

**TOWN OF  
CHARLESTOWN, RHODE ISLAND**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**FOR THE YEAR ENDED  
JUNE 30, 2012**

Prepared by:

Patricia M. Anderson

Treasurer

TOWN OF CHARLESTOWN, RHODE ISLAND

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2012**

TABLE OF CONTENTS

	<u>Schedule</u>	<u>Page(s)</u>
<b>INTRODUCTORY SECTION:</b>		
Letter of Transmittal.....		i - v
Municipal Officers Listing.....		vi
Organization Chart.....		vii
<b>FINANCIAL SECTION:</b>		
Independent Auditor's Report.....		1 - 2
Management's Discussion and Analysis.....		3 - 16
<b>Basic Financial Statements:</b>		
<b>Government-Wide Financial Statements:</b>		
Statement of Net Assets.....	A-1	17 - 18
Statement of Activities.....	A-2	19
<b>Fund Financial Statements:</b>		
<b>Governmental Funds:</b>		
Balance Sheet.....	B-1	20 - 21
Reconciliation of the Governmental Funds Balance Sheet (B-1) to the Government-Wide Statement of Net Assets (A-1).....	B-1	22
Statement of Revenues, Expenditures, Other Financing Sources (Uses), and Changes in Fund Balance.....	B-2	23 - 24
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).....	B-3	25
<b>Proprietary Funds:</b>		
Statement of Net Assets.....	C-1	26
Statement of Revenues, Expenses and Changes in Net Assets.....	C-2	27
Statement of Cash Flows.....	C-3	28
<b>Fiduciary Funds:</b>		
Statement of Fiduciary Net Assets.....	D-1	29
Statement of Changes in Fiduciary Net Assets.....	D-2	30
<b>Notes to Basic Financial Statements</b> .....		31 - 63
<b>Required Supplementary Information:</b>		
Schedule of Funding Progress for Pension and OPEB Plans.....	E-1	64
Schedule of Revenues, Expenditures, Other Financing Sources (Uses), and Changes in Fund Balance (Non-GAAP Budgetary Basis) - Budget and Actual - General Fund.....	E-2	65
Schedule of Budget Estimates and Actual Revenues - General Fund.....	E-3	66
Schedule of Appropriations and Actual Expenditures - Budgetary Basis - General Fund.....	E-4	67 - 70
Note to Required Supplementary Information.....		71
<b>Other Supplementary Information:</b>		
<b>Combining Financial Statements:</b>		
<b>Non-Major Governmental Funds:</b>		
Combining Balance Sheet.....	F-1	72 - 78
Combining Statement of Revenues, Expenditures, Other Financing Sources (Uses), and Changes in Fund Balance.....	F-2	79 - 85

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**TOWN OF CHARLESTOWN, RHODE ISLAND**  
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**TABLE OF CONTENTS**

	<u>Schedule</u>	<u>Page(s)</u>
<b>REPORT IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS:</b>		
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u> .....		86 - 87

# TOWN OF CHARLESTOWN

## INTRODUCTORY SECTION

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**Treasurer's Office**  
Treasurer@CharlestownRI.org



**TOWN OF CHARLESTOWN**

**4540 SO. COUNTY TRAIL  
CHARLESTOWN  
RHODE ISLAND 02813  
Tel. (401) 364-1235  
Fax (401) 364-1238  
Hearing/Speech Impaired  
Dial 711-364-1240**

December 14, 2012

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, 2012, 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, 2012. The Comprehensive Annual Financial Report is a joint effort between Town Management and our auditing firm, Cayer Caccia, LLP Certified Public Accountants.

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

A single audit section relating to federal financial assistance is not required for the 2012 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. Dept. of Agriculture policy, the Town of Charlestown 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, S.W., Washington DC 20250-0410 or call 800-795-3272 (voice) or 202-720-6382 (TDD).

## Community Description

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

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

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

## Major Initiatives

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

The Governing Council identifies needs to meet citizen's demands for services and to safeguard the environment with conformity to applicable local, state and federal law. Following is a list of undertakings initiated, or completed, during the 2011-2012 fiscal year:

During 2012, the Town continued its computerization of land evidence records as an ongoing project. These records have been indexed back to 1738. In April 2012, the records were available online.

The land evidence software has been updated through ACS.

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

The Town has continued to work on crack sealing the Town's roads. Rubberized asphalt chip seal and asphalt stoneseal was completed on designated roads.

The taxpayers approved the bond issues to finance the construction of two beach facilities to be located at the two town beaches. The pavilions were completed in time for the beach season and within their budgets. The infrastructure for each beach has been improved.

The Parks and Recreation Department also constructed a skating rink, volley ball court and Frisbee golf course at Ninigret Park.

The Senior Center was refurbished and more seniors than ever have been using the facility. New programs have been added.

Our Community Garden has been expanded. Over 3,000 pounds of fresh vegetables were grown this year.

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 2012 budget.

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

The Town continued to maintain an excellent working relationship with all units representing employees within the structure of government for the Town. Bargaining agreements with all of the Town's unions and the professional management group expire as of June 30, 2015.

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

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

The Town owns and operates two public beaches; a one-hundred and seventy-two acre multi-faceted park complete with professional bicycle course, walking trails, basketball and tennis courts, fresh and

salt water access, softball and soccer fields, a playground and festival area. The festival area accommodates seasonal family-oriented activities. Other significant facilities include:

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

### Community Development

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

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

### Financial Management

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

The Treasurer's department manages all funds for the Town of Charlestown. The General Fund, primarily funded with tax dollars and miscellaneous departmental revenues, includes the operation of all departments within the Town except for the two enterprise funds that are self-funded through an estab-

lished 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 unassigned 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

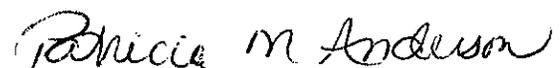
During 2012 the Town experienced minimal losses on insurance claims and anticipates a similar situation in 2013. The Town has taken steps to maintain adequate and cost effective insurance coverage for all related municipal services and facilities. Our insurance carrier reviews all Town facilities each year so that we minimize exposure to any risk of liability. In addition, the Town is subject to an annual review by the Occupational Safety and Health Administration (OSHA) to detect any existing or potential hazards to municipal employees or citizens while on Town property.

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

### Independent Audit

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

Sincerely,



Patricia M. Anderson  
Treasurer

**MUNICIPAL OFFICERS**

*Town Council*

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

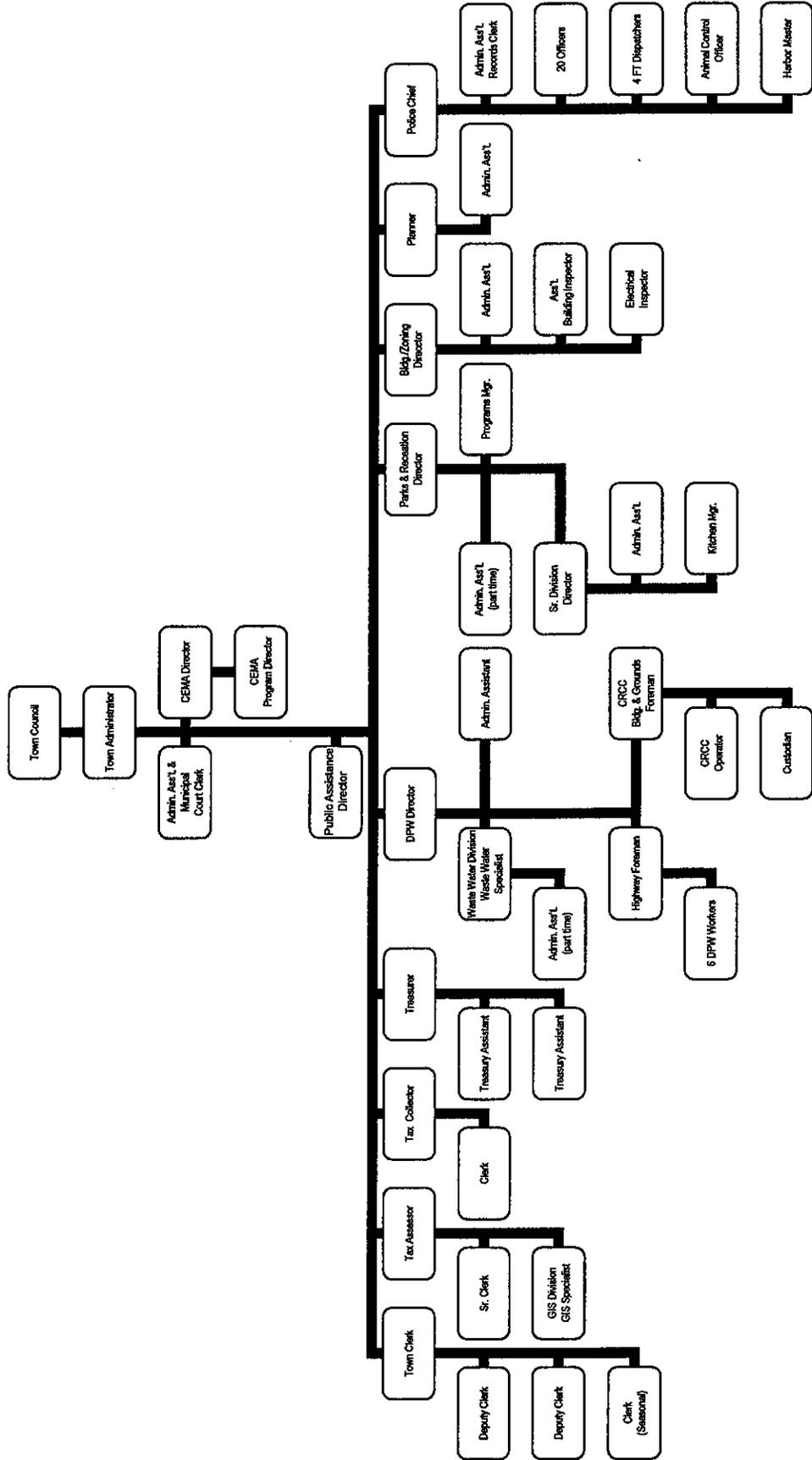
*Town Officials*

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

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

# Charlestown, RI Government Organizational Chart



# TOWN OF CHARLESTOWN

## FINANCIAL SECTION

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**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, 2012, 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, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2012, on our consideration of the Town of Charlestown, Rhode Island's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

*Cayer Caccia, LLP*

December 21, 2012

## **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 tenth 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 \$249,882 (or 1.0%). Governmental net assets increased by \$259,731, (or 1.1%), while the business type activities net assets decreased by \$9,849, (or 2.8%). In 2011, governmental net assets increased by \$228,434 (or 0.9%), while the business-type activities net assets increased by \$13,995, (or 4.2%).

Governmental activities revenues for the year ending June 30, 2012 totaled \$25,011,921 including charges for services at \$1,070,979, operating grants and contributions at \$2,124,193, capital grants and contributions at \$19,859 with the balance of revenue from property taxes, revenue sharing, and investment interest of \$21,796,890.

Business-type activities revenues for the year ending June 30, 2012 totaled \$245,495 including charges for services of \$230,304, investment income of \$191 and transfers of \$15,000.

Governmental activities expenses and transfers for the fiscal year totaled \$24,737,190 and \$15,000, respectively. Business-type activities expenses for the fiscal year totaled \$255,344.

On the GAAP basis, expenditures and other financing uses were \$25,174,763 for the general fund; \$1,187,705 for Beach Pavilions; \$726,011 for the non-major governmental funds; and \$255,344 for business-type funds.

## **Use of the Annual Report**

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

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

### **Reporting the Town as a whole:**

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

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

### **Significant Funds**

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

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

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

### Town as a Whole

#### Analysis as a Whole

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

### Government Wide Statements

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

	Governmental Activities		Business Type Activities		Total Primary Government	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Current and Other Assets	\$ 9,677,093	\$10,416,298	\$192,061	\$195,432	\$ 9,869,154	\$10,611,730
Capital Assets	22,673,910	21,923,034	160,335	172,188	22,834,245	22,095,222
<b>Total Assets</b>	<u>32,351,003</u>	<u>32,339,332</u>	<u>352,396</u>	<u>367,620</u>	<u>32,703,399</u>	<u>32,706,952</u>
Current Liabilities	1,804,426	1,825,837	7,042	13,552	1,811,468	1,839,389
Long Term Liabilities	5,676,219	5,902,868	7,921	6,786	5,684,140	5,909,654
<b>Total Liabilities</b>	<u>7,480,645</u>	<u>7,728,705</u>	<u>14,963</u>	<u>20,338</u>	<u>7,495,608</u>	<u>7,749,043</u>
Invested in Capital Assets						
Net of Related Debt	17,609,967	16,684,328	160,335	168,275	17,770,302	16,852,603
Restricted for Other Purpose	2,118,515	3,066,559	10,000	10,000	2,128,515	3,076,559
Unrestricted	5,141,876	4,859,740	167,098	169,007	5,308,974	5,028,747
<b>Total Net Assets</b>	<u>\$24,870,358</u>	<u>\$24,610,627</u>	<u>\$337,433</u>	<u>\$347,282</u>	<u>\$25,207,791</u>	<u>\$24,957,909</u>

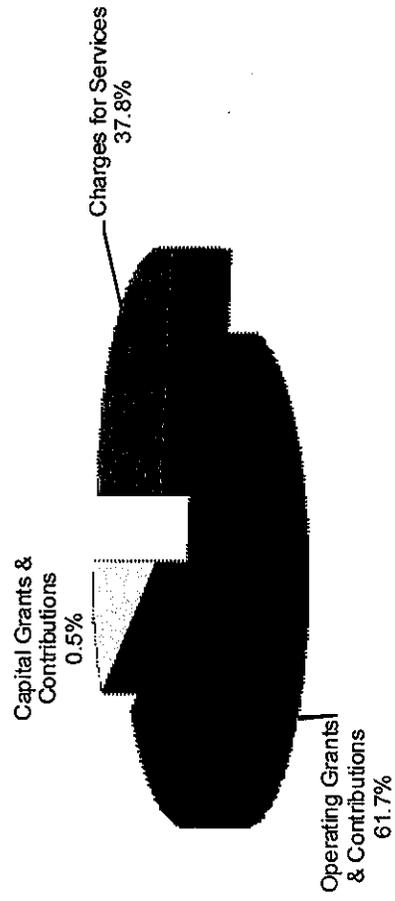
Net Assets equal Total Assets less Total Liabilities

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

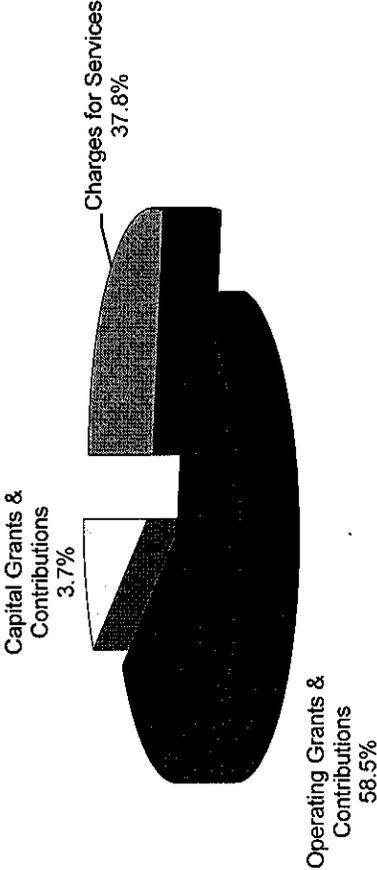
	Governmental Activities		Business Type Activities		Total Primary Government	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
<b>Revenue:</b>						
<b>Program Revenue:</b>						
Charges for services	\$ 1,070,979	\$ 1,057,093	\$ 230,304	\$ 223,350	\$ 1,301,283	\$ 1,280,443
Operating Grants & Contributions	2,124,193	1,984,745			2,124,193	1,984,745
Capital Grants & Contributions	19,859	124,033			19,859	124,033
<b>Total Program Revenue</b>	<b>3,215,031</b>	<b>3,165,871</b>	<b>230,304</b>	<b>223,350</b>	<b>3,445,335</b>	<b>3,389,221</b>
<b>General Revenue:</b>						
Property Tax	21,780,604	21,209,274			21,780,604	21,209,274
Unrestricted Investment Earnings	16,286	19,229	191	494	16,477	19,723
Contributions not restricted to specific Programs		140,000				140,000
<b>Total General Revenue</b>	<b>21,796,890</b>	<b>21,368,503</b>	<b>191</b>	<b>494</b>	<b>21,797,081</b>	<b>21,368,997</b>
<b>Total Revenue</b>	<b>25,011,921</b>	<b>24,534,374</b>	<b>230,495</b>	<b>223,844</b>	<b>25,242,416</b>	<b>24,758,218</b>
<b>Expenses:</b>						
General Government	1,830,453	1,926,137			1,830,453	1,926,137
Public Safety	2,699,955	2,513,919			2,699,955	2,513,919
Public Works	2,007,288	2,214,498			2,007,288	2,214,498
Education	14,402,784	14,017,779			14,402,784	14,017,779
Parks & Recreation	795,203	437,138			795,203	437,138
Public Health & Asst	408,164	421,215			408,164	421,215
Community Development	134,469	307,160			134,469	307,160
Other	2,269,600	2,229,651	255,344	234,849	2,524,944	2,464,500
Interest on Long Term Debt	189,274	213,443			189,274	213,443
<b>Total Expenses</b>	<b>24,737,190</b>	<b>24,280,940</b>	<b>255,344</b>	<b>234,849</b>	<b>24,992,534</b>	<b>24,515,789</b>
<b>Excess (deficiency) Of Revenue Over Expenditures Before Transfers</b>	<b>274,731</b>	<b>253,434</b>	<b>( 24,849)</b>	<b>(11,005)</b>	<b>249,882</b>	<b>242,429</b>
Transfers	(15,000)	(25,000)	15,000	25,000		
<b>Change in Net Assets</b>	<b>259,731</b>	<b>228,434</b>	<b>(9,849)</b>	<b>13,995</b>	<b>249,882</b>	<b>242,429</b>
<b>Net Assets Beginning</b>	<b>24,610,627</b>	<b>24,382,193</b>	<b>347,282</b>	<b>333,287</b>	<b>24,957,909</b>	<b>24,715,480</b>
<b>Net Assets Ending</b>	<b>\$ 24,870,358</b>	<b>\$ 24,610,627</b>	<b>\$ 337,433</b>	<b>\$ 347,282</b>	<b>\$ 25,207,791</b>	<b>\$ 24,957,909</b>

This is the tenth 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 2012. 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.

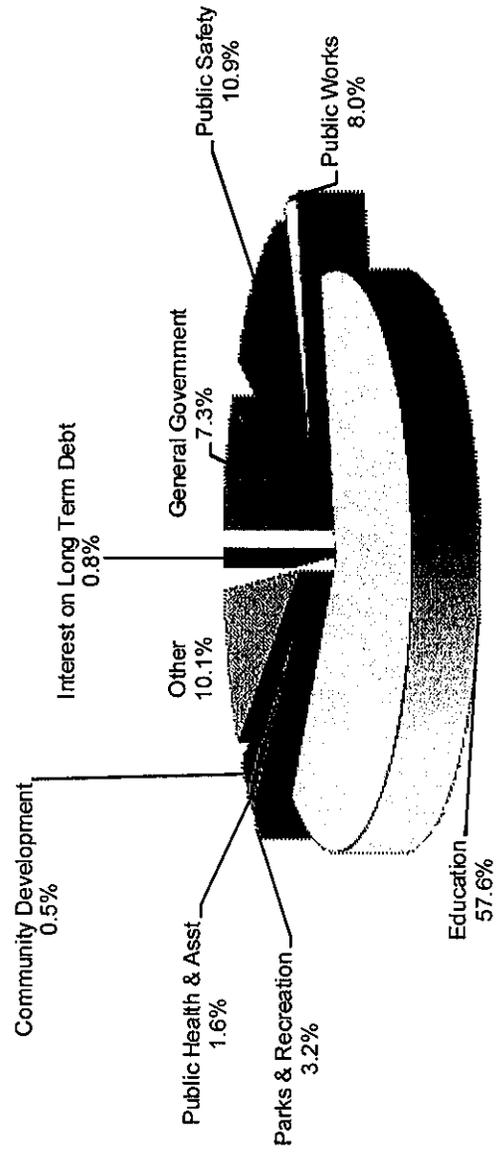
## 2012 Program Revenues



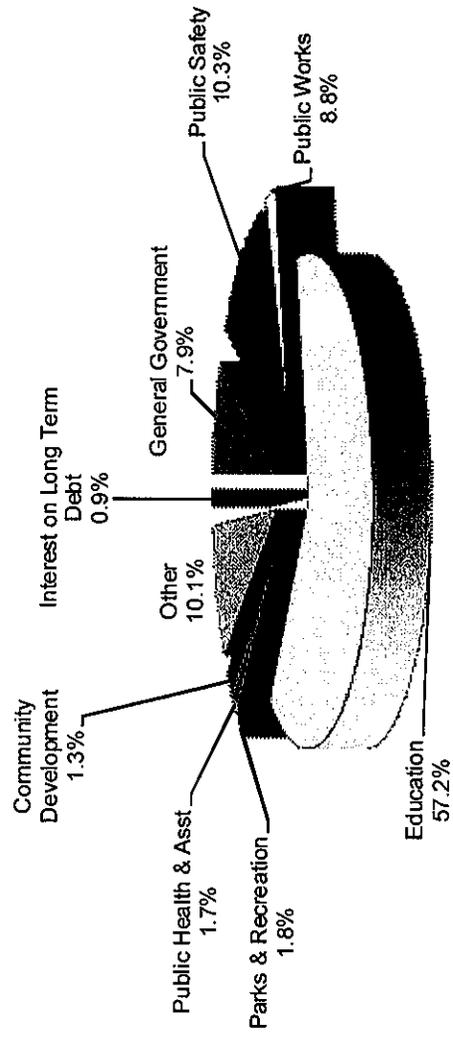
**2011 Program Revenues**



## 2012 Expenses



### 2011 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 \$249,882 and \$242,429 for fiscal year 2012 and 2011, respectively, resulting from the difference between expenses and revenues. For fiscal year 2012, expenses net of their pertinent revenues were \$21,547,199, while revenue not attributed to any activity in the government were \$21,797,081, therefore netting an increase of \$249,882 in net assets. For fiscal year 2011, expenses net of their pertinent revenues was \$21,126,568, while revenues not attributed to any activity in the government were \$21,368,997, therefore netting an increase of \$242,429 in net assets.

**Business type Activities:**

The change in net assets for the business type activities for fiscal year 2012 and 2011 was \$(9,849) and \$13,995, respectively.

## Town's Funds:

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

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

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

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

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

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

Unassigned – items that have no restrictions placed on them.

At the end of June 2012, the general fund balance sheet showed a fund balance of \$7,691,752. This figure results from all assets allocated to the fund less its liabilities, as presented on page 21. Of this total, \$185,167 was nonspendable for tax sale property, \$1,122,707 was restricted mainly to reappropriated fund balance for subsequent year's expenditures and \$6,383,878 was unassigned. The Town was also required to show any other major funds which are determined by criteria listed by the GASB. The other major funds of the Town for fiscal year 2012 were the Beach Pavilions project and Columbia Heights Streetscapes Enhancement. At the end of June 2012, the Beach Pavilions showed a fund deficit of \$(1,187,705). The Columbia Heights Streetscapes Enhancement fund had no fund balance at the end of June 2012. Other governmental funds had a fund balance of \$923,006 of which \$1,525 was nonspendable for perpetual care, \$809,116 was restricted mainly for education and capital projects, \$158,162 was committed for parks and recreation and \$(45,797) was unassigned. The total fund balance for the aforementioned funds is \$7,427,053. See Schedule B-1.

The Town maintains certain funds that have been reclassified to the Town General Fund under GASB 54. The ending fund balance of these funds was \$368,989 at June 30, 2012.

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

**Business type Activities:**

The business type activities for the Town are the Residential Collection Center and the Coastal Pond Management. These two entities combined had total net assets of \$337,433 at June 30, 2012, of which \$160,335 is invested in capital assets, net of related debt, \$10,000 is restricted and \$167,098 is unrestricted. At June 30, 2011, these two entities combined had total net assets of \$347,282 of which \$168,275 was invested in capital assets, net of related debt, \$10,000 was restricted and \$169,007 was unrestricted.

**Required Supplemental Information**

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

**Analysis of Significant Budget Variations in the General Fund**

For the year ended June 30, 2012, the general fund revenues exceeded budget projections by \$701,415, or 2.7%. The general fund expenditures were less than the budget by \$427,044, or 1.7%. This resulted in a \$1,128,459 budgetary surplus in the General Fund for the year ending June 30, 2012.

The most significant revenue variances were additional School Aid in the amount of \$107,535, collection of prior years taxes in the amount of \$170,927, additional Building Inspections fees in the amount of \$25,088, the additional income of \$44,833 in interest on delinquent taxes and the additional Parks and Recreation revenue in the amount of \$93,803. This last amount includes Beach receipts at the two town beaches. The most significant expense variances were over expenditures of \$107,658 in Education, and savings of \$230,886 for Legal Expenses and \$199,025 for the Highway Department.

For the year ended June 30, 2011, the general fund revenues exceeded budget projections by \$544,785 or 2.3%. The general fund expenditures were less than the budget by \$378,175 or 1.6%. This resulted in a \$922,970 budgetary surplus in the General Fund for the year ending June 30, 2011.

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

## **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, 2012 and 2011 amounted to \$22.9 and \$22.1 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.

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

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Totals</b>	
	<b><u>2012</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2011</u></b>
Motor Vehicles	\$ 3.1	\$ 2.9			\$ 3.1	\$ 2.9
Equipment	1.1	1.0	\$0.2	\$0.2	1.3	1.2
Infrastructure	44.0	43.6			44.0	43.6
Buildings and Improvements	8.5	7.3	0.1	0.1	8.6	7.4
Land and Land Improvements	7.2	7.3	0.2	0.2	7.4	7.5
Construction-in-progress	0.2	0.1			0.2	0.1
Total Assets	64.1	62.2	0.5	0.5	64.6	62.7
Less: Accumulated Depreciation	(41.4)	(40.3)	(0.3)	(0.3)	(41.7)	(40.6)
Net Capital Assets	\$22.7	\$21.9	\$0.2	\$0.2	\$22.9	\$22.1

The Town's investment in capital assets for its governmental and business type activities as of June 30, 2012 was \$64.6 million less accumulated depreciation of \$41.7 million for a net investment in capital assets of \$22.9 million.

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

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

- \$ 365,973 for Infrastructure
- \$ 501,610 for Vehicles
- \$ 50,280 for construction in progress
- \$1,233,081 for buildings and improvements
- \$ 45,364 for equipment

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

## **Long Term Debt**

As of June 30, 2012, the Town had total long-term liabilities of \$6.1 million. Of that, \$4.7 million related to bonded debt guaranteed by the Town's assets, \$0.2 related to landfill monitoring costs; \$0.8 million related to compensated absences; and \$0.4 million related to leases payable.

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

The business type activities had long-term liabilities \$7,921 at June 30, 2012. This is related to compensated absences.

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

The Town's bond ratings are as follows:

- Moody's: Aa2

TOWN OF CHARLESTOWN

BASIC  
FINANCIAL STATEMENTS

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TOWN OF CHARLESTOWN, RHODE ISLANDSTATEMENT OF NET ASSETS  
JUNE 30, 2012

	Governmental Activities	Business-type Activities	Total
<b>ASSETS:</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 7,108,331	\$ 308,228	\$ 7,416,559
Restricted cash and cash equivalents		15,885	15,885
Investments	500		500
Receivables:			
Taxes, net	914,602		914,602
Other receivables	107,471	15,540	123,011
Internal balances	150,592	(150,592)	
Due from other governments	834,347		834,347
Prepaid expenses		3,000	3,000
Tax sale property	185,167		185,167
<b>Total current assets</b>	<b>9,301,010</b>	<b>192,061</b>	<b>9,493,071</b>
<b>Noncurrent assets:</b>			
Capital assets:			
Non-depreciable	7,428,644	99,500	7,528,144
Depreciable, net	15,245,266	60,835	15,306,101
Bond issuance costs	35,529		35,529
Net other post-employment benefit asset	340,554		340,554
<b>Total noncurrent assets</b>	<b>23,049,993</b>	<b>160,335</b>	<b>23,210,328</b>
<b>TOTAL ASSETS</b>	<b>32,351,003</b>	<b>352,396</b>	<b>32,703,399</b>
<b>LIABILITIES:</b>			
<b>Current liabilities:</b>			
Accounts payable	309,658	7,042	316,700
Accrued interest	158,331		158,331
Due to other governments	11,846		11,846
Current portion of long-term debt	391,394		391,394
Unearned revenue	817,624		817,624
Other liabilities	115,573		115,573
<b>Total current liabilities</b>	<b>1,804,426</b>	<b>7,042</b>	<b>1,811,468</b>
<b>Noncurrent liabilities:</b>			
Long-term debt, net	5,676,219	7,921	5,684,140
<b>Total noncurrent liabilities</b>	<b>5,676,219</b>	<b>7,921</b>	<b>5,684,140</b>
<b>TOTAL LIABILITIES</b>	<b>7,480,645</b>	<b>14,963</b>	<b>7,495,608</b>

(CONTINUED)

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF CHARLESTOWN, RHODE ISLANDSTATEMENT OF NET ASSETS  
JUNE 30, 2012

	Governmental Activities	Business-type Activities	Total
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt	17,609,967	160,335	17,770,302
Restricted - nonexpendable	186,692	10,000	196,692
Restricted for:			
Community development	21,146		21,146
Education	287,209		287,209
Capital projects	274,439		274,439
Employee severance benefits	99,465		99,465
Special purposes	1,249,564		1,249,564
Unrestricted	5,141,876	167,098	5,308,974
<b>TOTAL NET ASSETS</b>	<b>\$ 24,870,358</b>	<b>\$ 337,433</b>	<b>\$ 25,207,791</b>

(CONCLUDED)

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF CHARLESTOWN, RHODE ISLAND

**STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2012**

Functions/Programs:	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental activities:</b>							
General government	\$ 1,830,453	\$ 604,318	\$ 230,375	\$ 8,672	\$ (995,760)	\$	\$ (995,760)
Public safety	2,699,955	33,691	65,906		(2,591,686)		(2,591,686)
Public works	2,007,288				(2,007,288)		(2,007,288)
Education	14,402,784		1,704,448		(12,698,336)		(12,698,336)
Parks and recreation	795,203	432,970	16,860	11,187	(334,186)		(334,186)
Public health and assistance	408,164				(408,164)		(408,164)
Community development	134,469		106,604		(27,865)		(27,865)
Other	2,269,600				(2,269,600)		(2,269,600)
Interest on long-term debt	189,274				(189,274)		(189,274)
<b>Total governmental activities</b>	<b>24,737,190</b>	<b>1,070,979</b>	<b>2,124,193</b>	<b>19,859</b>	<b>(21,522,159)</b>		<b>(21,522,159)</b>
<b>Business-type activities:</b>							
Residential Collection Center	213,076	175,844				\$ (37,232)	(37,232)
Coastal Pond Management	42,268	54,460				12,192	12,192
<b>Total business-type activities</b>	<b>255,344</b>	<b>230,304</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(25,040)</b>	<b>(25,040)</b>
<b>Total</b>	<b>\$ 24,992,534</b>	<b>\$ 1,301,283</b>	<b>\$ 2,124,193</b>	<b>\$ 19,859</b>	<b>(21,522,159)</b>	<b>(25,040)</b>	<b>(21,547,199)</b>
<b>General revenues:</b>							
Property taxes					21,780,604		21,780,604
Unrestricted investment earnings					16,286	191	16,477
Transfers					(15,000)	15,000	
<b>Total general revenues and transfers</b>					<b>21,781,890</b>	<b>15,191</b>	<b>21,797,081</b>
<b>Change in net assets</b>					<b>259,731</b>	<b>(9,849)</b>	<b>249,882</b>
<b>Net Assets - beginning</b>					<b>24,610,627</b>	<b>347,282</b>	<b>24,957,909</b>
<b>Net Assets - ending</b>					<b>\$ 24,870,358</b>	<b>\$ 337,433</b>	<b>\$ 25,207,791</b>

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF CHARLESTOWN, RHODE ISLAND

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2012**

	General Fund	Beach Pavilions	Columbia Heights Streetscapes Enhancement	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>					
Cash and cash equivalents	\$ 6,459,589			\$ 648,742	\$ 7,108,331
Investments				500	500
Receivables:					
Taxes, net	914,602				914,602
Other	107,471				107,471
Due from:					
Other funds	1,356,304			383,754	1,740,058
Other governments	24,902		\$ 395,578	413,867	834,347
Tax sale property	185,167				185,167
<b>TOTAL ASSETS</b>	<b>\$ 9,048,035</b>	<b>\$ 0</b>	<b>\$ 395,578</b>	<b>\$ 1,446,863</b>	<b>\$ 10,890,476</b>
<b>LIABILITIES AND FUND BALANCE:</b>					
<b>LIABILITIES:</b>					
Accounts payable	\$ 278,749	\$ 3,512		\$ 27,397	\$ 309,658
Due to:					
Other funds	317,230	1,184,193		88,043	1,589,466
Other governments	11,153			693	11,846
Deferred revenues	646,678		\$ 395,578	394,624	1,436,880
Other liabilities	102,473			13,100	115,573
<b>TOTAL LIABILITIES</b>	<b>1,356,283</b>	<b>1,187,705</b>	<b>395,578</b>	<b>523,857</b>	<b>3,463,423</b>

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2012**

	General Fund	Beach Pavilions	Columbia Heights Streetscapes Enhancement	Other Governmental Funds	Total Governmental Funds
<b>FUND BALANCE:</b>					
Nonspendable	185,167			1,525	186,692
Restricted	1,122,707			809,116	1,931,823
Committed	6,383,878	(1,187,705)		158,162	158,162
Unassigned	7,691,752	(1,187,705)	0	(45,797)	5,150,376
<b>TOTAL FUND BALANCE (DEFICIT)</b>	<b>\$ 9,048,035</b>	<b>\$ 0</b>	<b>\$ 395,578</b>	<b>\$ 1,446,863</b>	<b>\$ 10,890,476</b>
<b>TOTAL LIABILITIES AND FUND BALANCE (DEFICIT)</b>	<b>\$ 9,048,035</b>	<b>\$ 0</b>	<b>\$ 395,578</b>	<b>\$ 1,446,863</b>	<b>\$ 10,890,476</b>

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, 2012**

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

<b>Total Fund Balance (B-1)</b>	\$ 7,427,053
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	22,673,910
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.	340,554
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(6,067,613)
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.	619,256
Accrued interest payable is recorded in governmental activities, but is not recorded in the funds.	(158,331)
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>35,529</u>
<b>Total Net Assets (A-1)</b>	<u><u>\$ 24,870,358</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, 2012**

	General Fund	Beach Pavilions	Columbia Heights Streetscapes Enhancement	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>					
General property taxes	\$ 21,791,593				\$ 21,791,593
Intergovernmental	1,984,418			\$ 185,262	2,169,680
Departmental	1,007,029				1,007,029
Investment income	16,024			262	16,286
Other	1,032			77,485	78,517
<b>TOTAL REVENUES</b>	<b>24,800,096</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>263,009</b>	<b>25,063,105</b>
<b>EXPENDITURES:</b>					
<b>Current:</b>					
General government	1,383,431			21,290	1,404,721
Public safety	2,338,192			19,432	2,357,624
Public works	1,232,888			46,474	1,279,362
Education	14,378,520			1,598	14,380,118
Parks and recreation	441,217			291,232	732,449
Public health and assistance	408,164			134,469	408,164
Community development					134,469
Other	2,269,600				2,269,600
<b>Debt Service:</b>					
Principal	184,288				184,288
Interest and other costs	344,873				344,873
<b>Capital:</b>					
Capital outlay	744,277	1,187,705		106,516	2,038,498
<b>TOTAL EXPENDITURES</b>	<b>23,725,450</b>	<b>1,187,705</b>	<b>0</b>	<b>621,011</b>	<b>25,534,166</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)</b>	<b>1,074,646</b>	<b>(1,187,705)</b>	<b>0</b>	<b>(358,002)</b>	<b>(471,061)</b>

(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, 2012**

	General Fund	Beach Pavilions	Columbia Heights Streetscapes Enhancement	Other Governmental Funds	Total Governmental Funds
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	54,144			1,129,569	1,183,713
Transfers out	(1,439,713)			(105,000)	(1,544,713)
Proceeds from capital leases	169,056				169,056
Landfill monitoring	(9,600)				(9,600)
<b>NET OTHER FINANCING SOURCES (USES)</b>	<b>(1,226,113)</b>	<b>0</b>	<b>0</b>	<b>1,024,569</b>	<b>(201,544)</b>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<b>(151,467)</b>	<b>(1,187,705)</b>	<b>0</b>	<b>666,567</b>	<b>(672,605)</b>
<b>FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR</b>	<b>7,843,219</b>	<b>0</b>	<b>0</b>	<b>256,439</b>	<b>8,099,658</b>
<b>FUND BALANCE (DEFICIT) AT END OF YEAR</b>	<b>\$ 7,691,752</b>	<b>\$ (1,187,705)</b>	<b>\$ 0</b>	<b>\$ 923,006</b>	<b>\$ 7,427,053</b>

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, 2012**

<b>Net Change in Fund Balances - Total Governmental Funds (B-2):</b>	\$ (672,605)
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.	750,876
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.	3,070
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.	233,506
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in governmental funds.	(51,184)
Adjustment to accrued interest payable related to long-term liabilities which is required to be recorded for government-wide financial statement presentation.	3,126
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>
<b>Change in Net Assets of Governmental Activities in the Statement of Activities (A-2)</b>	<b><u>\$ 259,731</u></b>

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF CHARLESTOWN, RHODE ISLAND

**STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS  
 JUNE 30, 2012**

	Residential Collection Center	Coastal Pond Management	Totals
<b>ASSETS:</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 181,117	\$ 127,111	\$ 308,228
Restricted cash and cash equivalents		15,885	15,885
Receivables, net	15,540		15,540
Prepaid expenses	3,000		3,000
<b>Total Current Assets</b>	<b>199,657</b>	<b>142,996</b>	<b>342,653</b>
<b>Noncurrent Assets:</b>			
Net capital assets	160,335		160,335
<b>Total Noncurrent Assets</b>	<b>160,335</b>	<b>0</b>	<b>160,335</b>
<b>TOTAL ASSETS</b>	<b>359,992</b>	<b>142,996</b>	<b>502,988</b>
<b>LIABILITIES:</b>			
<b>Current Liabilities:</b>			
Accounts payable	6,108	934	7,042
Due to other funds	117,175	33,417	150,592
<b>Total Current Liabilities</b>	<b>123,283</b>	<b>34,351</b>	<b>157,634</b>
<b>Noncurrent Liabilities:</b>			
Accrued compensated absences	7,921		7,921
<b>Total Noncurrent Liabilities</b>	<b>7,921</b>	<b>0</b>	<b>7,921</b>
<b>TOTAL LIABILITIES</b>	<b>131,204</b>	<b>34,351</b>	<b>165,555</b>
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt	160,335		160,335
Restricted for endowment		10,000	10,000
Unrestricted	68,453	98,645	167,098
<b>TOTAL NET ASSETS</b>	<b>\$ 228,788</b>	<b>\$ 108,645</b>	<b>\$ 337,433</b>

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, 2012**

	Residential Collection Center	Coastal Pond Management	Totals
<b>OPERATING REVENUES:</b>			
Charges for usage and service	\$ 175,844	\$ 54,460	\$ 230,304
<b>Total Operating Revenues</b>	<u>175,844</u>	<u>54,460</u>	<u>230,304</u>
<b>OPERATING EXPENSES:</b>			
Operations	97,805	16,727	114,532
Personnel	103,241	25,541	128,782
Depreciation	11,853		11,853
<b>Total Operating Expenses</b>	<u>212,899</u>	<u>42,268</u>	<u>255,167</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(37,055)</u>	12,192	<u>(24,863)</u>
<b>NONOPERATING REVENUES:</b>			
Investment income	117	74	191
Interest expense	(177)		(177)
<b>Total Nonoperating Revenues (Expenses)</b>	<u>(60)</u>	74	<u>14</u>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<u>(37,115)</u>	12,266	<u>(24,849)</u>
<b>TRANSFERS IN</b>	<u>15,000</u>	0	<u>15,000</u>
<b>CHANGE IN NET ASSETS</b>	<u>(22,115)</u>	12,266	<u>(9,849)</u>
<b>TOTAL NET ASSETS - BEGINNING</b>	<u>250,903</u>	96,379	<u>347,282</u>
<b>TOTAL NET ASSETS - ENDING</b>	<u>\$ 228,788</u>	<u>\$ 108,645</u>	<u>\$ 337,433</u>

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF CHARLESTOWN, RHODE ISLAND

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2012**

	Residential Collection Center	Coastal Pond Management	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from customers	\$ 174,212	\$ 54,635	\$ 228,847
Cash paid to suppliers	(100,644)	(18,485)	(119,129)
Cash paid to employees	(102,106)	(25,541)	(127,647)
<b>Net cash provided by (used for) operating activities</b>	<b>(28,538)</b>	<b>10,609</b>	<b>(17,929)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Transfers from General Fund	15,000		15,000
Increase in due to other funds	87,067	25,952	113,019
<b>Net cash provided by noncapital financing activities</b>	<b>102,067</b>	<b>25,952</b>	<b>128,019</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Principal payment on capital lease payable	(3,913)		(3,913)
Interest expense	(177)		(177)
<b>Net cash used for capital and related financing activities</b>	<b>(4,090)</b>	<b>0</b>	<b>(4,090)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest on investments	117	74	191
<b>Net cash provided by investing activities</b>	<b>117</b>	<b>74</b>	<b>191</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>69,556</b>	<b>36,635</b>	<b>106,191</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>111,561</b>	<b>106,361</b>	<b>217,922</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 181,117</b>	<b>\$ 142,996</b>	<b>\$ 324,113</b>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>			
Operating income (loss)	\$ (37,055)	\$ 12,192	\$ (24,863)
Adjustments to reconcile:			
Depreciation	11,853		11,853
(Increase) decrease in receivables, net	(1,632)	175	(1,457)
Increase in prepaid expenses	(2,000)		(2,000)
Decrease in accounts payable	(839)	(1,758)	(2,597)
Increase in accrued compensated absences	1,135		1,135
<b>Net cash provided by (used for) operating activities</b>	<b>\$ (28,538)</b>	<b>\$ 10,609</b>	<b>\$ (17,929)</b>

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF CHARLESTOWN, RHODE ISLAND

**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2012**

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	<u>Other Post-Employment Benefit Trust Fund</u>
<b>ASSETS:</b>	
Cash and cash equivalents	\$ 581
Investments, at fair value	<u>1,842,176</u>
<b>Total assets</b>	<u>1,842,757</u>
<b>LIABILITIES</b>	
	<u>0</u>
<b>NET ASSETS:</b>	
Held in trust for other post-employment benefits	<u>\$ 1,842,757</u>

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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, 2012**

	<u>Other Post-Employment Benefit Trust Fund</u>
<b>ADDITIONS:</b>	
<b>Contributions:</b>	
Employer contributions	\$ 346,000
<b>Total contributions</b>	<u>346,000</u>
<b>Investment income:</b>	
Interest and dividends	45,940
Net realized gains on sale of investments	13,167
Net decrease in fair value of investments	<u>(3,640)</u>
<b>Total investment income</b>	<u>55,467</u>
<b>Total additions</b>	<u>401,467</u>
<b>DEDUCTIONS:</b>	
Benefits	0
Administrative expenses	<u>0</u>
<b>Total deductions</b>	<u>0</u>
<b>CHANGE IN NET ASSETS</b>	401,467
<b>NET ASSETS - BEGINNING</b>	1,441,290
<b>NET ASSETS - ENDING</b>	<u>\$ 1,842,757</u>

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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**1. REPORTING ENTITY**

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

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

***Primary Government***

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

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

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

\* is able to impose its will on the potential component unit and/or

\* is in a relationship of financial benefit or burden with the potential component unit;

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

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

Potential component unit:

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

(CONTINUED)

**TOWN OF CHARLESTOWN, RHODE ISLAND**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

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**1. REPORTING ENTITY (Continued)**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Recently Issued Accounting Standards***

The Town did not implement any pronouncements for the year ended June 30, 2012.

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

- GASB Statement No. 60 - Accounting and Financial Reporting for Service Concession Arrangements, effective for the Town's fiscal year ending June 30, 2013.
- GASB Statement No. 61 - The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34, effective for the Town's fiscal year ending June 30, 2013.
- GASB Statement No. 62 - Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, effective for the Town's fiscal year ending June 30, 2013.
- GASB Statement No. 63 - Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position effective for the Town's fiscal year ending June 30, 2013.
- GASB Statement No. 65 - Items Previously Reported as Assets and Liabilities, effective for the Town's fiscal year ending June 30, 2014.
- GASB Statement No. 66 - Technical Corrections - 2012- an amendment of GASB Statements No. 10 and No. 62, effective for the Town's fiscal year ending June 30, 2014.
- GASB Statement No. 67 - Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25, effective for Town's fiscal year ending June 30, 2014.
- GASB Statement No. 68 - Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27, effective for the Town's fiscal year ending June 30, 2015.

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

(CONTINUED)

**TOWN OF CHARLESTOWN, RHODE ISLAND**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

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

***Basis of Presentation***

***Government-Wide Financial Statements***

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

***Fund Financial Statements***

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

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

The funds of the financial reporting entity are described below:

***Governmental Funds***

**General Fund**

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

**Special Revenue Funds**

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

**Capital Project Funds**

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

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**TOWN OF CHARLESTOWN, RHODE ISLAND**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

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

***Governmental Funds (Continued)***

**Permanent Funds**

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

***Proprietary Funds***

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

***Fiduciary Funds (Not included in government-wide statements)***

**Other Post-Employment Benefit Trust Funds**

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

**Agency Funds**

Agency funds account for assets held by the Town in a purely custodial capacity. Since agency funds are custodial in nature (i.e. assets equal liabilities), they do not involve the measurement of results of operations. The Town did not have any agency funds at June 30, 2012.

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(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

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

**Major and Non-Major Funds**

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

<u>Fund</u>	<u>Brief Description</u>
<b>Major:</b>	
General:	See above for description
Special Revenue:	Columbia Heights Streetscapes Enhancement: accounts for grant monies received for the revitalization plan for the Columbia Heights neighborhood.
Capital Projects:	Beach Pavilions: accounts for the construction of pavilions at Town Beach and Blue Shutters Beach.
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.
<b>Non-Major:</b>	
Special Revenue:	Senior Community Activities, Police Grants – JAG, MEDS Grant - R.I. Dept. of Health, Frisbee Golf Course, School Impact Fees, Hazard Mitigation, Operation Blue Riptide, Mud Cove Recreation Development, Animal Spaying/Neutering, Ninigret Park Fund, Bicentennial Fund, FEMA, Developer Bond Deposits, Open Space Fees, Charlestown Community Garden, Naval Airfield Memorial, Police Forfeiture, Municipal Planning, Affordable Housing initiatives, Birthday Committee, Trail Improvement Grant - Mud Cove, Community Development Block Grant, Bulletproof Vest, Historical and Vital Records, Ninigret Dog Park, RIHPHC Preservation is Local Grant, Energy Efficient and Conservation Block Grant, Special Donations, South Farm Trails Grant, and Comprehensive Planning Grant.
Capital Projects:	Skating Rink, DPW – Old Coach Road Reconstruction Phase I, DPW Salt/Sand Equipment Shed, Town Capital Maintenance Fund, Police Building Fund, DPW Road Engineering, Open Space Acquisitions, Buckeye Brook Road Phase #2, and Pond and Beach Preservation.
Permanent:	Zenis Ellis Trust and Cemetery Fund

(CONTINUED)

**TOWN OF CHARLESTOWN, RHODE ISLAND**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

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**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.

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**TOWN OF CHARLESTOWN, RHODE ISLAND**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

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**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 \$354,700 for property taxes. Major receivable balances for the governmental activities include property taxes and intergovernmental grants and aid. Business-type activities report service fees as its major receivables.

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

***Encumbrances***

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

***Investments***

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

***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, 2012**

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**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.

***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, 2012 were \$35,075, while the accumulated amortization was \$16,210. The total bond issuance costs at June 30, 2012 were \$94,528, while the accumulated amortization was \$58,999.

***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 (capital 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, all capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital 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, 2012**

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

<u>Classes</u>	<u>Useful Life</u>
Buildings and improvements .....	15 - 50 years
Land improvements .....	15 years
Equipment.....	3 - 30 years
Vehicles.....	5 - 10 years
Infrastructure.....	20 - 50 years

**Fund Financial Statements**

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital 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, 2012 amounted to \$805,670. 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, 2012.

(CONTINUED)

**TOWN OF CHARLESTOWN, RHODE ISLAND**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**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) ..	\$26,306,262	\$25,177,803
Reappropriated fund balance.....	(1,208,713)	
Current year encumbrances .....		(16,769)
Prior year encumbrances.....		15,777
Activity of funds classified with the General Fund for purposes of GASB Statement No. 54.....	<u>(74,253)</u>	<u>(2,048)</u>
Statement of Revenues, Expenditures and Changes in Fund		
Balance (B-2).....	<u>\$25,023,296</u>	<u>\$25,174,763</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, 2012**

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

**Equity Classifications (Continued)**

**Fund Statements**

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

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

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

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

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

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

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

(CONTINUED)

**TOWN OF CHARLESTOWN, RHODE ISLAND**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

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

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

The governmental fund statement of revenues, expenditures, other financing sources (uses) and changes in fund balances includes reconciliation between *net changes in fund balances - total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense". The details of this \$750,876 difference are as follows:

Capital outlays.....	\$2,193,675
Depreciation expense, net .....	<u>(1,442,799)</u>
Net adjustment.....	<u>\$ 750,876</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 \$233,506 difference are as follows:

Bonds payable .....	\$ 184,288
Add: issuance premium .....	1,926
Capital leases payable.....	(11,451)
Compensated absences .....	(28,257)
Landfill monitoring .....	<u>87,000</u>
Net adjustment.....	<u>\$ 233,506</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 \$4,424,972 while the bank balance was \$4,718,591 of which \$476,231 was covered by federal depository insurance, \$729,124 was uninsured, and \$3,513,236 was collateralized. The Town also had nonnegotiable certificates of deposit totaling \$3,004,197 which were FDIC insured under the Certificate of Deposit Account Registry Service (CDARS) at June 30, 2012. 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, 2012.

(CONTINUED)

**TOWN OF CHARLESTOWN, RHODE ISLAND**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

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

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

Unrestricted cash deposits.....	\$4,409,087
Restricted cash deposits.....	15,885
Petty cash.....	3,275
Certificate of deposit, 0.25%, dated April 26, 2012, due July 26, 2012.....	1,001,246
Certificate of deposit, 0.25%, dated May 24, 2012, due August 23, 2012.....	1,001,398
Certificate of deposit, 0.25%, dated June 21, 2012, due September 20, 2012.....	<u>1,001,553</u>
<b>Total cash and cash equivalents – (A-1).....</b>	<b><u>\$7,432,444</u></b>

***Investments***

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

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, 2012, the Town's non-fiduciary fund investments consisted entirely of a U.S. Series H Bond.

(CONTINUED)

**TOWN OF CHARLESTOWN, RHODE ISLAND**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

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

**Investments (Continued)**

The OPEB trust fund (fiduciary fund) held the following investments, which represent five percent or more of the net assets available for benefits at June 30, 2012:

SPDR S&P 500 ETF Trust, closed end equity mutual fund .....	\$146,039
IShares S & P Small Cap Index Fund, closed end equity mutual fund .....	\$109,905
Vanguard Intermediate - Term Bond Index fund, fixed income mutual fund .....	\$102,252

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, 2012, investments other than those included in the Fiduciary Fund included:

<u>Description</u>	<u>Fair Value</u>	<u>Interest Rate</u>	<u>Maturity</u>
Series H Bond .....	\$ 500	0.75%	N/A
<b>Total investments (A-1) .....</b>	<b><u>\$ 500</u></b>		

(CONTINUED)

**TOWN OF CHARLESTOWN, RHODE ISLAND**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

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

**Investments (Continued)**

Investments included in the Fiduciary Fund consisted of the following at June 30, 2012:

<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.....	\$ 25,326	1.4%	9/7/21	AA+
Federal Home Loan Mortgage Corp ...	51,030	2.8%	7/30/19	AA+
Federal Farm Credit Bank .....	<u>53,335</u>	<u>2.9%</u>	11/19/18	AA+
Subtotal.....	<u>129,691</u>	<u>7.1%</u>		
Corporate bonds:				
Bank of America .....	25,565	1.4%	9/1/15	A-
General Electric Capital Corp .....	27,389	1.5%	9/21/15	AA+
General Electric .....	<u>28,056</u>	<u>1.5%</u>	1/7/21	AA+
Subtotal.....	<u>81,010</u>	<u>4.4%</u>		
Municipal bonds:				
New Jersey Environmental .....	27,926	1.5%	9/1/19	AAA
New York, NY GO .....	27,413	1.5%	10/1/18	AA
Northborough, MA GO .....	30,596	1.7%	10/15/18	Aa2
Pittsburgh, PA Urban Development....	<u>27,841</u>	<u>1.5%</u>	5/1/17	AA
Subtotal.....	<u>113,776</u>	<u>6.2%</u>		
Corporate equity securities .....	<u>741,821</u>	<u>40.2%</u>	(not applicable)	(not rated)
Equity mutual funds .....	<u>479,232</u>	<u>26.0%</u>	(not applicable)	(not rated)
Fixed income mutual funds.....	<u>296,646</u>	<u>16.1%</u>	(not applicable)	AA
<b>Total Investments</b> .....	<b><u>\$1,842,176</u></b>	<b><u>100.0%</u></b>		

**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, 2012 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 2012 were based on an assessed value of approximately \$2,355,664,026 at December 31, 2010 and amounted to \$21,611,447. Collections through June 30, 2012 amounted to \$21,081,572 which represents 98% of the total tax levy.

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**TOWN OF CHARLESTOWN, RHODE ISLAND**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**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, 2012 of \$1,269,302 are recorded as a receivable, net of an allowance for uncollectible property taxes of \$354,700. Those net property taxes receivable which were not collected within the 60 days immediately following June 30, 2012 are recorded as deferred revenue and amounted to \$619,256 at June 30, 2012. Property taxes recognized as revenue for the fiscal year ended June 30, 2012 (due to their collection within the 60 days immediately following June 30, 2012) amounted to \$295,346.

**5. INTERGOVERNMENTAL RECEIVABLES/PAYABLES**

Intergovernmental receivables and payables consisted of the following at June 30, 2012:

	<u>Due From</u>	<u>Due To</u>
<b>Governmental activities:</b>		
<b>State of Rhode Island:</b>		
<b>Major funds:</b>		
General Fund .....		\$11,153
Columbia Heights Streetscapes Enhancement .....	\$ 79,116	
<b>Non-major funds</b> .....	<u>8,084</u>	
<b>Total</b> .....	<u>87,200</u>	<u>11,153</u>
<b>Federal government:</b>		
<b>Major funds:</b>		
General Fund .....	24,902	
Columbia Heights Streetscapes Enhancement .....	316,462	
<b>Non-major funds</b> .....	<u>405,783</u>	693
<b>Total</b> .....	<u>747,147</u>	<u>693</u>
<b>Total governmental activities</b> .....	<u>\$834,347</u>	<u>\$11,846</u>

**6. DEFINED BENEFIT PENSION PLANS**

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

**Plan Description**

The Town's defined benefit pension plan, Municipal Employee's Retirement System of the State of Rhode Island (MERS), provides retirement and disability benefits, annual cost-of-living adjustments, death and disability benefits to plan members and beneficiaries. MERS is an agent multiple-employer Public Employee Retirement System that acts as a common investment agent for participants. The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liabilities for benefits. The Municipal Employee's Retirement System of the State of Rhode Island issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State of Rhode Island Employee Retirement Board, 50 Service Avenue, Warwick, RI 02886. The payroll for employees covered by the System for the year ended June 30, 2012 was approximately \$1,948,056, and the Town wide payroll was approximately \$4,479,909.

(CONTINUED)

**TOWN OF CHARLESTOWN, RHODE ISLAND**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**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 12.48% 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>
2010	\$189,650	100%	\$0
2011	\$172,977	100%	\$0
2012	\$241,400	100%	\$0

**Funded Status and Funding Progress**

The funded status of the plan as of June 30, 2011 (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>
2011	\$4,909,344	\$5,843,321	\$933,977	84.0%	\$1,687,527	55.3%

**Annual Pension Cost**

For 2012, the Town's annual pension cost of \$241,400 for MERS was equal to the Town's required and actual contributions. The required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age normal cost method with frozen initial liability. Significant actuarial assumptions include mortality rates based on the RP-2000 Combined 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, 2012 was approximately \$1,326,952, and the Town wide payroll was approximately \$4,479,909.

(CONTINUED)

**TOWN OF CHARLESTOWN, RHODE ISLAND**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**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 25.64% 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>
2010	\$276,922	100%	\$0
2011	\$282,782	100%	\$0
2012	\$339,476	100%	\$0

**Funded Status and Funding Progress**

The funded status of the plan as of June 30, 2011 (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>
2011	\$6,182,948	\$8,391,194	\$2,208,246	73.7%	\$1,149,499	192.1%

**Annual Pension Cost**

For 2012, the Town's annual pension cost of \$339,476 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, 2009 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 RP-2000 Combined tables, and a retirement age of 60 and completion of 10 years of service, or at the later of the age 55 and completion of 25 years of service, if earlier, or completion of service requirements, if later. The actuarial value of MERS' assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. MERS unfunded actuarial accrued liability is being amortized as a level percentage of salary funding over a closed 30 year period.

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

(CONTINUED)

**TOWN OF CHARLESTOWN, RHODE ISLAND**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

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

**Annual Pension Cost (Continued)**

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

	<u>General Municipal Employees Pension Plan</u>	<u>Municipal Police Pension Plan</u>
Valuation date .....	6/30/11	6/30/11
Actuarial cost method.....	Entry Age Normal Cost	Entry Age Normal Cost
Amortization method .....	Level Percent Closed	Level Percent Closed
Remaining amortization period.....	24 years	24 years
Asset valuation method .....	5-year Smoothed Market Value	5-year Smoothed Market Value
Actuarial assumptions:		
Investment rate of return .....	7.50%, compounded annually	7.50%, compounded annually
Projected salary increases .....	4.0%-8.0%, compounded annually	4.25%-14.25%, compounded annually
Cost-of-living adjustments .....	2.0% not compounded	2.0% not compounded
Inflation adjustments .....	2.75%	2.75%

**(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 2012, the Town provided retirement benefits to the spouse of one former employee. This pension is self-funded by the Town on a pay-as-you-go basis. The pension has a June 30, 1987 base amount of \$9,000 and is increased annually by 3%. Since the retiree predeceased his spouse, 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, 2012, the total cost to the Town for providing retirement benefits amounted to \$9,489.

(CONTINUED)

**TOWN OF CHARLESTOWN, RHODE ISLAND**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**7. INTERFUND BALANCES**

Interfund receivable and payable balances at June 30, 2012 are as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
<b>Governmental activities:</b>		
<b>Major funds:</b>		
General Fund .....	\$1,356,304	\$ 317,230
Beach Pavilions .....		1,184,193
<b>Non-major funds</b> .....	<u>383,754</u>	<u>88,043</u>
<b>Total governmental activities</b> .....	<u>\$1,740,058</u>	<u>\$1,589,466</u>
<b>Business-type activities:</b>		
<b>Major funds:</b>		
Residential Collection Center .....		\$117,175
Coastal Pond Management .....		33,417
<b>Total business-type activities</b> .....	<u>\$ 0</u>	<u>\$150,592</u>

**8. LONG-TERM LIABILITIES**

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

Long-term liability activity for the year ended June 30, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<b>Governmental Activities:</b>					
<b>Long-term debt:</b>					
General obligation debt.....	\$4,827,138		\$184,288	\$4,642,850	\$185,122
Leases payable.....	390,777	\$169,056	157,605	402,228	114,272
Subtotal.....	5,217,915	169,056	341,893	5,045,078	299,394
Plus: bond premium, net of amortization .....	20,791		1,926	18,865	
<b>Total long-term debt</b> .....	<u>5,238,706</u>	<u>169,056</u>	<u>343,819</u>	<u>5,063,943</u>	<u>299,394</u>
<b>Other long-term liabilities:</b>					
Compensated absences .....	777,413	411,825	383,568	805,670	81,000
Landfill monitoring costs .....	285,000		87,000	198,000	11,000
<b>Total other long-term liabilities</b> .....	<u>1,062,413</u>	<u>411,825</u>	<u>470,568</u>	<u>1,003,670</u>	<u>92,000</u>
<b>Governmental activities:</b>					
Long-term liabilities .....	<u>\$6,301,119</u>	<u>\$580,881</u>	<u>\$814,387</u>	<u>\$6,067,613</u>	<u>\$391,394</u>
<b>Business-Type Activities:</b>					
<b>Long-term debt:</b>					
Leases payable .....	\$ 3,913	\$ 0	\$ 3,913	\$ 0	\$ 0
<b>Other long-term liabilities:</b>					
Compensated absences .....	6,786	7,014	5,879	7,921	0
<b>Business-type activities:</b>					
Long-term liabilities .....	<u>\$ 10,699</u>	<u>\$ 7,014</u>	<u>\$ 9,792</u>	<u>\$ 7,921</u>	<u>\$ 0</u>

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

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

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

**(b) Debt Maturity**

At June 30, 2012, the Town had \$4,190,000 of remaining authorized unissued bond authority.

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

<u>Year ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013 .....	\$ 185,122	\$ 198,483	\$ 383,605
2014 .....	186,528	191,660	378,188
2015 .....	188,172	184,766	372,938
2016 .....	189,890	177,422	367,312
2017 .....	191,685	170,003	361,688
2018 - 2022 .....	988,308	733,318	1,721,626
2023 - 2027 .....	596,975	537,551	1,134,526
2028 - 2032 .....	370,086	445,164	815,250
2033 - 2037 .....	461,193	354,057	815,250
2038 - 2042 .....	574,732	240,518	815,250
2043 - 2047 .....	710,159	99,031	809,190
<b>Totals</b> .....	<b>\$4,642,850</b>	<b>\$3,331,973</b>	<b>\$7,974,823</b>

At June 30, 2012, 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, 2012 consisted of the following:

	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Original Issue</u>	<u>Balance June 30, 2012</u>
General obligation serial bonds:					
Open Space bond.....	2.25% - 4.30%	2/12/04	2/1/24	\$3,000,000	\$1,800,000
USDA bond.....	4.50%	7/28/06	7/28/46	\$3,000,000	<u>2,842,850</u>
<b>Total general obligation bonds</b> .....					<b>\$4,642,850</b>

(CONTINUED)

**TOWN OF CHARLESTOWN, RHODE ISLAND**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**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>
<b>Assets:</b>		
Vehicles and equipment.....	\$ 578,163	\$1,346,033
Less: accumulated depreciation.....	<u>(271,888)</u>	<u>(942,486)</u>
<b>Total.....</b>	<b><u>\$ 306,275</u></b>	<b><u>\$ 403,547</u></b>

**Business-type Activities**

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

The following schedule summarizes the future minimum lease payments under those capital leases, and the present value of the net minimum lease payments at June 30, 2012:

Fiscal year ending <u>June 30:</u>	<u>Governmental Activities</u>
2013 .....	\$ 130,753
2014 .....	130,751
2015 .....	106,694
2016 .....	53,641
2017 .....	<u>17,837</u>
<b>Total minimum lease payments .....</b>	439,676
Less: amount representing interest .....	<u>(37,448)</u>
<b>Present value of future minimum lease payments</b>	<b><u>\$402,228</u></b>

**9. OPERATING LEASE**

Effective February 16, 2010, the Town entered into a five-year operating lease agreement with an unrelated third party for the installation, maintenance, and operation of a telecommunications system located at the police station. The lease agreement ends on July 31, 2015, and provides four additional five-year terms at the option of the lessee. The lease agreement requires the lessee to pay monthly rent to the Town of \$500 as base rent. The base rent shall be increased by 3% each year effective August 1, 2011, and increase 3% each year thereafter. The lease agreement was terminated by the third party effective May 31, 2012, under the terms of the agreement. Rental income for the year ended June 30, 2012 was \$12,010 (including the agreed-upon termination fee of \$6,360).

(CONTINUED)

**TOWN OF CHARLESTOWN, RHODE ISLAND**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

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**10. CONTINGENT LIABILITIES**

***Grants***

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

***Litigation***

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

**11. LANDFILL ENTERPRISE FUND - CLOSURE AND POSTCLOSURE CARE COSTS**

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

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, 2012 totaled \$9,600. 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 \$11,000 annually for the remaining 18 years. These estimates are based on an independent evaluation of the cost to perform postclosure monitoring. 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, deflation, changes in technology or changes in applicable laws regulations. Annual postclosure monitoring costs are expected to be funded through General Fund appropriations.

(CONTINUED)

**TOWN OF CHARLESTOWN, RHODE ISLAND**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**12. FUND EQUITY**

**(a) Fund Balance Constraints**

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

	<u>General Fund</u>	<u>Beach Pavilions</u>	<u>Columbia Heights Streetscapes Enhancements</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><i>Nonspendable:</i></b>					
Perpetual care.....				\$ 1,525	\$ 1,525
Tax sale property .....	\$ 185,167				185,167
<b><i>Restricted for:</i></b>					
General government .....	269,099			205,004	474,103
Public safety.....				12,715	12,715
Parks and recreation.....				8,603	8,603
Community development .....				21,146	21,146
Education .....				287,209	287,209
Capital projects .....				274,439	274,439
Employee severance benefits .....	99,465				99,465
Subsequent year's budget .....	754,143				754,143
<b><i>Committed to:</i></b>					
Parks and recreation.....				158,162	158,162
<b><i>Unassigned</i></b> .....	<u>6,383,878</u>	<u>\$(1,187,705)</u>		<u>(45,797)</u>	<u>5,150,376</u>
<b>Total Fund Balances....</b>	<u>\$7,691,752</u>	<u>\$(1,187,705)</u>	<u>\$0</u>	<u>\$ 923,006</u>	<u>\$7,427,053</u>

**(b) Net Assets**

Restriction of net assets at June 30, 2012 were as follows:

**Enterprise Funds:**

Restriction for endowment..... \$ 10,000

**(c) Fund Deficits**

The following funds had cumulative deficits at June 30, 2012:

**Major Governmental Funds:**

Beach Pavilions ..... \$1,187,705

**Non-major Governmental Funds:**

Hazard Mitigation..... \$ 207  
Mud Cove Recreation Development..... 6,512  
Affordable Housing Initiatives ..... 4,004  
Trail Improvement Grant-Mud Cove ..... 6,933  
DPW Salt/Sand Equipment Shed ..... 28,141

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

(CONTINUED)

**TOWN OF CHARLESTOWN, RHODE ISLAND**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**13. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land .....	\$ 7,241,614			\$ 7,241,614
Construction-in-progress.....	139,383	\$ 50,280	\$ (2,633)	187,030
<b>Total capital assets not being depreciated</b>	<b>7,380,997</b>	<b>50,280</b>	<b>(2,633)</b>	<b>7,428,644</b>
<b>Other capital assets:</b>				
Buildings and improvements.....	7,299,200	1,233,081		8,532,281
Equipment.....	1,026,436	45,364		1,071,800
Vehicles .....	2,857,652	501,610	(225,081)	3,134,181
Infrastructure.....	43,611,120	365,973		43,977,093
<b>Total other capital assets</b> .....	<b>54,794,408</b>	<b>2,146,028</b>	<b>(225,081)</b>	<b>56,715,355</b>
Less: accumulated depreciation for:				
Buildings and improvements.....	(1,908,685)	(193,066)		(2,101,751)
Equipment.....	(658,775)	(104,738)		(763,513)
Vehicles .....	(2,013,848)	(269,087)	225,081	(2,057,854)
Infrastructure.....	(35,671,063)	(875,908)		(36,546,971)
<b>Total accumulated depreciation</b> .....	<b>(40,252,371)</b>	<b>(1,442,799)</b>	<b>225,081</b>	<b>(41,470,089)</b>
<b>Other capital assets, net</b> .....	<b>14,542,037</b>	<b>703,229</b>	<b>0</b>	<b>15,245,266</b>
<b>Governmental activities capital assets, net</b> .....	<b>\$21,923,034</b>	<b>\$ 753,509</b>	<b>\$ (2,633)</b>	<b>\$22,673,910</b>
<b>Business-type activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land .....	\$ 99,500			\$ 99,500
<b>Total capital assets not being depreciated</b> ..	<b>99,500</b>	<b>\$ 0</b>	<b>\$0</b>	<b>99,500</b>
<b>Other capital assets:</b>				
Buildings.....	18,550			18,550
Land improvements .....	113,684			113,684
Machinery and equipment.....	230,464			230,464
<b>Total other capital assets</b> .....	<b>362,698</b>	<b>0</b>	<b>0</b>	<b>362,698</b>
Less: accumulated depreciation for:				
Buildings.....	(18,548)			(18,548)
Land improvements .....	(83,369)	(7,579)		(90,948)
Machinery and equipment.....	(188,093)	(4,274)		(192,367)
<b>Total accumulated depreciation</b> .....	<b>(290,010)</b>	<b>(11,853)</b>	<b>0</b>	<b>(301,863)</b>
<b>Other capital assets, net</b> .....	<b>72,688</b>	<b>(11,853)</b>	<b>0</b>	<b>60,835</b>
<b>Business-type activities capital assets, net</b> .....	<b>\$ 172,188</b>	<b>\$(11,853)</b>	<b>\$0</b>	<b>\$ 160,335</b>

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**13. CAPITAL ASSETS (Continued)**

Depreciation expense was charged to functions as follows:

<b>Governmental activities:</b>	
General government .....	\$ 63,898
Public safety .....	290,115
Recreation .....	42,622
Public works .....	1,023,498
Education .....	22,666
<b>Total governmental activities .....</b>	<b><u>\$1,442,799</u></b>
 <b>Business-type activities:</b>	
Residential Collection Center .....	<u>\$11,853</u>
<b>Total business type activities .....</b>	<b><u>\$11,853</u></b>

**14. DEFERRED COMPENSATION PLAN**

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

During the year ended June 30, 1998, the Town implemented the Governmental Accounting Standards Board, Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. All assets and income of the Plan are held in trust for the exclusive benefit of the participants and their beneficiaries. As a result, deferred compensation investments and the respective liability have been removed from the Town's financial statements for the year ended June 30, 2012.

**15. RISK MANAGEMENT**

The Town of Charlestown is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; injuries to employees; and natural disasters. As a result, the Town participates in a non-profit, public entity risk pool (Rhode Island Interlocal Risk Management Trust, Inc.) which provides coverage for property/liability claims and workers' compensation claims. Upon joining the Trust, the Town signed a participation agreement, which outlines the rights and responsibilities of both the Trust and the Town. The agreement states that for premiums paid by the Town, the Trust will assume financial responsibility for the Town's losses up to the maximum amount of insurance purchased, minus the Town's deductible amounts. The Trust provides this insurance coverage through a pooled, self-insurance mechanism which includes reinsurance purchased by the Trust to protect against large, catastrophic claims above the losses the Trust retains internally for payment from the pooled contributions of its Members. Under the participation agreement, the Town is insured for a maximum of \$5,000,000 per occurrence. Settled claims resulting from these risks have not exceeded the Trust Coverage in any of the past seventeen 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, 2012, 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, 2012**

**16. COMMUNITY SEPTIC LOAN PROGRAM**

On June 9, 1999, the Town entered into an agreement with the Rhode Island Clean Water Finance Agency to finance the Town's Community Septic System Loan Program. The loan agreement provides the Town with a \$500,000 non-restoring line-of-credit. The proceeds of the loan shall be used by the Town for the establishment and operation of a Community Septic System Loan Program. The Program provides for the Town to make loans to property owners of the Town for the repair or replacement of failed or failing septic systems. The individual loans 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, 2012, the amount of loans outstanding under this program was approximately \$447,411.

**17. INTERFUND TRANSFERS**

Interfund transfers for fiscal year ended June 30, 2012 are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
<b>Governmental activities:</b>		
<b>Major funds:</b>		
General Fund .....	\$ 54,144	\$1,439,713
<b>Non-major funds</b> .....	1,129,569	105,000
<b>Total governmental activities</b> .....	<u>\$1,183,713</u>	<u>\$1,544,713</u>
<b>Business-type activities:</b>		
<b>Major funds:</b>		
Residential Collection Center .....	\$ 15,000	
<b>Total business-type activities</b> .....	<u>\$ 15,000</u>	<u>\$ 0</u>
<b>Fiduciary funds:</b>		
Other Post-Employment Benefit Trust Fund .....	\$ 346,000	\$ 0

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

**Plan Description**

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

The Town of Charlestown's OPEB Plan is a single-employer defined benefit plan offering individual or two-party (spousal) health insurance to police retirees and retirees of the Charlestown Professional Management Association (CPMA). Police and CPMA retirees vest for OPEB when they vest for pension benefits.

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012

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

**Summary of Plan Provisions**

**Eligibility**

**Police:**

A police-officer retiring, who is at least 60 years old, or who has completed at least 20 years of service regardless of age (25 years of service if hired on or after July 1, 2011) and eligible for pension benefits under the State of Rhode Island, Optional Retirement for Members of Police Force and Firefighters, shall be eligible to continue health insurance coverage for self and spouse.

**CPMA:**

Eligible for retirement at an individually determined age. This age is based on the members' social security retirement age with a proportional downward adjustment based on years of service as of June 30, 2012. The minimum retirement age is 59.

**Cost Sharing**

**Police:**

Retiring on or after July 1, 2012:

Pre-65            85% Town-paid for retiree and spouse.

Post-65           85% Town-paid for retiree and spouse (BC Plan 65);  
Medicare Part B reimbursement for retiree and spouse.

Retiring on or after July 1, 2014:

Pre-65            80% Town-paid for retiree and spouse.

Post-65           80% Town-paid for retiree and spouse (BC Plan 65);  
Medicare Part B reimbursement for retiree and spouse.

**CPMA:**

Hired prior to July 1, 1996:

Pre-65            85% Town-paid for retiree and spouse.

Post-65           85% Town-paid for retiree and spouse (BC Plan 65).

Hired on or after July 1, 1996:

Not eligible for Town-paid Post Retirement Health Benefits.

The latest actuarial valuation was performed July 1, 2012. The post-retirement plan does not issue a stand-alone financial report.

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**TOWN OF CHARLESTOWN, RHODE ISLAND**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

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

**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, 2012 (date of the last actuarial valuation) membership data consisted of the following:

	<u>CPMA</u>	<u>Police</u>	<u>Total</u>
Active employees	3	19	22
Retirees and beneficiaries currently receiving benefits	<u>5</u>	<u>15</u>	<u>20</u>
<b>Total</b>	<u>8</u>	<u>34</u>	<u>42</u>

**Benefit Provisions**

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

**Employer Contributions**

The Town's contributions are actuarially determined on a three-year cycle using the level percent amortization method. Contributions made during fiscal year 2012 totaling \$531,000 consist of the current year general fund appropriation of \$346,000 and \$185,000 of general fund pay-as-you-go benefit payments and implicit rate subsidies.

**Summary Financial Information**

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

**STATEMENT OF FIDUCIARY NET ASSETS  
OTHER POST-EMPLOYMENT BENEFIT TRUST FUND  
JUNE 30, 2012**

<b>Assets:</b>	
Cash and cash equivalents.....	\$ 581
Investments, at fair value.....	<u>1,842,176</u>
<b>Total</b> .....	<u>1,842,757</u>
<b>Liabilities</b> .....	
	<u>0</u>
<b>Net Assets:</b>	
Net assets held in trust for OPEB benefits .....	<u>\$1,842,757</u>

(CONTINUED)

**TOWN OF CHARLESTOWN, RHODE ISLAND**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

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

**Summary Financial Information (Continued)**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
OTHER POST-EMPLOYMENT BENEFIT TRUST FUND  
YEAR ENDED JUNE 30, 2012**

<b>Additions:</b>	
Employer contributions .....	\$ 346,000
Investment income, net of investment expenses .....	45,940
Realized investment gains .....	13,167
Unrealized investment losses .....	<u>(3,640)</u>
<b>Total additions</b> .....	<u>401,467</u>
<b>Deductions:</b>	
Benefits .....	0
Administration .....	<u>0</u>
<b>Total deductions</b> .....	<u>0</u>
<b>Changes in Net Assets</b> .....	401,467
<b>Net Assets - July 1, 2011</b> .....	<u>1,441,290</u>
<b>Net Assets - June 30, 2012</b> .....	<u>\$1,842,757</u>

**Annual OPEB Cost and Net OPEB Obligation**

The Town's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation. These amounts are based upon an actuarial valuation date of July 1, 2009.

Annual required contribution .....	\$ 527,000
Interest on net OPEB obligation .....	(25,312)
Adjustment to annual required contribution .....	<u>26,242</u>
Annual OPEB cost (expense) .....	<u>527,930</u>
Contributions made:	
Employer contributions .....	346,000
Retiree benefit payments .....	<u>185,000</u>
Total contributions made .....	<u>531,000</u>
Increase (decrease) in net OPEB obligation .....	(3,070)
Net OPEB obligation, (asset) - July 1, 2011 .....	<u>(337,484)</u>
Net OPEB obligation, (asset) June 30, 2012 .....	<u>\$(340,554)</u>

(CONTINUED)

**TOWN OF CHARLESTOWN, RHODE ISLAND**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

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

**Annual OPEB Cost and Net OPEB Obligation (Continued)**

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010, 2011, and 2012 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, 2010	\$401,234	111.9%	\$(299,548)
June 30, 2011	\$528,064	107.2%	\$(337,484)
June 30, 2012	\$527,930	100.6%	\$(340,554)

**Funded Status and Funding Progress**

The funded status of the plan as of July 1, 2012 (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, 2012	\$1,794,000	\$5,361,000	\$3,567,000	33%	\$1,497,000	238.3%

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

**Actuarial Methods and Assumptions**

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

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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

**Actuarial Methods and Assumptions (Continued)**

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

The annual OPEB cost was determined as part of the actuarial valuation as of July 1, 2009. Only assets that have been contributed to the OPEB Trust are considered available for liabilities for purposes of the valuation. Assets are valued at fair market value. Additional information and assumptions used as of the last actuarial valuation (July 1, 2012) is summarized below:

Discount Rate .....	7.50% (net of administrative expenses)
Actuarial Method .....	Projected Unit Credit Cost Method
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.....	5.6%
Ultimate medical inflation rate.....	4.6%
Years until ultimate inflation rate reached .....	49 years

**19. PUBLIC ENTITY RISK POOL**

**The Health Pool**

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

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

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

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

(CONTINUED)

**TOWN OF CHARLESTOWN, RHODE ISLAND**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

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**19. PUBLIC ENTITY RISK POOL (Continued)**

***The Health Pool (Continued)***

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

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

For the year ended June 30, 2012, unaudited results indicate that the Pool generated \$104,605,126 in revenues and excess of revenues over expenses of \$7,906,970. The Pool had \$39,912,159 in total assets and \$20,220,772 in total equity as of June 30, 2012.

The Pool retains certain levels of insurance risk. Specific losses in excess of \$1 million to a limit of \$2 million are covered by a Backstop Account internal to the Trust that is funded by annual Backstop Account payments from the Health Pool. As of June 30, 2012, the Pool's membership consisted of 43 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

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TOWN OF CHARLESTOWN, RHODE ISLAND**REQUIRED SUPPLEMENTARY INFORMATION  
(UNAUDITED)****SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date <u>June 30,</u>	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)
<b><u>General Employees – Municipal Employees' Retirement System</u></b>						
2009	\$4,111,545	\$5,935,641	\$1,824,096	69.3%	\$1,803,892	101.1%
2010	\$4,586,483	\$6,966,516	\$2,380,033	65.8%	\$1,785,091	133.3%
2011	\$4,909,344	\$5,843,321	\$ 933,977	84.0%	\$1,687,527	55.3%
<b><u>Police – Municipal Employees' Retirement System</u></b>						
2009	\$5,813,138	\$8,128,234	\$2,315,096	71.5%	\$1,172,189	197.5%
2010	\$5,935,914	\$9,940,778	\$4,004,864	59.7%	\$1,217,732	328.9%
2011	\$6,182,948	\$8,391,194	\$2,208,246	73.7%	\$1,149,499	192.1%
<b><u>OPEB Trust Plan</u></b>						
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
7/1/12	\$1,794,000	\$5,361,000	\$3,567,000	33%	\$1,497,000	238.3%

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, 2012**

	Originally Adopted Budget	Final Approved Budget	Actual (Budgetary Basis)	Variance Positive (Negative)
<b>REVENUES:</b>				
General property taxes	\$ 21,575,833	\$ 21,575,833	\$ 21,791,593	\$ 215,760
Intergovernmental	1,874,276	1,874,276	1,984,418	110,142
Investment income	20,300	20,300	16,024	(4,276)
Departmental	825,725	825,725	1,007,029	181,304
<b>Total revenues</b>	<b>24,296,134</b>	<b>24,296,134</b>	<b>24,799,064</b>	<b>502,930</b>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
General government	1,316,626	1,369,069	1,328,092	40,977
Public safety	2,201,424	2,290,149	2,260,747	29,402
Public works	1,412,954	1,443,823	1,227,451	216,372
Education	14,270,862	14,270,862	14,378,520	(107,658)
Recreation	451,494	460,969	439,151	21,818
Public health and assistance	409,850	409,850	408,164	1,686
Miscellaneous	2,780,195	2,598,683	2,269,600	329,083
<b>Debt service:</b>				
Principal	183,450	183,450	184,288	(838)
Interest and other costs	419,365	419,365	344,873	74,492
<b>Capital:</b>				
Capital improvements	563,914	563,914	747,604	(183,690)
<b>Total expenditures</b>	<b>24,010,134</b>	<b>24,010,134</b>	<b>23,588,490</b>	<b>421,644</b>
<b>Excess of revenues over expenditures</b>	<b>286,000</b>	<b>286,000</b>	<b>1,210,574</b>	<b>924,574</b>
<b>Other financing sources (uses):</b>				
Transfers from fund balance	1,208,713	1,208,713	1,208,713	0
Proceeds from capital leases	0	0	169,056	169,056
Transfers in	100,000	100,000	129,429	29,429
Transfers out	(1,579,713)	(1,579,713)	(1,579,713)	0
Landfill monitoring	(15,000)	(15,000)	(9,600)	5,400
<b>Net other financing sources (uses)</b>	<b>(286,000)</b>	<b>(286,000)</b>	<b>(82,115)</b>	<b>203,885</b>
<b>Excess of revenues and other sources over expenditures and other uses</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>1,128,459</b>	<b>\$ 1,128,459</b>
Less: transfer from fund balance			(1,208,713)	
Less: prior year encumbrances			(15,777)	
Add: current year encumbrances			16,769	
Add: deficiency of revenues and other sources over expenditures and other uses of funds classified with the General Fund for purposes of GASB Statement No. 54			(72,205)	
<b>Fund balance, beginning of year</b>			<b>7,843,219</b>	
<b>Fund balance, end of year</b>			<b>\$ 7,691,752</b>	

TOWN OF CHARLESTOWN, RHODE ISLANDGENERAL FUND**SCHEDULE OF BUDGET ESTIMATES AND ACTUAL REVENUES  
YEAR ENDED JUNE 30, 2012**

	Original and Final Budget	Actual Revenues	Variance Positive (Negative)
<b>Property taxes:</b>			
Current and prior years	\$ 21,455,833	\$ 21,626,760	\$ 170,927
Interest on delinquent taxes	120,000	164,833	44,833
<b>Total property taxes</b>	<b>21,575,833</b>	<b>21,791,593</b>	<b>215,760</b>
<b>Intergovernmental revenues:</b>			
<b>State of Rhode Island including:</b>			
Beach parking fees	23,000	15,466	(7,534)
School aid	1,596,913	1,704,448	107,535
Beverage/meals tax	98,863	105,600	6,737
Hotel tax	19,000	20,292	1,292
Public service corporation tax	85,091	94,198	9,107
Motor vehicle phaseout	41,218	40,195	(1,023)
FEMA grant	10,191	4,219	(5,972)
<b>Total intergovernmental revenues</b>	<b>1,874,276</b>	<b>1,984,418</b>	<b>110,142</b>
<b>Departmental revenues:</b>			
Town Clerk:			
Business licenses and fees	20,000	19,830	(170)
Non-business licenses and fees	4,000	4,402	402
Transfer stamps	140,000	145,539	5,539
Probate fees	10,000	19,777	9,777
Tax certificates	12,000	12,656	656
Recording fees	120,000	138,032	18,032
Building inspector	150,000	175,088	25,088
Municipal court	0	18,169	18,169
Police department	35,000	26,296	(8,704)
Recreation	31,000	57,658	26,658
Town beach parking and concessions	80,000	113,176	33,176
Beach passes	80,000	76,136	(3,864)
Blue Shutters parking and concessions	109,000	146,833	37,833
Animal control	3,000	3,476	476
Ninigret Park	10,400	9,330	(1,070)
Planning Board	2,000	3,555	1,555
Zoning Board and Review	5,000	4,935	(65)
Senior/Community Center	4,275	5,067	792
Assessment/GIS	4,050	0	(4,050)
Cell tower	6,000	12,010	6,010
Other revenues	0	15,064	15,064
<b>Total departmental revenues</b>	<b>825,725</b>	<b>1,007,029</b>	<b>181,304</b>
<b>Investment income</b>	<b>20,300</b>	<b>16,024</b>	<b>(4,276)</b>
<b>Other financing sources:</b>			
Transfers from fund balance	1,208,713	1,208,713	0
Transfers in	100,000	129,429	29,429
Proceeds from capital leases	0	169,056	169,056
<b>Total other financing sources</b>	<b>1,308,713</b>	<b>1,507,198</b>	<b>198,485</b>
<b>Total revenues and other financing sources</b>	<b>\$ 25,604,847</b>	<b>\$ 26,306,262</b>	<b>\$ 701,415</b>

TOWN OF CHARLESTOWN, RHODE ISLANDGENERAL FUND**SCHEDULE OF APPROPRIATIONS AND ACTUAL EXPENDITURES - BUDGETARY BASIS  
YEAR ENDED JUNE 30, 2012**

	Original Budget	Budget Amendments	Final Budget	Actual Expenditures and Transfers	Adjustments to Budgetary Basis	Expenditures and Transfers on Budgetary Basis	Variance Positive (Negative)
<b>General Government:</b>							
Central services	\$ 228,520		\$ 228,520	\$ 223,952	\$ (684)	\$ 223,268	\$ 5,252
Town clerk	174,963	8,428	183,391	169,712		169,712	13,679
Treasurer	155,587	8,373	163,960	172,608		172,608	(8,648)
Town administrator	148,856	8,293	157,149	161,775	(99)	161,676	(4,527)
Tax assessor	188,140	10,313	198,453	187,140		187,140	11,313
Building inspector	151,143	5,552	156,695	147,380		147,380	9,315
Tax collector	97,876	5,518	103,394	101,701		101,701	1,693
Town planner	108,741	5,966	114,707	111,976		111,976	2,731
Town council	23,450		23,450	20,566		20,566	2,884
Elections unit	6,250		6,250	6,087		6,087	163
Boards, agencies, and committees	24,100		24,100	23,254	(1,587)	21,667	2,433
Municipal court	9,000		9,000	4,311		4,311	4,689
<b>Total general government</b>	<b>1,316,626</b>	<b>52,443</b>	<b>1,369,069</b>	<b>1,330,462</b>	<b>(2,370)</b>	<b>1,328,092</b>	<b>40,977</b>
<b>Public Safety:</b>							
Police department	2,091,766	85,317	2,177,083	2,149,491	(500)	2,148,991	28,092
Animal control	80,836	2,371	83,207	85,754	(2,708)	83,046	161
Civil preparedness	28,822	1,037	29,859	28,710		28,710	1,149
<b>Total public safety</b>	<b>2,201,424</b>	<b>88,725</b>	<b>2,290,149</b>	<b>2,263,955</b>	<b>(3,208)</b>	<b>2,260,747</b>	<b>29,402</b>
<b>Public Works:</b>							
Highway department	925,976	16,740	942,716	747,305	(3,614)	743,691	199,025
Public buildings and grounds	288,436	3,906	292,342	284,013	(1,823)	282,190	10,152
Administration	125,138	6,638	131,776	127,442		127,442	4,334
Wastewater management	73,404	3,585	76,989	74,128		74,128	2,861
<b>Total public works</b>	<b>1,412,954</b>	<b>30,869</b>	<b>1,443,823</b>	<b>1,232,888</b>	<b>(5,437)</b>	<b>1,227,451</b>	<b>216,372</b>

TOWN OF CHARLESTOWN, RHODE ISLAND

GENERAL FUND

**SCHEDULE OF APPROPRIATIONS AND ACTUAL EXPENDITURES - BUDGETARY BASIS  
YEAR ENDED JUNE 30, 2012**

	Original Budget	Budget Amendments	Final Budget	Actual Expenditures and Transfers	Adjustments to Budgetary Basis	Expenditures and Transfers on Budgetary Basis	Variance Positive (Negative)
<b>Recreation:</b>							
Participation recreation	188,749	6,991	195,740	199,414	(1,024)	198,390	(2,650)
Senior/Community Center	73,995	2,484	76,479	72,817		72,817	3,662
Blue Shufflers Beach	68,675		68,675	66,034		66,034	2,641
Town Beach	86,275		86,275	73,602	(521)	73,081	13,194
Ninigret Park	33,800		33,800	29,350	(521)	28,829	4,971
<b>Total recreation</b>	<b>451,494</b>	<b>9,475</b>	<b>460,969</b>	<b>441,217</b>	<b>(2,066)</b>	<b>439,151</b>	<b>21,818</b>
<b>Public Health and Assistance:</b>							
Cross Mills Library	208,000		208,000	208,000		208,000	0
Ambulance services	166,800		166,800	166,800		166,800	0
VNS Home Health Services	2,000		2,000	2,000		2,000	0
South Shore Mental Health	3,500		3,500	3,500		3,500	0
Wood River Health	2,500		2,500	2,500		2,500	0
Domestic Violence of South County	1,500		1,500	1,500		1,500	0
Public Assistance	13,100		13,100	10,914		10,914	2,186
Warm Shelter	1,000		1,000	1,000		1,000	0
Southern RI Volunteers	1,000		1,000	1,000		1,000	0
Wood River/Pawcatuck Watershed	500		500	500		500	0
The Samaritans	500		500	500		500	0
RI CAN	3,500		3,500	3,500		3,500	0
Chariho 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
Charlestown Memorial Parade	500		500	1,000		1,000	(500)
Chariho Tri Town Task Force	1,500		1,500	1,500		1,500	0
Chamber of Commerce	3,000		3,000	3,000		3,000	0
<b>Total public health and assistance</b>	<b>409,850</b>	<b>0</b>	<b>409,850</b>	<b>408,164</b>	<b>0</b>	<b>408,164</b>	<b>1,686</b>

TOWN OF CHARLESTOWN, RHODE ISLAND

GENERAL FUND

**SCHEDULE OF APPROPRIATIONS AND ACTUAL EXPENDITURES - BUDGETARY BASIS  
YEAR ENDED JUNE 30, 2012**

	<u>Original Budget</u>	<u>Budget Amendments</u>	<u>Final Budget</u>	<u>Actual Expenditures and Transfers</u>	<u>Adjustments to Budgetary Basis</u>	<u>Expenditures and Transfers on Budgetary Basis</u>	<u>Variance Positive (Negative)</u>
<b>Education:</b>							
Charlho Regional School District	14,270,862	0	14,270,862	14,378,520	0	14,378,520	(107,658)
<b>Debt Service:</b>							
General Obligation Bond:							
Principal	183,450		183,450	184,288		184,288	(838)
Interest	229,863		229,863	204,024		204,024	25,839
Capital leases	139,502		139,502	139,499		139,499	3
Bond issuance costs	50,000		50,000	1,000		1,000	49,000
Fiscal agent fees	0		0	350		350	(350)
<b>Total debt service</b>	<b>602,815</b>	<b>0</b>	<b>602,815</b>	<b>529,161</b>	<b>0</b>	<b>529,161</b>	<b>73,654</b>
<b>Miscellaneous:</b>							
Employee insurance and benefits	1,907,013	42,070	1,949,083	1,897,688		1,897,688	51,395
Council contingency	233,582	(223,582)	10,000	7,095		7,095	2,905
Town insurance	200,000		200,000	153,948		153,948	46,052
Auditing	39,000		39,000	41,155		41,155	(2,155)
Legal services	400,600		400,600	169,714		169,714	230,886
<b>Total miscellaneous</b>	<b>2,780,195</b>	<b>(181,512)</b>	<b>2,598,683</b>	<b>2,269,600</b>	<b>0</b>	<b>2,269,600</b>	<b>329,083</b>
<b>Capital Improvements Program:</b>							
Police	108,500		108,500	184,067		184,067	(75,567)
Public works	436,414		436,414	372,748	14,073	386,821	49,593
Recreation	19,000		19,000	7,660		7,660	11,340
Capital leases	0		0	169,056		169,056	(169,056)
<b>Total capital improvements</b>	<b>563,914</b>	<b>0</b>	<b>563,914</b>	<b>733,531</b>	<b>14,073</b>	<b>747,604</b>	<b>(183,690)</b>

TOWN OF CHARLESTOWN, RHODE ISLAND

GENERAL FUND

**SCHEDULE OF APPROPRIATIONS AND ACTUAL EXPENDITURES - BUDGETARY BASIS  
YEAR ENDED JUNE 30, 2012**

	<u>Original Budget</u>	<u>Budget Amendments</u>	<u>Final Budget</u>	<u>Actual Expenditures and Transfers</u>	<u>Adjustments to Budgetary Basis</u>	<u>Expenditures and Transfers on Budgetary Basis</u>	<u>Variance Positive (Negative)</u>
<b>Other financing uses:</b>							
<b>Transfers out:</b>							
Enterprise funds	15,000		15,000	15,000		15,000	0
Special revenue funds - Revaluation	40,000		40,000	40,000		40,000	0
Special revenue funds - Reserve for Severance	100,000		100,000	100,000		100,000	0
Special revenue funds - Health Care Reserve	346,000		346,000	346,000		346,000	0
Special revenue funds - Pond and Beach Preservation	150,000		150,000	150,000		150,000	0
Capital project funds - Buckeye Brook Phase II	650,849		650,849	650,849		650,849	0
Capital project funds - Old Coach Road	257,864		257,864	257,864		257,864	0
Capital project funds - Town Capital Maintenance	20,000		20,000	20,000		20,000	0
<b>Total transfers out</b>	<b>1,579,713</b>	<b>0</b>	<b>1,579,713</b>	<b>1,579,713</b>	<b>0</b>	<b>1,579,713</b>	<b>0</b>
<b>Other:</b>							
Landfill monitoring	15,000		15,000	9,600		9,600	5,400
<b>Total other</b>	<b>15,000</b>	<b>0</b>	<b>15,000</b>	<b>9,600</b>	<b>0</b>	<b>9,600</b>	<b>5,400</b>
<b>Total expenditures</b>	<b>\$ 25,604,847</b>	<b>\$ 0</b>	<b>\$ 25,604,847</b>	<b>\$ 25,176,811</b>	<b>\$ 992</b>	<b>\$ 25,177,803</b>	<b>\$ 427,044</b>

**TOWN OF CHARLESTOWN, RHODE ISLAND**

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2012**

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**BUDGETARY TO GAAP BASIS RECONCILIATION**

The following reconciliation summarizes the differences for the Town's General Fund between budgetary and GAAP basis for the year ended June 30, 2012:

Excess of revenues and other sources over expenditures and other uses (Non-GAAP Budgetary Basis).....	\$1,128,459
Reappropriated fund balance.....	(1,208,713)
Current year encumbrances .....	16,769
Prior year encumbrances.....	(15,777)
Deficiency of revenues and other sources over expenditures and other uses of funds classified with the General Fund for purposes of GASB Statement No. 54.....	<u>(72,205)</u>
Deficiency of revenues and other sources over expenditures and other uses (GAAP)	<u>\$ (151,467)</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.

#### Senior Community Activities

This fund accounts for revenues and expenses related to activities at the Senior/Community Center.

#### Police Grants - JAG

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

#### MEDS Grant – RI Dept. of Health

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

#### Frisbee Golf Course

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

#### School Impact Fees

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

#### Hazard Mitigation

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

#### Operation Blue Riptide

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

#### Mud Cove Recreation Development

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

(CONTINUED)

# Town Of Charlestown

## NON-MAJOR GOVERNMENTAL FUNDS

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### SPECIAL REVENUE FUNDS (CONTINUED)

#### Animal Spaying/Neutering

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

#### Ninigret Park Fund

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

#### Bicentennial Fund

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

#### FEMA

This fund accounts for the expenses related to Tropical Storm Irene in August 2011 and the reimbursements from FEMA.

#### Developer Bond Deposits

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

#### Open Space Fees

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

#### Charlestown Community Garden

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

#### Naval Airfield Memorial

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

#### Police Forfeiture

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

#### Municipal Planning

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

(CONTINUED)

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# Town Of Charlestown

## NON-MAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS (CONTINUED)

#### Affordable Housing Initiatives

This fund will account for the initiative grants for affordable housing.

#### Birthday Committee

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

#### Trail Improvement Grant - Mud Cove

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

#### Community Development Block Grants

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

#### Bulletproof Vest

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

#### Historical and Vital Records

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

#### Ninigret Dog Park

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

#### RIHPHC Preservation is Local Grant

This fund accounts for the revitalization of Shannock Village.

#### Energy Efficient and Conservation Block Grant

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

(CONTINUED)

# Town Of Charlestown

## NON-MAJOR GOVERNMENTAL FUNDS

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### SPECIAL REVENUE FUNDS (CONTINUED)

#### Special Donations

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

#### South Farm Trails Grant

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

#### Comprehensive Planning Grant

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

(CONTINUED)

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# Town Of Charlestown

## NON-MAJOR GOVERNMENTAL FUNDS

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### CAPITAL PROJECT FUNDS

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

#### Skating Rink

This fund relates to the expenses associated with building a skating rink at Ninigret Park.

#### DPW - Old Coach Road Reconstruction Phase 1

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

#### DPW - Salt/Sand Equipment Shed

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

#### Town Capital Maintenance Fund

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

#### Police Building Fund

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

#### DPW Road Engineering

Accounts for costs related to road engineering.

#### Open Space Acquisitions

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

#### 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.

#### Pond and Beach Preservation

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

(CONTINUED)

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# Town Of Charlestown

## NON-MAJOR GOVERNMENTAL FUNDS

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### PERMANENT FUNDS

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

#### Zenis Ellis Trust

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

#### Cemetery Fund

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

(CONCLUDED)

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TOWN OF CHARLESTOWN, RHODE ISLAND

**COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2012**

		Special Revenue Funds					
	Senior Community Activities	Police Grants - JAG	MEDS Grant - RI Dept of Health	Frisbee Golf Course	School Impact Fees	Hazard Mitigation	
	\$ 347		\$ 4,793	\$ 2,055	\$ 308,803		
		\$ 12,929	500			\$ 13,162	
	\$ 347	\$ 12,929	\$ 5,293	\$ 2,055	\$ 308,803	\$ 13,162	

**ASSETS:**

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

**LIABILITIES AND FUND BALANCES:**

**LIABILITIES:**

Accounts payable  
Due to:  
Other funds  
Other governments  
Deferred revenues  
Other liabilities  
**TOTAL LIABILITIES**

**FUND BALANCES:**

Nonspendable:  
Perpetual care  
Restricted for:  
General government  
Public safety  
Parks and recreation  
Community development  
Education  
Capital projects  
Committed for:  
Parks and recreation  
Unassigned

**TOTAL FUND BALANCES**

**TOTAL LIABILITIES AND FUND BALANCES**

			\$ 373	\$ 9,998		\$ 206
	\$ 9,514			11,596		\$ 206
	3,415	4,920				13,163
	\$ 0	\$ 12,929	\$ 5,293	\$ 0	\$ 21,594	\$ 13,369
	347					
	347	0	0	2,055	287,209	(207)
	\$ 347	\$ 12,929	\$ 5,293	\$ 2,055	\$ 308,803	\$ 13,162

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2012

	Special Revenue Funds					
	Operation Blue Riptide	Mud Cove Recreation Development	Animal Spaying/ Neutering	Ninigret Park Fund	Bicentennial Fund	FEMA
				\$ 157,815	\$ 2,193	
		\$ 8,084	\$ 4,654			\$ 2,205
	\$ 0	\$ 8,084	\$ 4,654	\$ 157,815	\$ 2,193	\$ 2,205

**ASSETS:**

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

**LIABILITIES AND FUND BALANCES:**

**LIABILITIES:**

Accounts payable  
Due to:  
Other funds  
Other governments  
Deferred revenues  
Other liabilities  
**TOTAL LIABILITIES**

**FUND BALANCES:**

Nonspendable:  
Perpetual care  
Restricted for:  
General government  
Public safety  
Parks and recreation  
Community development  
Education  
Capital projects  
Committed for:  
Parks and recreation  
Unassigned

**TOTAL FUND BALANCES**

**TOTAL LIABILITIES AND FUND BALANCES**

	\$ 0	\$ 14,596	\$ 0	\$ 0	\$ 0	\$ 2,205
	0	(6,512)	4,654	157,815	2,193	0
	\$ 0	\$ 8,084	\$ 4,654	\$ 157,815	\$ 2,193	\$ 2,205



TOWN OF CHARLESTOWN, RHODE ISLAND

**COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2012**

	Special Revenue Funds						Historical and Vital Records
	Affordable Housing Initiatives	Birthday Committee	Improvement Grant - Mud Cove	Community Development Block Grant	Bulletproof Vest		
<b>ASSETS:</b>							
Cash and cash equivalents				\$ 1,763			
Investments							
Due from:							
Other funds	\$ 1,906		\$ 50,000	20,998	\$ 1,550	\$ 79,550	
Other governments			\$ 50,000	302,203			
<b>TOTAL ASSETS</b>	<b>\$ 0</b>	<b>\$ 1,906</b>	<b>\$ 50,000</b>	<b>\$ 324,964</b>	<b>\$ 1,550</b>	<b>\$ 79,550</b>	

**LIABILITIES AND FUND BALANCES:**

<b>LIABILITIES:</b>							
Accounts payable							
Due to:							
Other funds	\$ 4,004		\$ 7,876			\$ 693	
Other governments							
Deferred revenues			49,057	\$ 303,818			
Other liabilities							
<b>TOTAL LIABILITIES</b>	<b>4,004</b>	<b>\$ 0</b>	<b>56,933</b>	<b>303,818</b>	<b>\$ 0</b>	<b>693</b>	

**FUND BALANCES:**

Nonspendable:							
Perpetual care							
Restricted for:							
General government							78,857
Public safety					1,550		
Parks and recreation		1,906		21,146			
Community development							
Education							
Capital projects							
Committed for:							
Parks and recreation							
Unassigned	(4,004)		(6,933)	21,146	1,550	78,857	
<b>TOTAL FUND BALANCES</b>	<b>(4,004)</b>	<b>1,906</b>	<b>(6,933)</b>	<b>21,146</b>	<b>1,550</b>	<b>78,857</b>	
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 0</b>	<b>\$ 1,906</b>	<b>\$ 50,000</b>	<b>\$ 324,964</b>	<b>\$ 1,550</b>	<b>\$ 79,550</b>	

(CONTINUED)



TOWN OF CHARLESTOWN, RHODE ISLAND

**COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2012**

	Skating Rink	Capital Project Funds						
		DPW - Old Coach Road Reconstruction Phase I	DPW Salt/Sand Equipment Shed	Town Capital Maintenance Fund	Police Building Fund	DPW Road Engineering		
\$	121	\$	100,054	\$	13,130	\$	46,833	
\$	121	\$0	\$	100,054	\$	13,130	\$	46,833

**ASSETS:**

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

**LIABILITIES AND FUND BALANCES:**

**LIABILITIES:**

Accounts payable  
Due to:  
Other funds  
Other governments  
Deferred revenues  
Other liabilities  
**TOTAL LIABILITIES**

\$	0	\$0	\$	28,141	\$	0	\$	0	\$	0
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**FUND BALANCES:**

Nonspendable:  
Perpetual care  
Restricted for:  
General government  
Public safety  
Parks and recreation  
Community development  
Education  
Capital projects  
Committed for:  
Parks and recreation  
Unassigned

\$	121	0	\$	100,054	\$	13,130	\$	46,833
\$	121	\$0	\$	100,054	\$	13,130	\$	46,833

**TOTAL LIABILITIES AND FUND BALANCES**

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2012**

	Capital Project Funds				Permanent Funds		Total Non-Major Governmental Funds
	Open Space Acquisitions	Buckeye Brook Road Phase #2	Pond and Beach Preservation	Zenis Ellis Trust	Cemetery Fund		
<b>ASSETS:</b>							
Cash and cash equivalents	\$ 114,751			\$ 1,162	\$ 500		\$ 648,742
Investments							500
Due from:							
Other funds		\$ 14,435			75		383,754
Other governments							413,867
<b>TOTAL ASSETS</b>	<b>\$ 114,751</b>	<b>\$ 14,435</b>	<b>\$ 14,435</b>	<b>\$ 1,162</b>	<b>\$ 575</b>	<b>\$ 1,446,863</b>	
<b>LIABILITIES AND FUND BALANCES:</b>							
<b>LIABILITIES:</b>							
Accounts payable			\$ 14,435				\$ 27,397
Due to:							
Other funds	\$ 450						88,043
Other governments							693
Deferred revenues							394,624
Other liabilities				\$ 212			13,100
<b>TOTAL LIABILITIES</b>	<b>450</b>	<b>\$ 0</b>	<b>14,435</b>	<b>212</b>	<b>\$ 0</b>	<b>523,857</b>	
<b>FUND BALANCES:</b>							
Nonspendable:							
Perpetual care				950	575		1,525
Restricted for:							
General government							205,004
Public safety							12,715
Parks and recreation							8,603
Community development							21,146
Education							287,209
Capital projects	114,301						274,439
Committed for:							
Parks and recreation							158,162
Unassigned				950	575		(45,797)
<b>TOTAL FUND BALANCES</b>	<b>114,301</b>	<b>0</b>	<b>0</b>	<b>950</b>	<b>575</b>	<b>923,006</b>	
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 114,751</b>	<b>\$ 0</b>	<b>\$ 14,435</b>	<b>\$ 1,162</b>	<b>\$ 575</b>	<b>\$ 1,446,863</b>	

(CONCLUDED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES) AND CHANGES IN FUND BALANCE  
NON-MAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2012**

		Special Revenue Funds					
		Senior Community Activities	Police Grants- JAG	MEDS Grant - RI Dept of Health	Frisbee Golf Course	School Impact Fees	Hazard Mitigation
<b>REVENUES:</b>							
Intergovernmental			\$ 17,904	\$ 6,072			
Investment income					\$ 3,788	\$ 96	
Other	347					14,270	
<b>TOTAL REVENUES</b>	<b>347</b>	<b>17,904</b>	<b>6,072</b>	<b>3,788</b>	<b>14,366</b>	<b>\$ 0</b>	
<b>EXPENDITURES:</b>							
<b>Current:</b>							
General government			9,232	6,072			
Public safety							
Public works							
Education					3,756	1,598	
Parks and recreation							
Community development							
<b>Capital:</b>							
Capital outlay			8,672			19,995	
<b>TOTAL EXPENDITURES</b>	<b>0</b>	<b>17,904</b>	<b>6,072</b>	<b>3,756</b>	<b>21,593</b>	<b>0</b>	
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)</b>	<b>347</b>	<b>0</b>	<b>0</b>	<b>32</b>	<b>(7,227)</b>	<b>0</b>	
<b>OTHER FINANCING SOURCES (USES):</b>							
Transfers in							
Transfers out						(100,000)	
<b>NET OTHER FINANCING SOURCES (USES)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(100,000)</b>	<b>0</b>	
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) EXPENDITURES</b>	<b>347</b>	<b>0</b>	<b>0</b>	<b>32</b>	<b>(107,227)</b>	<b>0</b>	
<b>FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,023</b>	<b>394,436</b>	<b>(207)</b>	
<b>FUND BALANCE (DEFICIT) AT END OF YEAR</b>	<b>\$ 347</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 2,055</b>	<b>\$ 287,209</b>	<b>\$ (207)</b>	

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES) AND CHANGES IN FUND BALANCE  
NON-MAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2012**

	Special Revenue Funds					
	Operation Blue Riptide	Mud Cove Recreation Development	Animal Spaying/ Neutering	Ninigret Park Fund	Bicentennial Fund	FEMA
<b>REVENUES:</b>						
Intergovernmental	\$ 4,128				\$	46,474
Investment income			\$ 3,919	\$ 67		
Other				24,423		
<b>TOTAL REVENUES</b>	<b>4,128</b>	<b>\$ 0</b>	<b>3,919</b>	<b>24,490</b>	<b>\$ 0</b>	<b>46,474</b>
<b>EXPENDITURES:</b>						
<b>Current:</b>						
General government	4,128					46,474
Public safety						
Public works						
Education				78		
Parks and recreation						
Community development						
<b>Capital:</b>						
Capital outlay						
<b>TOTAL EXPENDITURES</b>	<b>4,128</b>	<b>0</b>	<b>0</b>	<b>78</b>	<b>0</b>	<b>46,474</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)</b>	<b>0</b>	<b>0</b>	<b>3,919</b>	<b>24,412</b>	<b>0</b>	<b>0</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in						
Transfers out				(5,000)		
<b>NET OTHER FINANCING SOURCES (USES)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(5,000)</b>	<b>0</b>	<b>0</b>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) EXPENDITURES</b>	<b>0</b>	<b>0</b>	<b>3,919</b>	<b>19,412</b>	<b>0</b>	<b>0</b>
<b>FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR</b>	<b>0</b>	<b>(6,512)</b>	<b>735</b>	<b>138,403</b>	<b>2,193</b>	<b>0</b>
<b>FUND BALANCE (DEFICIT) AT END OF YEAR</b>	<b>\$ 0</b>	<b>\$ (6,512)</b>	<b>\$ 4,654</b>	<b>\$ 157,815</b>	<b>\$ 2,193</b>	<b>\$ 0</b>

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES) AND CHANGES IN FUND BALANCE  
NON-MAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2012**

Special Revenue Funds						
Developer Bond Deposits	Open Space Fees	Charlestown Community Garden	Naval Airfield Memorial	Police Forfeiture	Municipal Planning	
	\$ 16			\$ 6		
	2,092	\$ 1,394				
\$0	2,108	1,394	\$ 0	6	\$ 0	

**REVENUES:**

Intergovernmental  
Investment income  
Other

**TOTAL REVENUES**

**EXPENDITURES:**

**Current:**

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

**Capital:**

Capital outlay

**TOTAL EXPENDITURES**

4,395

738 1,096

0 738 1,096 0 4,395

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

0 2,108 656 (1,096) 6 (4,395)

**OTHER FINANCING SOURCES (USES):**

Transfers in

Transfers out

**NET OTHER FINANCING SOURCES (USES)**

0 0 0 0 0 0

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

0 2,108 656 (1,096) 6 (4,395)

**FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR**

0 35,007 224 1,438 6,505 77,181

**FUND BALANCE (DEFICIT) AT END OF YEAR**

\$0 \$ 37,115 \$ 880 \$ 342 \$ 6,511 \$ 72,786

(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, 2012**

	Special Revenue Funds						Historical and Vital Records
	Affordable Housing Initiatives	Birthday Committee	Trail Improvement Grant - Mud Cove	Community Development Block Grant	Bulletproof Vest		
				\$ 101,229			
				5			
				5,375			\$ 17,867
<b>TOTAL REVENUES</b>	\$ 0	\$ 0	\$ 0	106,609	\$ 0	\$ 0	17,867

**REVENUES:**

Intergovernmental  
Investment income  
Other

**TOTAL REVENUES**

**EXPENDITURES:**

**Current:**

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

**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**

	4,004			130,465			
	4,004	0	6,933	130,465	0		8,000
	(4,004)	0	(6,933)	(23,856)	0		9,867
	0	0	0	0	0	0	0
	(4,004)	0	(6,933)	(23,856)	0		9,867
	0	1,906	0	45,002	1,550		68,990
	(4,004)	1,906	(6,933)	21,146	1,550		78,857

(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, 2012**

	Special Revenue Funds					
	Ninigret Dog Park	RIHPHC Preservation is Local Grant	Energy Efficient and Conservation Block Grant	Special Donations	South Farm Trails Grant	Comprehensive Planning Grant
<b>REVENUES:</b>						
Intergovernmental			\$ 5,955	2	\$ 3,500	\$
Investment income	\$ 3,899			111		13
Other	3,899	\$ 0	5,955	113	3,500	13
<b>TOTAL REVENUES</b>						
	\$ 4,267				3,500	
	4,267	0	5,955	262	3,500	2,678
<b>EXPENDITURES:</b>						
<b>Current:</b>						
General government			5,955	262		2,678
Public safety						
Public works						
Education						
Parks and recreation						
Community development						
<b>Capital:</b>						
Capital outlay	(368)	0	0	(149)	0	(2,665)
<b>TOTAL EXPENDITURES</b>						
	4,267				3,500	
	4,267	0	5,955	262	3,500	2,678
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)</b>						
	(368)	0	0	(149)	0	(2,665)
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in						
Transfers out	0	0	0	0	0	0
<b>NET OTHER FINANCING SOURCES (USES)</b>						
	0	0	0	0	0	0
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) EXPENDITURES</b>						
	(368)	0	0	(149)	0	(2,665)
<b>FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR</b>						
	1,595	0	0	6,200	0	12,860
<b>FUND BALANCE (DEFICIT) AT END OF YEAR</b>						
	\$ 1,227	\$ 0	\$ 0	\$ 6,051	\$ 0	\$ 10,195

(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, 2012**

	Capital Project Funds										
	DPW - Old Coach Road Reconstruction Phase I	DPW Salt/Sand Equipment Shed	Town Capital Maintenance Fund	Police Building Fund	DPW Road Engineering						
\$	0	\$	0	\$	0	\$	0	\$	0	\$	0
4,879		220	12,027		31,587						
4,879	0	220	12,027		31,587						0
(4,879)	0	(220)	(12,027)		(31,587)						0

**REVENUES:**

- Intergovernmental
- Investment income
- Other

**TOTAL REVENUES**

**EXPENDITURES:**

- Current:**
  - General government
  - Public safety
  - Public works
  - Education
  - Parks and recreation
  - Community development
- 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, 2012**

	Capital Project Funds				Permanent Funds			Total Non-Major Governmental Funds
	Open Space Acquisitions	Buckeye Brook Road Phase #2	Pond and Beach Preservation	Zenis Ellis Trust	Cemetery Fund			
<b>REVENUES:</b>								
Intergovernmental						\$	185,262	
Investment income	\$ 50				\$ 7		262	
Other							77,485	
<b>TOTAL REVENUES</b>	<b>50</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7</b>	<b>0</b>	<b>263,009</b>	
<b>EXPENDITURES:</b>								
<b>Current:</b>								
General government								21,290
Public safety								19,432
Public works								46,474
Education								1,598
Parks and recreation			285,564					291,232
Community development								134,469
<b>Capital:</b>								
Capital outlay			14,436					106,516
<b>TOTAL EXPENDITURES</b>	<b>0</b>	<b>0</b>	<b>300,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>621,011</b>	
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)</b>	<b>50</b>	<b>0</b>	<b>(300,000)</b>	<b>0</b>	<b>7</b>	<b>0</b>	<b>(358,002)</b>	
<b>OTHER FINANCING SOURCES (USES):</b>								
Transfers in		650,849	150,000					1,129,569
Transfers out								(105,000)
<b>NET OTHER FINANCING SOURCES (USES)</b>	<b>0</b>	<b>650,849</b>	<b>150,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,024,569</b>	
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) EXPENDITURES</b>	<b>50</b>	<b>650,849</b>	<b>(150,000)</b>	<b>0</b>	<b>7</b>	<b>0</b>	<b>666,567</b>	
<b>FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR</b>	<b>114,251</b>	<b>(650,849)</b>	<b>150,000</b>	<b>950</b>	<b>568</b>	<b>0</b>	<b>256,439</b>	
<b>FUND BALANCE (DEFICIT) AT END OF YEAR</b>	<b>\$ 114,301</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 950</b>	<b>\$ 575</b>	<b>\$ 0</b>	<b>\$ 923,006</b>	

(CONCLUDED)

TOWN OF CHARLESTOWN

REPORT IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

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CPA, MST, CVA

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CPA, MST, CFP™

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

To the Honorable Town Council,  
Charlestown, Rhode Island

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Charlestown, Rhode Island, as of and for the year ended June 30, 2012, which collectively comprise the Town of Charlestown, Rhode Island's basic financial statements and have issued our report thereon dated December 21, 2012. 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**

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

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

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

## Compliance and Other Matters

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

We noted certain matters that we reported to management of the Town of Charlestown, Rhode Island in a separate letter dated December 21, 2012.

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.

*Coyen Caccia, LLP*

December 21, 2012