Revenues, Expenditures and Changes in Fund		
Balance (Non-GAAP Budgetary Basis) Budget and Actual (E-2)...	\$24,530,368	\$23,094,381
Reappropriated fund balance	(916,826)	
Current year encumbrances		(32,198)
Prior year encumbrances		<u>5,679</u>
Statement of Revenues, Expenditures and Changes in Fund		
Balance (B-2)	<u>\$23,613,542</u>	<u>\$23,067,862</u>

Use of Estimates

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

Equity Classifications

Government-Wide Statements

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

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

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Statements

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

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

The governmental fund statement of revenues, expenditures, other financing sources (uses) and changes in fund balances includes reconciliation between *net changes in fund balances - total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense". The details of this \$929,347 difference are as follows:

Capital outlays.....	\$ 636,501
Depreciation expense.....	<u>(1,565,848)</u>
Net adjustment.....	<u>\$ (929,347)</u>

Another element of that reconciliation explains that "the issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes financial resources of governmental funds". The details of this \$2,255,946 difference are as follows:

Bonds payable.....	\$ 338,975
Less: deferred charge on refunding	(7,809)
Add: issuance premium.....	1,926
Capital leases payable	133,988
Compensated absences	(11,134)
Landfill monitoring	<u>1,800,000</u>
Net adjustment	<u>\$2,255,946</u>

3. DEPOSITS AND INVESTMENTS

Deposits

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

The Town maintains deposits at local financial institutions. At year end, the carrying amount of such deposits was \$3,270,560 while the bank balance was \$3,401,075 of which \$252,569 was covered by federal depository insurance and \$3,148,506 was collateralized. Rhode Island General Law 35-10.1 requires that public deposits which are time deposits with maturities greater than 60 days be insured or pledged by collateral. In addition, collateral must be insured or pledged for depository institutions, which do not meet minimum capital standards. The Town of Charlestown was in compliance with this law at June 30, 2010.

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

3. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

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

Unrestricted cash deposits	\$3,270,560
Petty cash	3,075
Investments classified as cash equivalents	4,471,443
Investments classified as restricted cash equivalents	<u>15,856</u>
Total cash and cash equivalents – (A-1)	<u>\$7,760,934</u>

Investments

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

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

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

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

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

Concentration of Credit Risk - At June 30, 2010, the Town had 100% of its non fiduciary fund investments concentrated in collateralized local government investment pools. The Collateralized Local Government Investment Pool (LGIP) invests public-sector funds only in U.S. Treasury and other U.S. Government securities permitted under Rhode Island law. The LGIP's provides collateral at a 102% minimum. The LGIP is fully compliant with all Rhode Island laws, investment guidelines and collateral requirements, and is managed within the guidelines of a registered SEC 2-a7-type fund.

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

3. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

The OPEB trust fund held the following investments, which represent five percent or more of the net assets available for benefits at June 30, 2010:

Templeton Institutional Foreign Fund, equity mutual fund	\$56,849
Vanguard Intermediate - Term Bond Index fund, fixed income mutual bond	\$52,468

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

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

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

As of June 30, 2010, investments other than those included in the Fiduciary Fund included:

<u>Description</u>	<u>Fair Value</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Rating</u>
Series H Bond	\$ 500	1.50%	N/A	
Collateralized Local Government Investment Pool.....	<u>4,487,299</u>	Varies Daily (1)	Daily	(not rated)
Subtotal	<u>\$4,487,799</u>			

(1) Average daily rate of 0.23% for June 2010.

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

3. DEPOSITS AND INVESTMENTS (Continued)

Reconciliation to Government-wide Statement of Net Assets:

Investments.....	\$ 4,487,799
Less: investments classified as cash equivalents.....	(4,487,299)
Total investments (A-1)	<u>500</u>

Investments included in the Fiduciary Fund consisted of the following at June 30, 2010:

<u>Description</u>	<u>Fair Value</u>	<u>Percentage of Portfolio at Year End</u>	<u>Maturity</u>	<u>Credit Rating</u>
U.S. Government agencies:				
Federal Home Loan Bank	\$ 25,469	3.3%	10/13/17	AAA
Federal Home Loan Mtg. Corp.....	<u>25,513</u>	<u>3.3%</u>	8/25/16	AAA
Subtotal	<u>50,982</u>	<u>6.6%</u>		
Corporate bonds:				
General Electric Capital Corp.....	<u>26,591</u>	3.3%	9/21/15	AA+
Municipal bonds:				
New Jersey Environmental	25,393	3.2%	9/1/19	AAA
Northborough MA GO	26,577	3.3%	10/15/18	Aa2
Pittsburgh PA Urban Development	<u>25,505</u>	<u>3.3%</u>	5/1/17	AA
Subtotal	<u>77,475</u>	<u>9.8%</u>		
Corporate equity securities	<u>383,711</u>	48.3%	(not applicable)	(not rated)
Equity mutual funds.....	<u>141,119</u>	17.7%	(not applicable)	(not rated)
Fixed income mutual funds	<u>113,958</u>	<u>14.3%</u>	(not applicable)	AAA
Total Investments.....	<u>\$793,836</u>	<u>100.0%</u>		

4. TAXES RECEIVABLE AND DEFERRED REVENUE

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

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

Unpaid property taxes at June 30, 2010 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 2010 were based on an assessed value of approximately \$2,718,712,440 at December 31, 2008 and amounted to \$20,395,658. Collections through June 30, 2010 amounted to \$19,973,871 which represents 98% of the total tax levy.

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

4. TAXES RECEIVABLE AND DEFERRED REVENUE (Continued)

The Town recognizes property tax revenues in accordance with Section P70, "Property Taxes" of the Codification of Governmental Accounting and Financial Reporting Standards. Unpaid property taxes as of June 30, 2010 of \$1,111,204 are recorded as a receivable, net of an allowance for uncollectible property taxes of \$330,300. Those net property taxes receivable which were not collected within the 60 days immediately following June 30, 2010 are recorded as deferred revenue and amounted to \$619,506 at June 30, 2010. Property taxes recognized as revenue for the fiscal year ended June 30, 2010 (due to their collection within the 60 days immediately following June 30, 2010) amounted to \$161,398.

5. INTERGOVERNMENTAL RECEIVABLES/PAYABLES

Intergovernmental receivables and payables consisted of the following at June 30, 2010:

	<u>Due From</u>	<u>Due To</u>
Governmental activities:		
State of Rhode Island:		
Major funds:		
General Fund	\$ 85,091	\$11,422
Non-major funds	<u>479,116</u>	
Total	<u>564,207</u>	<u>11,422</u>
Federal government:		
Non-major funds	<u>751,622</u>	
Total governmental activities	<u>\$1,315,829</u>	<u>\$11,422</u>

6. DEFINED BENEFIT PENSION PLANS

(a) General Municipal Employee's Pension Plan

Plan Description

The Town's defined benefit pension plan, Municipal Employee's Retirement System of the State of Rhode Island (MERS), provides retirement and disability benefits, annual cost-of-living adjustments, death and disability benefits to plan members and beneficiaries. MERS is an agent multiple-employer Public Employee Retirement System that acts as a common investment agent for participants. The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liabilities for benefits. The Municipal Employee's Retirement System of the State of Rhode Island issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State of Rhode Island Employee Retirement Board, 40 Fountain Street, Providence, RI 02903. The payroll for employees covered by the System for the year ended June 30, 2010 was approximately \$1,760,946, and the Town wide payroll was approximately \$3,686,822.

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

6. DEFINED BENEFIT PENSION PLANS (Continued)

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

Funding Policy

MERS members are required to contribute 7.0% of their annual covered salary. The Town is required to contribute at an actuarially determined rate; the current rate is 10.73% of annual covered payroll. The contribution requirements of plan members and the Town are established and may be amended by State Statute.

<u>Year Ended June 30</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2008	\$142,747	100%	\$0
2009	\$192,378	100%	\$0
2010	\$189,650	100%	\$0

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2009 (the date of the most recent actuarial valuation) was as follows:

<u>Actuarial Valuation Date June 30</u>	<u>(A) Actuarial Value of Assets</u>	<u>(B) Actuarially Accrued Liability (AAL)</u>	<u>(B-A) Unfunded AAL</u>	<u>(A/B) Funded Ratio</u>	<u>(C) Covered Payroll</u>	<u>[(B-A)/C] UAAL as A Percentage of Covered Payroll</u>
2009	\$4,111,545	\$5,935,641	\$1,824,096	69.3%	\$1,803,892	101.1%

Annual Pension Cost

For 2010, the Town's annual pension cost of \$189,650 for MERS was equal to the Town's required and actual contributions. The required contribution was determined as part of the June 30, 2008 actuarial valuation using the entry age normal cost method with frozen initial liability. Significant actuarial assumptions include mortality rates based on the 1994 Group Annuity Mortality Tables and a retirement age of 65 or completion of service requirements, if later. The actuarial value of MERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. MERS unfunded actuarial accrued liability is being amortized as a level percentage of salary funding over a closed 30 year period.

(b) Police Pension Plan

Plan Description

All full-time police members participate in the same Municipal Employee's Retirement System of the State of Rhode Island (described above). The payroll for employees covered by the System for the year ended June 30, 2010 was approximately \$1,175,892, and the Town wide payroll was approximately \$3,686,822.

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

6. DEFINED BENEFIT PENSION PLANS (Continued)

(b) Police Pension Plan (Continued)

Funding Policy

Covered police employees are required to contribute 9.0% of their salary. The Town is required to contribute at an actuarially determined rate; the current rate is 23.52% of annual covered payroll. The contribution requirements of plan members and the Town are established and may be amended by State Statute.

<u>Year Ended June 30</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2008	\$357,490	100%	\$0
2009	\$288,971	100%	\$0
2010	\$276,922	100%	\$0

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2009 (the date of the most recent actuarial valuation) was as follows:

<u>Actuarial Valuation Date June 30</u>	<u>(A) Actuarial Value of Assets</u>	<u>(B) Actuarially Accrued Liability (AAL)</u>	<u>(B-A) Unfunded AAL</u>	<u>(A/B) Funded Ratio</u>	<u>(C) Covered Payroll</u>	<u>[(B-A)/C] UAAL as A Percentage of Covered Payroll</u>
2009	\$5,813,138	\$8,128,234	\$2,315,096	71.5%	\$1,172,189	197.5%

Annual Pension Cost

For 2010, the Town's annual pension cost of \$276,922 for the Police Pension System was equal to the Town's required and actual contributions. The required contribution was determined as part of the June 30, 2008 actuarial valuation using the entry age normal cost method with frozen initial liability and adjusted on December 31, 2003 in anticipation of adopting COLA Plan C. Significant actuarial assumptions included mortality rates based on the 1994 Group Annuity Mortality Tables, and a retirement age of 60 and completion of 10 years of service, or at the later of the age 55 and completion of 25 years of service, if earlier, or completion of service requirements, if later. The actuarial value of MERS' assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. MERS unfunded actuarial accrued liability is being amortized as a level percentage of salary funding over a closed 30 year period.

The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liabilities for benefits. Trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the State of Rhode Island's Employee Retirement System's June 2009 Annual Financial Report, which may be obtained from the administrative offices of the State of Rhode Island Retirement Board, 40 Fountain Street, Providence, Rhode Island. This report is the most recent report available from the State, who administers the Plan.

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

6. DEFINED BENEFIT PENSION PLANS (Continued)

Annual Pension Cost

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

	<u>General Municipal Employees Pension Plan</u>	<u>Municipal Police Pension Plan</u>
Valuation date	6/30/08	6/30/08
Actuarial cost method.....	Entry Age Normal Cost	Entry Age Normal Cost
Amortization method	Level Percent Closed	Level Percent Closed
Remaining amortization period.....	21 years	21 years
Asset valuation method	5-year Smoothed Market Value	5-year Smoothed Market Value
Actuarial assumptions:		
Investment rate of return	8.25%, compounded annually	8.25%, compounded annually
Projected salary increases	4.5%-8.5%, compounded annually	4.75%-14.75%, compounded annually
Cost-of-living adjustments	1.50% not compounded	2.00% not compounded
Inflation adjustments	3.0%	3.0%

(c) Other Retirement Plans

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

Town Funded Retirement Benefits

During fiscal year 2010, the Town provided retirement benefits to two former employees. These pensions are self-funded by the Town on a pay-as-you-go basis. One of the pensions is based on a fixed annual amount of \$4,800 and is payable for the remainder of the retiree's life. The other pension has a June 30, 1987 base amount of \$9,000 and is increased annually by 3%. In addition, if the retiree predeceases his spouse, then the surviving spouse is entitled to 50% of the benefits for the remainder of the spouse's life or until the spouse remarries. For the year ended June 30, 2010, the total cost to the Town for providing retirement benefits to these two retirees amounted to \$13,422.

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

7. INTERFUND BALANCES

Interfund receivable and payable balances at June 30, 2010 are as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Governmental activities:		
Major funds:		
General Fund	\$1,404,153	\$ 842,956
Buckeye Brook Road Phase #2		650,849
Non-major funds	<u>1,028,784</u>	<u>706,277</u>
Total governmental activities	<u>\$2,432,937</u>	<u>\$2,200,082</u>
Business-type activities:		
Major funds:		
Residential Collection Center		\$ 155,388
Coastal Pond Management		77,467
Total business-type activities	<u>\$ 0</u>	<u>\$ 232,855</u>

8. LONG-TERM LIABILITIES

(a) Long-Term Liability Activity

Long-term liability activity for the year ended June 30, 2010 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	\$5,495,845		\$338,975	\$5,156,870	\$332,010
Leases payable	<u>606,537</u>	<u>\$105,921</u>	<u>239,909</u>	<u>472,549</u>	<u>199,531</u>
Subtotal	6,102,382	105,921	578,884	5,629,419	531,541
Plus: bond premium, net of amortization	24,643		1,926	22,717	
Less: amount deferred on refunding	<u>(12,364)</u>		<u>(7,809)</u>	<u>(4,555)</u>	
Total long-term debt	<u>6,114,661</u>	<u>105,921</u>	<u>573,001</u>	<u>5,647,581</u>	<u>531,541</u>
Other long-term liabilities:					
Compensated absences	734,906	42,803	31,669	746,040	81,000
Landfill monitoring costs	<u>2,100,000</u>		<u>1,800,000</u>	<u>300,000</u>	<u>15,000</u>
Total other long-term liabilities	<u>2,834,906</u>	<u>42,803</u>	<u>1,831,669</u>	<u>1,046,040</u>	<u>96,000</u>
Governmental activities: Long-term liabilities	<u>\$8,949,567</u>	<u>\$148,724</u>	<u>\$2,404,670</u>	<u>\$6,693,621</u>	<u>\$627,541</u>
Business-Type Activities:					
Long-term debt:					
Leases payable	\$ 17,150	\$ 0	\$ 6,472	\$10,678	\$6,765
Other long-term liabilities:					
Compensated absences	<u>7,641</u>	<u>0</u>	<u>657</u>	<u>6,984</u>	<u>0</u>
Business-type activities: Long-term liabilities	<u>\$ 24,791</u>	<u>\$ 0</u>	<u>\$ 7,129</u>	<u>\$17,662</u>	<u>\$6,765</u>

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

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

8. LONG-TERM LIABILITIES (Continued)

(b) Debt Maturity

At June 30, 2010, the Town had \$3,000,000 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>
2011	\$ 332,010	\$ 215,115	\$ 547,125
2012	183,450	204,863	388,313
2013	184,955	198,483	383,438
2014	186,528	191,660	378,188
2015	188,172	184,766	372,938
2016 - 2020	968,226	811,712	1,779,938
2021 - 2025	871,949	607,165	1,479,114
2026 - 2030	338,899	476,351	815,250
2031 - 2035	422,328	392,922	815,250
2036 - 2040	526,299	288,951	815,250
2041 - 2045	655,864	159,386	815,250
2046 - 2048	298,190	20,577	318,767
Totals	\$5,156,870	\$3,751,951	\$8,908,821

At June 30, 2010, 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, 2010 consisted of the following:

	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Original Issue</u>	<u>Balance June 30, 2010</u>
General obligation serial bonds:					
Open Space bond.....	2.25% - 4.30%	2/12/04	2/1/24	\$3,000,000	\$2,100,000
Refunding bond	1.0% - 2.75%	2/12/04	2/1/11	\$1,230,000	150,000
USDA bond.....	4.50%	7/28/06	7/28/46	\$3,000,000	<u>2,906,870</u>
Total general obligation bonds					<u>\$5,156,870</u>

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

8. LONG-TERM LIABILITIES (Continued)

(d) Capital Leases

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

The assets acquired through capital leases are as follows:

Governmental Activities

	<u>Public Safety</u>	<u>Public Works</u>
Assets:		
Vehicles and equipment.....	\$ 555,159	\$1,233,683
Less: accumulated depreciation.....	(273,213)	(674,228)
Total.....	<u>\$ 281,946</u>	<u>\$ 559,455</u>

Business-type Activities

Residential Recycling Center

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

The following schedule summarizes the future minimum lease payments under those capital leases, and the present value of the net minimum lease payments at June 30, 2010:

<u>Fiscal year ending June 30:</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2011.....	\$222,922	\$7,248
2012.....	115,363	4,090
2013.....	70,207	
2014.....	70,207	
2015.....	46,150	
Total minimum lease payments.....	524,849	11,338
Less: amount representing interest.....	(52,300)	(660)
Present value of future minimum lease payments	<u>\$472,549</u>	<u>\$10,678</u>

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. Management estimates that the potential claims against the Town not recorded in the accompanying basic financial statements resulting from such litigation would not materially affect the basic financial statements.

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

10. 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. General Fund postclosure costs incurred during the fiscal year ended June 30, 2010 totaled \$59,265. Postclosure monitoring costs were originally estimated at \$50,000 to \$100,000 per year. Based upon revised estimates from an independent consultant, the costs should approximate \$15,000 annually for the remaining 20 years. These estimates are based on an independent evaluation of the cost to perform postclosure monitoring. The annual estimated postclosure monitoring costs have decreased significantly from the prior year amount of \$100,000. In fiscal year 2010, the Rhode Island Department of Environmental Management approved a reduction in the scope of the Town's postclosure monitoring activities resulting in the associated cost reductions. Actual costs may be higher due to inflation, changes in technology or changes in regulation. Annual postclosure monitoring costs are expected to be funded through General Fund appropriations.

11. 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, 2010 were as follows:

General Fund:

Reserved for tax sale property	\$ 90,760
Reserved for encumbrances	32,198
Reserved for amounts not due within one year	<u>908,713</u>
Total	<u>\$1,031,671</u>

Special Revenue Funds:

Reserved for encumbrances	<u>\$ 58,854</u>
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Permanent Funds:

Reserved for perpetual care	<u>\$ 1,514</u>
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Designations of unreserved fund balances at June 30, 2010 were as follows:

General Fund:

Designated for fiscal 2011 operations	<u>\$340,000</u>
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(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

11. **FUND EQUITY (Continued)**

(b) **Net Assets**

Restriction of net assets at June 30, 2010 were as follows:

Enterprise Funds:

Restriction for endowment \$ 10,000

(c) **Fund Deficits**

The following funds had cumulative deficits at June 30, 2010:

Major Governmental Funds:

Buckeye Brook Road Phase # 2 \$650,849

Non-major Governmental Funds:

DPW - Old Coach Road Reconstruction Phase 1 \$257,864

The deficits in the Buckeye Brook Road Phase #2 and the DPW - Old Coach Road Reconstruction Phase 1 funds will be funded by General Fund contributions. In fiscal year 2010, the Town chose to fund these deficits with General Fund contributions rather than proceeds from the issuance of general obligation bonds.

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

12. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 7,241,614			\$ 7,241,614
Construction-in-progress	45,612	\$ 86,854		132,466
Total capital assets not being depreciated ..	7,287,226	86,854	\$ 0	7,374,080
Other capital assets:				
Buildings and improvements	6,951,832	12,462		6,964,294
Equipment	903,125	31,664		934,789
Vehicles	2,905,636	180,179	(90,283)	2,995,532
Infrastructure	42,933,245	325,342		43,258,587
Total other capital assets	53,693,838	549,647	(90,283)	54,153,202
Less: accumulated depreciation for:				
Buildings and improvements	(1,582,913)	(159,078)		(1,741,991)
Equipment	(483,249)	(102,725)		(585,974)
Vehicles	(1,901,067)	(284,546)	78,939	(2,106,674)
Infrastructure	(33,717,709)	(1,008,155)		(34,725,864)
Total accumulated depreciation	(37,684,938)	(1,554,504)	78,939	(39,160,503)
Other capital assets, net	16,008,900	(1,004,857)	(11,344)	14,992,699
Governmental activities capital assets, net	\$23,296,126	\$ (918,003)	\$(11,344)	\$22,366,779
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 99,500			\$ 99,500
Total capital assets not being depreciated ..	99,500	\$ 0	\$0	99,500
Other capital assets:				
Buildings	18,550			18,550
Land improvements	113,684			113,684
Machinery and equipment	230,464			230,464
Total other capital assets	362,698	0	0	362,698
Less: accumulated depreciation for:				
Buildings	(18,548)			(18,548)
Land improvements	(68,211)	(7,579)		(75,790)
Machinery and equipment	(175,073)	(8,266)		(183,339)
Total accumulated depreciation	(261,832)	(15,845)	0	(277,677)
Other capital assets, net	100,866	(15,845)	0	85,021
Business-type activities capital assets, net	\$ 200,366	\$(15,845)	\$0	\$ 184,521

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

12. CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 57,606
Public safety	267,763
Recreation	20,255
Public works	1,186,880
Education	<u>22,000</u>
Total governmental activities	<u>\$1,554,504</u>
Business-type activities:	
Residential Collection Center	\$14,882
Coastal Pond Management	<u>963</u>
Total business type activities	<u>\$15,845</u>

13. 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, 2010.

14. RISK MANAGEMENT

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

The Trust is obligated to make payments on the Town's behalf without any further obligation of the Town, unless the Town's applicable limit of liability was exhausted by the size of the loss or the nature of the loss would fall outside the parameters of the Trust policy. As of June 30, 2010, the Town believes there is minimal, if any, potential exposure for outstanding claims which would fall outside the parameter of the Trust policy.

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

15. COMMUNITY SEPTIC LOAN PROGRAM

On June 9, 1999, the Town entered into an agreement with the Rhode Island Clean Water Finance Agency to finance the Town's Community Septic System Loan Program. The loan agreement provides the Town with a \$500,000 non-restoring line-of-credit. The proceeds of the loan shall be used by the Town for the establishment and operation of a Community Septic System Loan Program. The Program provides for the Town to make loans to property owners of the Town for the repair or replacement of failed or failing septic systems. The individual loans to be made to property owners shall be underwritten by the Town with the assistance of the Rhode Island Housing Mortgage Finance Corporation (RIHMFC). RIHMFC, on behalf of the Town shall perform all administrative functions related to servicing the individual loans, including disbursing loans to property owners and collecting and remitting borrower loan payments. The loan has a zero interest rate to the Town and 4% to property owners. The Town is only required to make principal repayments in the event that individual property owners default on their loans. As of June 30, 2010, the amount of loans outstanding under this program was approximately \$466,644.

16. INTERFUND TRANSFERS

Interfund transfers for fiscal year ended June 30, 2010 are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental activities:		
Major funds:		
General Fund	\$163,142	\$1,073,580
Non-major funds	<u>753,580</u>	<u>168,142</u>
Total governmental activities	<u>\$916,722</u>	<u>\$1,241,722</u>
Business-type activities:		
Major funds:		
Residential Collection Center	\$ 25,000	
Total business-type activities	<u>\$ 25,000</u>	<u>\$ 0</u>
Fiduciary funds:		
Post-Employment Benefits Trust Fund	<u>\$300,000</u>	<u>\$ 0</u>

17. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Description

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

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2010

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

Plan Description (Continued)

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

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

Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting

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

Classes of Employees Covered

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

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

Benefit Provisions and Contributions

Benefit Provisions

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

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

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

Employer Contributions

The Town's contributions are actuarially determined on a three-year cycle using the level percent amortization method. Contributions made during fiscal year 2010 totaling \$449,000 consist of the current year general fund appropriation of \$300,000 and \$149,000 of general fund pay-as-you-go benefit payments and implicit rate subsidies.

Summary Financial Information

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

**STATEMENT OF FIDUCIARY NET ASSETS
OTHER POST-EMPLOYMENT BENEFITS TRUST FUND
JUNE 30, 2010**

	<u>June 30, 2010</u>
Assets:	
Cash and cash equivalents.....	\$ 20,827
Investments, at fair value.....	<u>793,836</u>
Total	<u>\$814,663</u>
Liabilities	<u>0</u>
Net Assets:	
Net assets held in trust for OPEB benefits	<u>\$814,663</u>

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
OTHER POST-EMPLOYMENT BENEFITS TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2010**

	For the year ended <u>June 30, 2010</u>
Additions:	
Employer contributions	\$300,000
Investment income, net of investment expenses	15,743
Realized investment gains	1,492
Unrealized investment losses	<u>(4,296)</u>
Total additions	<u>312,939</u>
Deductions:	
Benefits	0
Administration	<u>0</u>
Total deductions	<u>0</u>
Changes in Net Assets	312,939
Net Assets - July 1, 2009	<u>501,724</u>
Net Assets - June 30, 2010	<u>\$814,663</u>

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

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

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$ 401,000
Interest on net OPEB obligation.....	(18,884)
Adjustment to annual required contribution	<u>19,118</u>
Annual OPEB cost (expense)	<u>401,234</u>
Contributions made:	
Employer contributions.....	300,000
Retiree benefit payments	<u>149,000</u>
Total contributions made.....	<u>449,000</u>
Increase (decrease) in net OPEB obligation.....	(47,766)
Net OPEB obligation, (asset) - July 1, 2009.....	<u>(251,782)</u>
Net OPEB obligation, (asset) June 30, 2010	<u>\$(299,548)</u>

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

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

Funded Status and Funding Progress

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

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

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

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

Funded Status and Funding Progress (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to basic financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liabilities for benefits. Fiscal year 2009 was the first year the Town of Charlestown implemented GASB Statement No. 45, therefore, only two years of trend information is available.

Actuarial Methods and Assumptions

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

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

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

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

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2010

18. JOINT VENTURE

The Health Pool (formerly known as the Governmental Health Group of Rhode Island)

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

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

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

A member's share of surplus or deficit is equal to the ratio of the member's subscribers (employees and retirees) participating in the Pool's plan for each month of the one-year period immediately prior to the member's effective date of termination, divided by the sum of all subscribers in the Pool for the same period.

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

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

For the year ended June 30, 2010, unaudited results indicate that the Pool generated \$97,124,022 in revenues and excess of expenses over revenues of \$446,522. The Pool had \$21,280,626 in total assets and \$5,363,255 in total equity as of June 30, 2010.

The Pool retains certain levels of insurance risk and acquires reinsurance for specific losses in excess of \$550,000. As of June 30, 2010, the Pool's membership consisted of 37 cities, towns or other governmental units.

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

(CONCLUDED)

TOWN OF CHARLESTOWN

REQUIRED SUPPLEMENTARY
INFORMATION

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

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date June 30,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	(Overfunded) Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
<u>General Employees – Municipal Employees’ Retirement System</u>						
2007	\$3,496,090	\$4,722,506	\$1,226,416	74.0%	\$1,401,757	87.5%
2008	\$3,953,467	\$5,118,158	\$1,164,691	77.2%	\$1,594,344	73.1%
2009	\$4,111,545	\$5,935,641	\$1,824,096	69.3%	\$1,803,892	101.1%
<u>Police – Municipal Employees’ Retirement System</u>						
2007	\$4,902,698	\$6,943,458	\$2,040,760	70.6%	\$1,127,881	180.9%
2008	\$5,590,888	\$7,551,518	\$1,960,630	74.0%	\$1,127,222	173.9%
2009	\$5,813,138	\$8,128,234	\$2,315,096	71.5%	\$1,172,189	197.5%
<u>OPEB Trust Plan</u>						
7/1/06	\$ 0	\$3,391,000	\$3,391,000	0%	Not Available	N/A
7/1/09	\$502,000	\$4,947,000	\$4,445,000	10.2%	Not Available	N/A

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

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

**GENERAL FUND
YEAR ENDED JUNE 30, 2010**

	Originally Adopted Budget	Final Approved Budget	Actual (Budgetary Basis)	Variance Positive (Negative)
REVENUES:				
General property taxes	\$ 20,381,090	\$ 20,381,090	\$ 20,431,007	\$ 49,917
Intergovernmental	2,321,208	2,321,208	2,018,504	(302,704)
Investment income	50,200	50,200	22,946	(27,254)
Departmental	629,275	629,275	872,022	242,747
Total revenues	23,381,773	23,381,773	23,344,479	(37,294)
EXPENDITURES:				
Current:				
General government	1,249,946	1,249,946	1,196,795	53,151
Public safety	2,202,618	2,202,618	2,118,607	84,011
Public works	1,637,095	1,637,095	1,202,657	434,438
Education	13,978,003	13,978,003	13,702,263	275,740
Recreation	399,790	399,790	354,076	45,714
Public health and assistance	423,700	423,700	418,931	4,769
Miscellaneous	2,145,189	2,145,189	1,954,378	190,811
Debt service:				
Principal	337,010	337,010	338,975	(1,965)
Interest and other costs	710,241	710,241	464,042	246,199
Capital:				
Capital improvements	214,000	214,000	210,812	3,188
Total expenditures	23,297,592	23,297,592	21,961,536	1,336,056
Excess of revenues over expenditures	84,181	84,181	1,382,943	1,298,762
Other financing sources (uses):				
Transfers from fund balance	916,826	916,826	916,826	0
Proceeds from capital leases	0	0	105,921	105,921
Transfers in	123,201	123,201	163,142	39,941
Transfers out	(1,037,208)	(1,037,208)	(1,073,580)	(36,372)
Landfill monitoring	(87,000)	(87,000)	(59,265)	27,735
Net other financing sources (uses)	(84,181)	(84,181)	53,044	137,225
Excess of revenues and other sources over expenditures and other uses	\$ 0	\$ 0	1,435,987	\$ 1,435,987
Less: transfer from fund balance			(916,826)	
Less: prior year encumbrances			(5,679)	
Add: current year encumbrances			32,198	
Fund balance, beginning of year			6,289,796	
Fund balance, end of year			\$ 6,835,476	

TOWN OF CHARLESTOWN, RHODE ISLANDGENERAL FUND**SCHEDULE OF BUDGET ESTIMATES AND ACTUAL REVENUES
YEAR ENDED JUNE 30, 2010**

	Original and Final <u>Budget</u>	Actual <u>Revenues</u>	Variance Positive (Negative)
Property taxes:			
Current and prior years	\$ 20,279,873	\$ 20,299,570	\$ 19,697
Interest on delinquent taxes	101,217	131,437	30,220
Total property taxes	20,381,090	20,431,007	49,917
Intergovernmental revenues:			
State of Rhode Island including:			
Beach parking fees	23,000	21,534	(1,466)
School aid	1,379,112	1,349,891	(29,221)
Beverage/meals tax	99,600	94,401	(5,199)
Hotel tax	15,000	16,582	1,582
Public service corporation tax	50,000	85,091	35,091
Motor vehicle phaseout	495,400	441,247	(54,153)
Roadway Investment Local Equity Aid Program Grant	250,000	0	(250,000)
Emergency Management grant	9,096	9,758	662
Total intergovernmental revenues	2,321,208	2,018,504	(302,704)
Departmental revenues:			
Town Clerk:			
Business licenses and fees	12,000	15,855	3,855
Non-business licenses and fees	2,000	5,138	3,138
Transfer stamps	100,000	121,715	21,715
Probate fees	3,400	20,480	17,080
Tax certificates	5,000	11,525	6,525
Recording fees	50,000	127,273	77,273
Building inspector	90,000	139,881	49,881
Police department	45,000	47,043	2,043
Recreation	15,000	24,281	9,281
Town beach parking and concessions	76,000	96,865	20,865
Beach passes	80,000	73,177	(6,823)
Blue Shutters parking and concessions	109,500	125,292	15,792
Driving range	15,000	12,807	(2,193)
Animal control	3,000	7,253	4,253
Ninigret Park	5,600	5,740	140
Planning Board	4,000	5,330	1,330
Zoning Board and Review	3,000	6,334	3,334
Senior/Community Center	10,775	5,158	(5,617)
Other revenues	0	20,875	20,875
Total departmental revenues	629,275	872,022	242,747
Investment income	50,200	22,946	(27,254)
Other financing sources:			
Transfers from fund balance	916,826	916,826	0
Transfers in	123,201	163,142	39,941
Proceeds from capital leases	0	105,921	105,921
Total other financing sources	1,040,027	1,185,889	145,862
Total revenues and other financing sources	\$ 24,421,800	\$ 24,530,368	\$ 108,568

TOWN OF CHARLESTOWN, RHODE ISLAND

GENERAL FUND

SCHEDULE OF APPROPRIATIONS AND ACTUAL EXPENDITURES - BUDGETARY BASIS
YEAR ENDED JUNE 30, 2010

	Original Budget	Budget Amendments	Final Budget	Actual Expenditures and Transfers	Adjustments to Budgetary Basis	Expenditures and Transfers on Budgetary Basis	Variance Positive (Negative)
General Government:							
Central services	\$ 195,300		\$ 195,300	\$ 185,432	\$ 2,820	\$ 188,252	\$ 7,048
Town clerk	179,207		179,207	167,111	(69)	167,042	12,165
Treasurer	158,017		158,017	135,875		135,875	22,142
Town administrator	130,664		130,664	140,216	(212)	140,004	(9,340)
Tax assessor	190,690		190,690	187,147	361	187,508	3,182
Building inspector	137,784		137,784	133,797		133,797	3,987
Tax collector	96,596		96,596	97,092		97,092	(496)
Town planner	104,988		104,988	103,396		103,396	1,592
Town council	22,550		22,550	19,511		19,511	3,039
Elections unit	6,550		6,550	1,838	389	2,227	4,323
Boards, agencies, and committees	27,600		27,600	23,408	(1,317)	22,091	5,509
Total general government	1,249,946	\$ 0	1,249,946	1,194,823	1,972	1,196,795	53,151
Public Safety:							
Police department	2,098,280		2,098,280	2,017,538	(126)	2,017,412	80,868
Animal control	78,016		78,016	75,562	649	76,211	1,805
Civil preparedness	26,322		26,322	24,984		24,984	1,338
Total public safety	2,202,618	0	2,202,618	2,118,084	523	2,118,607	84,011
Public Works:							
Highway department	1,180,013		1,180,013	766,967	11,449	778,416	401,597
Public buildings and grounds	264,965		264,965	233,556	887	234,443	30,522
Administration	125,117		125,117	122,923		122,923	2,194
Wastewater management	67,000		67,000	66,550	325	66,875	125
Total public works	1,637,095	0	1,637,095	1,189,996	12,661	1,202,657	434,438

TOWN OF CHARLESTOWN, RHODE ISLAND

GENERAL FUND

**SCHEDULE OF APPROPRIATIONS AND ACTUAL EXPENDITURES - BUDGETARY BASIS
YEAR ENDED JUNE 30, 2010**

	Original Budget	Budget Amendments	Final Budget	Actual Expenditures and Transfers	Adjustments to Budgetary Basis	Expenditures and Transfers on Budgetary Basis	Variance Positive (Negative)
Recreation:							
Participation recreation	137,793		137,793	141,162	1,327	142,489	(4,696)
Senior/Community Center	72,222		72,222	61,874	475	62,349	9,873
Blue Shutters Beach	63,325		63,325	50,919	216	51,135	12,190
Town Beach	79,850		79,850	58,332	1,363	59,695	20,155
Driving Range	15,000		15,000	10,520		10,520	4,480
Ninigret Park	31,600		31,600	27,444	444	27,888	3,712
Total recreation	399,790	0	399,790	350,251	3,825	354,076	45,714
Public Health and Assistance:							
Cross Mills Library	208,000		208,000	208,000		208,000	0
Ambulance services	176,800		176,800	176,800		176,800	0
VNS Home Health Services	4,000		4,000	4,000		4,000	0
South Shore Mental Health	3,500		3,500	3,500		3,500	0
Wood River Health	1,500		1,500	1,500		1,500	0
Domestic Violence of South County	1,500		1,500	1,500		1,500	0
Thundermist Health Center of South County	2,000		2,000	2,000		2,000	0
Public Assistance	13,200		13,200	8,431		8,431	4,769
Warm Shelter	1,000		1,000	1,000		1,000	0
Salt ponds	500		500	500		500	0
Seniors helping others	1,250		1,250	1,250		1,250	0
Community Action South County	500		500	500		500	0
The Samaritans	500		500	500		500	0
St. James Food Pantry	3,500		3,500	3,500		3,500	0
Memorial Day Parade	500		500	500		500	0
Charlho Soccer League	250		250	250		250	0
Washington County Coalition Children	500		500	500		500	0
Wildlife Rehabilitators of Rhode Island	200		200	200		200	0
Washington County Community Development	500		500	500		500	0

TOWN OF CHARLESTOWN, RHODE ISLAND

GENERAL FUND

**SCHEDULE OF APPROPRIATIONS AND ACTUAL EXPENDITURES - BUDGETARY BASIS
YEAR ENDED JUNE 30, 2010**

	Original Budget	Budget Amendments	Final Budget	Actual Expenditures and Transfers	Adjustments to Budgetary Basis	Expenditures and Transfers on Budgetary Basis	Variance Positive (Negative)
Public Health and Assistance (Continued):							
Education Exchange	400		400	400	0	400	0
Charlho Tri Town Task Force	500		500	500	0	500	0
Chamber of Commerce	3,100		3,100	3,100	0	3,100	0
Total public health and assistance	423,700	0	423,700	418,931	0	418,931	4,769
Education:							
Charlho Regional High School	13,978,003	0	13,978,003	13,702,263	0	13,702,263	275,740
Debt Service:							
General Obligation Bond:							
Principal	337,010		337,010	338,975		338,975	(1,965)
Interest	391,116		391,116	221,150		221,150	169,966
Capital leases	236,425		236,425	236,361		236,361	64
Bond issuance costs	82,000		82,000	5,831		5,831	76,169
Fiscal agent fees	700		700	700		700	0
Total debt service	1,047,251	0	1,047,251	803,017	0	803,017	244,234
Miscellaneous:							
Employee insurance and benefits	1,634,142		1,634,142	1,551,425		1,551,425	82,717
Council contingency	23,847		23,847	22,288		22,288	1,559
Town insurance	225,000		225,000	173,028		173,028	51,972
Auditing	39,000		39,000	36,315		36,315	2,685
Legal services	223,200		223,200	166,422	4,900	171,322	51,878
Total miscellaneous	2,145,189	0	2,145,189	1,949,478	4,900	1,954,378	190,811
Capital Improvements Program:							
Police	75,000		75,000	74,258		74,258	742
Public works	109,000		109,000	20,000		20,000	89,000
Recreation	5,000		5,000	2,950	2,050	5,000	0
Animal control	5,000		5,000	5,045	588	5,633	(633)
Capital leases	20,000		20,000	105,921		105,921	(85,921)
Total capital improvements	214,000	0	214,000	208,174	2,638	210,812	3,188

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

GENERAL FUND

**SCHEDULE OF APPROPRIATIONS AND ACTUAL EXPENDITURES - BUDGETARY BASIS
YEAR ENDED JUNE 30, 2010**

	<u>Original Budget</u>	<u>Budget Amendments</u>	<u>Final Budget</u>	<u>Actual Expenditures and Transfers</u>	<u>Adjustments to Budgetary Basis</u>	<u>Expenditures and Transfers on Budgetary Basis</u>	<u>Variance Positive (Negative)</u>
Other financing uses:							
Transfers out:							
Enterprise funds	25,000		25,000	25,000	0	25,000	0
Special revenue funds - Revaluation	25,000		25,000	25,000	0	25,000	0
Special revenue funds - Reserve for Severance	75,000		75,000	75,000	0	75,000	0
Special revenue funds - Facilities Maintenance	12,500		12,500	12,500	0	12,500	0
Special revenue funds - Health Care Reserve	300,000		300,000	300,000	0	300,000	0
Special revenue funds - Bulletproof Vest	11,000		11,000	11,000	0	11,000	0
Special revenue funds - Senior Community Activities	0		0	743		743	(743)
Special revenue funds - Green Hill/Beach Rd Infiltration	0		0	7,315		7,315	(7,315)
Capital project funds - Town Capital Maintenance	12,500		12,500	12,500	0	12,500	0
Capital project funds - Buckeye Brook Road	576,208		576,208	576,208	0	576,208	0
Capital project funds - Tennis Court Construction	0		0	28,314		28,314	(28,314)
Total transfers out	1,037,208	0	1,037,208	1,073,580	0	1,073,580	(36,372)
Other:							
Landfill monitoring	87,000		87,000	59,265		59,265	27,735
Total other	87,000	0	87,000	59,265	0	59,265	27,735
Total expenditures	\$ 24,421,800	\$ 0	\$ 24,421,800	\$ 23,067,862	\$ 26,519	\$ 23,094,381	\$ 1,327,419

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2010**

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, 2010:

Excess of revenues and other sources over expenditures and other uses (Non-GAAP Budgetary Basis).....	\$1,435,987
Reappropriated fund balance	(916,826)
Current year encumbrances.....	32,198
Prior year encumbrances	<u>(5,679)</u>
Excess of revenues and other sources over expenditures and other uses (GAAP)	<u>\$ 545,680</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.

Ad Hoc Withdrawal Committee

This fund accounts for monies to be used by this committee to study all options to provide the best possible education to Charlestown students including the withdrawal from the Charliho School District.

Police Grants - Byrne

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

MEDS Grant - RI Dept. of Health

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

Police Grant - NCHIP

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

School Impact Fees

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

Educational Planning

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

(CONTINUED)

Town Of Charlestown

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS (CONTINUED)

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.

Green Hill/Beach Road Infiltration Grant

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

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.

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.

Operation Blue Riptide

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

Mud Cove Recreation Development

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

(CONTINUED)

Town Of Charlestown

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS (CONTINUED)

Recreation Donations

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

Ninigret Park Fund

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

Bicentennial Fund

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

Facilities Maintenance

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

Developer Bond Deposits

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

Open Space Fees

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

FEMA 2010 Floods

This fund accounts for the expenses of the spring 2010 flood and related reimbursements from FEMA.

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.

(CONTINUED)

Town Of Charlestown

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS (CONTINUED)

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.

Trail Improvement Grant - Mud Cove

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

2009 Byrne/JAG ARRA

The purpose of this fund is to account for police grants.

Bulletproof Vest

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

(CONTINUED)

Town Of Charlestown

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS (CONTINUED)

RIEMA Police Homeland Grant

This fund accounts for the expenses associated with the police department's continuing effort in homeland security.

Community Development Block Grants

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

Senior Community Activities

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

RIIRMT Safety Enhancement - Parks and Rec

This fund accounts for expenses of a safety grant awarded by the RI Interlocal Trust for warning flags to be used at the beaches.

GIS Project

The purpose of this fund is to account for funds set aside to purchase equipment, software and services for a Geographical Information System (GIS). The GIS will be used to analyze earth data for town planning, zoning and assessment purposes.

RIHPHC Preservation is Local Grant

This fund accounts for the revitalization of Shannock Village.

Special Donations

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

Ninigret Dog Park

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

(CONTINUED)

Town Of Charlestown

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS (CONTINUED)

Accounting Software Fund

The purpose of this fund is to account for Town Council approved funding for a new windows based financial software system to replace the current DOS based system. The new software is expected to be installed and operating in FY 08.

Columbia Heights Streetscapes Enhancement

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

RI Historical Preservation Grant

This fund is for a grant received from the State of Rhode Island to package and shred documents that have passed the retention date.

Tax Anticipation Note Interest

This fund accounts for funds set-aside for interest expense associated with a Tax Anticipation Note.

South Farm Trails Grant

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

Energy Efficient and Conservation Block Grant

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

NHTSA

This fund accounts for the expenses of equipping police cruisers for e-ticketing.

Speed Trailer

This fund is to account for the cost of the speed trailer that is placed on various streets and roads to warn drivers of the speed at which they are traveling and therefore promote safe driving.

(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.

Buckeye Brook Road

Accounts for the funds needed to complete the road construction project over and above the amount approved by referendum in fiscal year 2005.

RI LEAP

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

DPW - Salt/Sand Equipment Shed

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

DPW - Old Coach Road Reconstruction Phase 1

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

Tennis Court Construction

This fund is used to account for the costs to install new tennis courts in Ninigret Park.

Town Capital Maintenance Fund

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

Police Building Fund

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

DPW Road Engineering

Accounts for costs related to road engineering.

Open Space Acquisition

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

Landfill Closure

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

(CONTINUED)

Town Of Charlestown

NON-MAJOR GOVERNMENTAL FUNDS

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.

Zenis Ellis Trust

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

Cemetery Fund

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

TOWN OF CHARLESTOWN, RHODE ISLAND

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010**

	Special Revenue Funds					
	Ad Hoc Withdrawal Committee	Police Grants - Byrne	MEDS Grant - RI Dept of Health	Police Grant - NCHIP	School Impact Fees	Educational Planning
	\$ 19,938		\$ 13,898		\$ 617,861	
	\$ 19,938	\$ 2,280	1,000	\$ 0	\$ 617,861	\$ 0
		\$ 2,280	\$ 14,898	\$ 0	\$ 617,861	\$ 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
Deferred revenues
Other liabilities
TOTAL LIABILITIES

FUND BALANCES:

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

TOTAL LIABILITIES AND FUND BALANCES

	\$ 19,938	\$ 2,280	\$ 14,898	\$ 0	\$ 617,861	\$ 0
	\$ 19,938	\$ 2,280	\$ 14,898	\$ 0	\$ 617,861	\$ 0

TOWN OF CHARLESTOWN, RHODE ISLAND

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010**

	Special Revenue Funds						
	Historical and Vital Records	Green Hill/ Beach Rd Infiltration Grant	Municipal Planning	Revaluation Fund	Reserve for Employee Severance Benefits	Comprehensive Planning Grant	
ASSETS:							
Cash and cash equivalents							\$ 12,847
Investments							
Other receivables							
Due from:							
Other funds	\$ 90,618	\$ 59	\$ 100,719	\$ 209,588	\$ 120,515		
Other governments							
TOTAL ASSETS	\$ 90,618	\$ 59	\$ 100,719	\$ 209,588	\$ 120,515	\$ 12,847	
LIABILITIES AND FUND BALANCES:							
LIABILITIES:							
Accounts payable	\$ 26,732						
Due to other funds							
Deferred revenues							
Other liabilities							
TOTAL LIABILITIES	26,732	0	0	0	0	0	0
FUND BALANCES:							
Reserved for:							
Perpetual care							
Encumbrances	14,000		34,422				
Unreserved, reported in:							
Special revenue funds	49,886	59	66,297	209,588	120,515		12,847
Capital project funds							
TOTAL FUND BALANCES	63,886	59	100,719	209,588	120,515	12,847	
TOTAL LIABILITIES AND FUND BALANCES	\$ 90,618	\$ 59	\$ 100,719	\$ 209,588	\$ 120,515	\$ 12,847	

TOWN OF CHARLESTOWN, RHODE ISLAND

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010**

	Special Revenue Funds						
	Operation Blue Riptide	Mud Cove Recreation Development	Recreation Donations	Ninigret Park Fund	Bicentennial Fund	Facilities Maintenance	
ASSETS:							
Cash and cash equivalents				\$ 139,979	\$ 2,192		
Investments							
Other receivables							
Due from:							
Other funds							\$ 54,482
Other governments		\$ 150,000					
TOTAL ASSETS	\$ 0	\$ 150,000	\$ 0	\$ 139,979	\$ 2,192	\$ 54,482	
LIABILITIES AND FUND BALANCES:							
LIABILITIES:							
Accounts payable		\$ 18,846					
Due to other funds		34,104		\$ 720			
Deferred revenues		97,050					
Other liabilities							
TOTAL LIABILITIES	\$ 0	150,000	\$ 0	720	0	0	0
FUND BALANCES:							
Reserved for:							
Perpetual care							5,007
Encumbrances							
Unreserved, reported in:							
Special revenue funds				139,259	2,192		49,475
Capital project funds	0	0	0	139,259	2,192		54,482
TOTAL FUND BALANCES	\$ 0	\$ 150,000	\$ 0	\$ 139,979	\$ 2,192	\$ 54,482	
TOTAL LIABILITIES AND FUND BALANCES	\$ 0	\$ 150,000	\$ 0	\$ 139,979	\$ 2,192	\$ 54,482	

TOWN OF CHARLESTOWN, RHODE ISLAND

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010**

	Special Revenue Funds					
	Police Bike Unit Training	Birthday Committee	Improvement Grant - Mud Cove	2009 Byrne/ JAG ARRA	Bulletproof Vest	RIEMA Police Homeland Grant
		\$ 1,903				
			\$ 50,000	\$ 20,237	\$ 6,875	
		\$ 1,903	\$ 50,000	\$ 20,237	\$ 6,875	\$ 0
TOTAL ASSETS						

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
Deferred revenues
Other liabilities
TOTAL LIABILITIES

FUND BALANCES:

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

TOTAL LIABILITIES AND FUND BALANCES

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010**

	Special Revenue Funds						Special Donations
	Community Development Block Grant	Senior Community Activities	RIIRMT Safety Enhancement Parks & Rec	GIS Project	RIHPHC Preservation is Local Grant		
ASSETS:							
Cash and cash equivalents	\$ 201,403						\$ 6,872
Investments							
Other receivables		\$ 983					
Due from:							
Other funds			\$ 26,893				
Other governments	155,781				\$ 20,000		
TOTAL ASSETS	\$ 357,184	\$ 983	\$ 26,893	\$ 26,893	\$ 20,000	\$ 20,000	\$ 6,872
LIABILITIES AND FUND BALANCES:							
LIABILITIES:							
Accounts payable							
Due to other funds					\$ 5,804		\$ 1,155
Deferred revenues	\$ 183,013	\$ 983			14,196		
Other liabilities							
TOTAL LIABILITIES	183,013	\$ 983	\$ 0	\$ 0	20,000	20,000	1,155
FUND BALANCES:							
Reserved for:							
Perpetual care							
Encumbrances							
Unreserved, reported in:							
Special revenue funds	174,171		26,893				5,717
Capital project funds							
TOTAL FUND BALANCES	174,171	0	26,893	0	0	0	5,717
TOTAL LIABILITIES AND FUND BALANCES	\$ 357,184	\$ 983	\$ 26,893	\$ 26,893	\$ 20,000	\$ 20,000	\$ 6,872

TOWN OF CHARLESTOWN, RHODE ISLAND

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010**

	Special Revenue Funds						
	Ninigret Dog Park	Accounting Software Fund	Columbia		RI Historical Preservation Grant	Tax Anticipation Note Interest	
			Heights Streetscapes Enhancement				
ASSETS:							
Cash and cash equivalents	\$ 3,342						
Investments							
Other receivables							
Due from:							
Other funds							
Other governments			\$ 395,578			\$ 7,500	
TOTAL ASSETS	\$ 3,342	\$ 0	\$ 395,578	\$ 0	\$ 0	\$ 7,500	

LIABILITIES AND FUND BALANCES:

LIABILITIES:							
Accounts payable	\$ 556						
Due to other funds	1,914						
Deferred revenues		\$ 395,578					
Other liabilities							
TOTAL LIABILITIES	2,470	\$ 0	395,578	\$ 0	\$ 0	\$ 0	

FUND BALANCES:

Reserved for:							
Perpetual care							
Encumbrances							
Unreserved, reported in:							
Special revenue funds	872					7,500	
Capital project funds		0	0	0			7,500
TOTAL FUND BALANCES	872	0	0	0	0	7,500	

TOTAL LIABILITIES AND FUND BALANCES

\$ 3,342	\$ 0	\$ 395,578	\$ 0	\$ 7,500
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TOWN OF CHARLESTOWN, RHODE ISLAND

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010**

	Special Revenue Funds				Capital Project Funds	
	South Farm Trails Grant	Efficient and Conservation Block Grant	NHTSA	Speed Trailer	Buckeye Brook Road	RI LEAP
	\$ 20,000	\$ 85,791				\$ 250,000
TOTAL ASSETS	\$ 20,000	\$ 85,791	\$ 0	\$ 0	\$ 0	\$ 250,000

ASSETS:

- Cash and cash equivalents
- Investments
- Other receivables
- Due from:
- Other funds
- Other governments

LIABILITIES AND FUND BALANCES:

LIABILITIES:

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

TOTAL LIABILITIES

FUND BALANCES:

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

TOTAL FUND BALANCES

TOTAL LIABILITIES AND FUND BALANCES

	0	0	0	0	0	0
TOTAL LIABILITIES AND FUND BALANCES	\$ 20,000	\$ 85,791	\$ 0	\$ 0	\$ 0	\$ 250,000

TOWN OF CHARLESTOWN, RHODE ISLAND

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010**

	Capital Project Funds						
	DPW Salt/Sand Equipment Shed	DPW - Old Coach Road Reconstruction Phase I	Tennis Court Construction	Town Capital Maintenance Fund	Police Building Fund	DPW Road Engineering	
ASSETS:							
Cash and cash equivalents	\$ 245,555			\$ 33,725	\$ 49,947	\$ 46,833	
Investments							
Other receivables							
Due from:							
Other funds							
Other governments							
TOTAL ASSETS	\$ 245,555	\$ 0	\$0	\$ 33,725	\$ 49,947	\$ 46,833	
LIABILITIES AND FUND BALANCES:							
LIABILITIES:							
Accounts payable	\$ 2,000	\$ 257,864					
Due to other funds							
Deferred revenues							
Other liabilities							
TOTAL LIABILITIES	2,000	257,864	\$0	\$ 0	\$ 0	\$ 0	0
FUND BALANCES:							
Reserved for:							
Perpetual care							
Encumbrances							
Unreserved, reported in:							
Special revenue funds	243,555	(257,864)		33,725	49,947	46,833	
Capital project funds	243,555	(257,864)	0	33,725	49,947	46,833	
TOTAL FUND BALANCES	\$ 245,555	\$ 0	\$0	\$ 33,725	\$ 49,947	\$ 46,833	
TOTAL LIABILITIES AND FUND BALANCES	\$ 245,555	\$ 0	\$0	\$ 33,725	\$ 49,947	\$ 46,833	

TOWN OF CHARLESTOWN, RHODE ISLAND

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010**

	Capital Project Funds				Debt Service Funds			Total Non-Major Governmental Funds
	Open Space Acquisitions	Landfill Closure	Ocean Ridge Road	Zenis Ellis Trust	Cemetery Fund	Permanent Funds		
ASSETS:								
Cash and cash equivalents	\$ 136,478			\$ 1,160			\$ 1,178,806	
Investments					\$ 500		500	
Other receivables							983	
Due from:								
Other funds					64		1,028,784	
Other governments							1,230,738	
TOTAL ASSETS	\$ 136,478	\$ 0	\$ 0	\$ 1,160	\$ 564	\$ 0	\$ 3,439,811	
LIABILITIES AND FUND BALANCES:								
LIABILITIES:								
Accounts payable							\$ 52,105	
Due to other funds	\$ 21,212						706,277	
Deferred revenues							944,658	
Other liabilities				\$ 210			13,079	
TOTAL LIABILITIES	21,212	\$ 0	\$ 0	210	\$ 0	0	1,716,119	
FUND BALANCES:								
Reserved for:								
Perpetual care				950			1,514	
Encumbrances						564	58,854	
Unreserved, reported in:								
Special revenue funds	115,266						1,431,862	
Capital project funds	115,266	0	0	950	564		231,462	
TOTAL FUND BALANCES	\$ 136,478	\$ 0	\$ 0	\$ 1,160	\$ 564	\$ 0	\$ 3,439,811	

(CONCLUDED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES) AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010**

		Special Revenue Funds					
		Ad Hoc Withdrawal Committee	Police Grants- Byrne	MEDS Grant - RI Dept of Health	Police Grant - NCHIP	School Impact Fees	Educational Planning
REVENUES:							
Intergovernmental			\$ 9,349	\$ 16,031		\$ 1,343	
Investment income						18,551	
Other							
TOTAL REVENUES		\$ 0	9,349	16,031	0	19,894	0
EXPENDITURES:							
Current:							
General government							
Public safety			9,349	16,031			
Public works							
Parks and recreation							
Community development							
Debt Service:							
Principal					2,370		
Interest					330		
Capital:							
Capital outlay					2,700		
TOTAL EXPENDITURES		0	9,349	16,031	2,700	0	0
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)		0	0	0	(2,700)	19,894	0
OTHER FINANCING SOURCES (USES):							
Transfers in	5,000						
Transfers out						(123,201)	(19,933)
NET OTHER FINANCING SOURCES (USES)	5,000	0	0	0	0	(123,201)	(19,933)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) EXPENDITURES	5,000	0	0	0	(2,700)	(103,307)	(19,933)
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	14,938	0	0	0	2,700	603,675	19,933
FUND BALANCE (DEFICIT) AT END OF YEAR	\$ 19,938	\$ 0	\$ 0	\$ 0	\$ 0	\$ 500,368	\$ 0

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES) AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010**

	Special Revenue Funds						
	Historical and Vital Records	Green Hill/ Beach Rd Infiltration Grant	Municipal Planning	Revaluation Fund	Reserve for Employee Severance Benefits	Comprehensive Planning Grant	
REVENUES:							
Intergovernmental							
Investment income	\$ 23,201						\$ 2
Other	23,201	0	0	0	0	0	2
TOTAL REVENUES							
	\$ 23,201	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2
EXPENDITURES:							
Current:							
General government	33,335		13,578	513			1,495
Public safety							
Public works							
Parks and recreation							30,174
Community development							
Debt Service:							
Principal							
Interest							
Capital:							
Capital outlay							
TOTAL EXPENDITURES							
	33,335	0	13,578	513	31,669	0	0
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	(10,134)	0	(13,578)	(513)	(31,669)	2	
OTHER FINANCING SOURCES (USES):							
Transfers in		7,315		25,000	75,000		
Transfers out		7,315	0	25,000	75,000		
NET OTHER FINANCING SOURCES (USES)							
	(10,134)	7,315	(13,578)	24,487	43,331	2	
EXCESS OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) EXPENDITURES	74,020	(7,256)	114,297	185,101	77,184	12,845	
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR							
	\$ 63,886	\$ 59	\$ 100,719	\$ 209,588	\$ 120,515	\$ 12,847	
FUND BALANCE (DEFICIT) AT END OF YEAR							

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES) AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010**

Special Revenue Funds

	Operation Blue Riptide	Mud Cove Recreation Development	Recreation Donations	Ninigret Park Fund	Bicentennial Fund	Facilities Maintenance
\$	7,674	\$ 52,950	\$ 297	\$ 4		
			35,168			
TOTAL REVENUES	7,674	52,950	0	35,465	4	0

REVENUES:

Intergovernmental
Investment income
Other

TOTAL REVENUES

EXPENDITURES:

Current:

General government
Public safety
Public works
Parks and recreation
Community development

Debt Service:

Principal
Interest

Capital:

Capital outlay

TOTAL EXPENDITURES

8,232

1,974

1,159

5,700

7,674

52,950

52,950

1,159

0

0

0

8,232

0

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

(8,232)

OTHER FINANCING SOURCES (USES):

Transfers in
Transfers out

NET OTHER FINANCING SOURCES (USES)

12,500

12,500

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

4,268

FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR

50,214

FUND BALANCE (DEFICIT) AT END OF YEAR

54,482

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES) AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010**

Special Revenue Funds

	Developer Bond Deposits	Open Space Fees	FEMA 2010 Floods	Naval Airfield Memorial	Police Forfeiture	Employee Vending
REVENUES:						
Intergovernmental			\$ 80,071			
Investment income	\$ 74					\$ 1
Other	1,575					169
TOTAL REVENUES	\$0	1,649	80,071	6	7	170

EXPENDITURES:

Current:

- General government
- Public safety
- Public works
- Parks and recreation
- Community development

Debt Service:

- Principal
- Interest

Capital:

- Capital outlay

TOTAL EXPENDITURES

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

OTHER FINANCING SOURCES (USES):

Transfers in

Transfers out

NET OTHER FINANCING SOURCES (USES)

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

FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR

FUND BALANCE (DEFICIT) AT END OF YEAR

384

80,071

543

0 0 0 80,071 543 0 384

0 1,649 0 0 (537) 7 (214)

0 0 0 0 0 0 0

0 1,649 0 0 (537) 7 (214)

0 32,637 0 2,307 6,492 591

\$0 \$ 34,286 \$ 0 \$ 1,770 \$ 6,499 \$ 377

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES) AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010**

		Special Revenue Funds					
		Trail		Improvement		RIEMA Police	
		Police Bike	Birthday	Grant -	2009 Byrnes/	Bulletproof	Homeland
		Unit Training	Committee	Mud Cove	JAG ARRA	Vest	Grant
	\$		4		\$ 20,237	\$ 5,225	\$ 23,057
	\$	0	4	\$0	20,237	5,225	23,057

REVENUES:

Intergovernmental
Investment income
Other

TOTAL REVENUES

EXPENDITURES:

Current:

General government
Public safety
Public works
Parks and recreation
Community development

Debt Service:

Principal
Interest

Capital:

Capital outlay

TOTAL EXPENDITURES

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

OTHER FINANCING SOURCES (USES):

Transfers in
Transfers out

NET OTHER FINANCING SOURCES (USES)

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

FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR

FUND BALANCE (DEFICIT) AT END OF YEAR

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES) AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010**

	Special Revenue Funds					
	Community Development Block Grant	Senior Community Activities	Enhancement Parks & Rec	GIS Project	RIIPHC Preservation is Local Grant	Special Donations
REVENUES:						
Intergovernmental	\$ 465,155				\$ 5,804	\$ 15
Investment income	171					1,100
Other		\$ 426	\$ 983	\$ 55		
TOTAL REVENUES	465,326	426	983	55	5,804	1,115
EXPENDITURES:						
Current:						
General government				5,992		1,155
Public safety						
Public works						
Parks and recreation			983			5,804
Community development	291,137					
Debt Service:						
Principal						
Interest						
Capital:						
Capital outlay						
TOTAL EXPENDITURES	291,137	0	983	5,992	5,804	1,155
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	174,189	426	0	(5,937)	0	(40)
OTHER FINANCING SOURCES (USES):						
Transfers in		743				
Transfers out						
NET OTHER FINANCING SOURCES (USES)	0	743	0	0	0	0
EXCESS OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) EXPENDITURES	174,189	1,169	0	(5,937)	0	(40)
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	(18)	(1,169)	0	32,830	0	5,757
FUND BALANCE (DEFICIT) AT END OF YEAR	\$ 174,171	\$ 0	\$ 0	\$ 26,893	\$ 0	\$ 5,717

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES) AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010**

	Special Revenue Funds					
	Ninigret Dog Park	Accounting Software Fund	Columbia Heights Streetscapes Enhancement	RI Historical Preservation Grant	Anticipation Note Interest	Tax
REVENUES:						
Intergovernmental				\$ 906		
Investment income	2					
Other	5,815		\$0			
TOTAL REVENUES	5,817	0	\$0	906	\$	0
EXPENDITURES:						
Current:		8,478		906		
General government						
Public safety						
Public works						
Parks and recreation	4,945					
Community development						
Debt Service:						
Principal						
Interest						
Capital:						
Capital outlay		8,478	0	906		0
TOTAL EXPENDITURES	872	(8,478)	0	0	0	0
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)						
OTHER FINANCING SOURCES (USES):						
Transfers in						
Transfers out	0	0	0	0	0	0
NET OTHER FINANCING SOURCES (USES)						
EXCESS OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) EXPENDITURES	872	(8,478)	0	0	0	0
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	0	8,478	0	0	0	7,500
FUND BALANCE (DEFICIT) AT END OF YEAR	\$ 872	\$ 0	\$0	\$ 0	\$ 0	\$ 7,500

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES) AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010**

	Special Revenue Funds				Capital Project Funds	
	South Farm Trails Grant	Energy Efficient and Conservation Block Grant	NHTSA	Speed Trailer	Buckeye Brook Road	RI LEAP
REVENUES:						
Intergovernmental investment income	\$ 9,133	\$ 5,897	\$ 12,249	\$ 15,720		\$ 151,404
Other						
TOTAL REVENUES	<u>9,133</u>	<u>5,897</u>	<u>12,249</u>	<u>15,720</u>	<u>0</u>	<u>151,404</u>
EXPENDITURES:						
Current:						
General government		5,897				
Public safety						
Public works						
Parks and recreation	9,133					
Community development						
Debt Service:						
Principal						
Interest						
Capital:						
Capital outlay			12,249	15,720		151,404
TOTAL EXPENDITURES	<u>9,133</u>	<u>5,897</u>	<u>12,249</u>	<u>15,720</u>	<u>0</u>	<u>151,404</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	0	0	0	0	0	0
OTHER FINANCING SOURCES (USES):						
Transfers in					576,208	
Transfers out						
NET OTHER FINANCING SOURCES (USES)	0	0	0	0	576,208	0
EXCESS OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) EXPENDITURES	0	0	0	0	576,208	0
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	0	0	0	0	(576,208)	0
FUND BALANCE (DEFICIT) AT END OF YEAR	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES) AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010**

	Capital Project Funds						
	DPW Salt/Sand Equipment Shed	DPW - Old Coach Road Reconstruction Phase I	Tennis Court Construction	Town Capital Maintenance Fund	Police Building Fund	DPW Road Engineering	
REVENUES:							
Intergovernmental							
Investment income							
Other							
TOTAL REVENUES	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

EXPENDITURES:							
Current:							
General government							
Public safety							
Public works							
Parks and recreation							
Community development							
Debt Service:							
Principal							
Interest							
Capital:							
Capital outlay	6,445			2,980		12,658	
TOTAL EXPENDITURES	6,445	0	0	2,980		12,658	0

EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	(6,445)	0	0	(2,980)		(12,658)	0
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OTHER FINANCING SOURCES (USES):							
Transfers in			28,314		12,500		
Transfers out							
NET OTHER FINANCING SOURCES (USES)	0	0	28,314	12,500		0	0

EXCESS OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) EXPENDITURES	(6,445)	0	28,314	9,520		(12,658)	0
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FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	250,000	(257,864)	(28,314)	24,205		62,605	46,833
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FUND BALANCE (DEFICIT) AT END OF YEAR	\$ 243,555	\$ (257,864)	\$ 0	\$ 33,725	\$ 49,947	\$ 46,833	
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(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES) AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010**

	Capital Project Funds		Debt Service Funds		Permanent Funds			Total Non-Major Governmental Funds
	Open Space Acquisitions	Landfill Closure	Ocean Ridge Road	Zenis Ellis Trust	Cemetery Fund			
REVENUES:								
Intergovernmental							\$	880,862
Investment income	308						\$	2,238
Other								87,043
TOTAL REVENUES	308	0	0	0	0	0	0	970,143
EXPENDITURES:								
Current:								
General government								77,315
Public safety								30,004
Public works								80,071
Parks and recreation								46,937
Community development								296,941
Debt Service:								
Principal								2,370
Interest								330
Capital:								
Capital outlay	22,364							335,114
TOTAL EXPENDITURES	22,364	0	0	0	0	0	0	869,082
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	(22,056)	0	0	0	0	0	0	101,061
OTHER FINANCING SOURCES (USES):								
Transfers in								753,580
Transfers out		(24,021)				(892)		(168,142)
NET OTHER FINANCING SOURCES (USES)	0	(24,021)	0	0	0	(892)	0	585,438
EXCESS OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) EXPENDITURES	(22,056)	(24,021)	(892)	0	0	0	0	686,499
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	137,322	24,021	892	950	560	1,037,193		
FUND BALANCE (DEFICIT) AT END OF YEAR	\$ 115,266	\$ 0	\$ 0	\$ 950	\$ 564	\$ 1,723,692		

(CONCLUDED)

TOWN OF CHARLESTOWN

REPORT IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS



Gerard R. Cayer
CPA, MST, CVA

Mark V. Caccia
CPA, MST, CVA

Donna T. Caccia
CPA, MST, CFP™

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

To the Honorable Town Council,
Charlestown, Rhode Island

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Charlestown, Rhode Island, as of and for the year ended June 30, 2010, which collectively comprise the Town of Charlestown, Rhode Island's basic financial statements and have issued our report thereon dated December 22, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain other matters that we reported to management of the Town of Charlestown, Rhode Island, in a separate letter dated December 22, 2010.

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

December 22, 2010

Cayer Caccia, LLP