TOWN OF
CHARLESTOWN, RHODE ISLAND

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
JUNE 30, 2013

Prepared by:

Patricia M. Anderson

Treasurer

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(CONCLUDED)

TOWN OF CHARLESTOWN

INTRODUCTORY SECTION

Patricia M. Anderson
Treasurer
PAnderson@CharlestownRI.org

TOWN OF CHARLESTOWN

4540 South County Trail
Charlestown
Rhode Island, 02813
Phone (401) 364-1235
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December 16, 2013

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, 2013, 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, 2013. 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 Position, 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 relating to federal financial assistance is required for the 2013 fiscal year. In 1996, the US Office of Management and Budget issued Circular A-133 rescinding Circular A-128 as it related to Audits of State and Local Governments. The Single Audit applies in years that the Town of Charlestown expends $500,000 or more in federal funds.

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

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

Community Description

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

Charlestown's year-round population, according to the year 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 2012-2013 fiscal year:

The Town of Charlestown celebrated the 275th anniversary of the incorporation of the town in September during the Harvest Festival.

The land evidence software has been updated through ACS.

Cleanup from two major storms occupied much of the Public Work's staff's time. The Town has continued to work on crack sealing the Town's roads. Rubberized asphalt chip seal and asphalt stone seal was completed on designated roads.

Mud Cove is just about completed. Picnic tables, grills and trash receptacles have been placed at the park. The boardwalk is slated to be completed in the fall of 2013.

Many new programs have been added by the Parks and Recreation Department. The summer camp was expanded by 15%. New festivals were held at Ninigret Park.

More seniors than ever have been using the Senior Center since it was refurbished last year. Many new programs have been added and existing programs have been expanded.

Our Community Garden has been growing. Over 3,000 pounds of fresh vegetables were grown this year. The town was also able to add a water irrigation system this year. Two hoop houses were erected to extend the growing season.

In order to protect our coastal ponds and beaches, notices were sent out to property owners regarding septic systems and cesspools. The Town inspected 1,369 septic systems and identified 21 failing systems. Notices of Violations were sent out. Ninety-four new septic systems were installed including the removal and replacement of 31 pollution cesspools and 35 hazardous failing septic systems. The Town brought 35 cases of ordinance violations before the Charlestown Municipal Court.

Dredging of the Charlestown Breachway, in conjunction with Rhode Island Coastal Resources Management Council (RICRMC), resulted in 73,100 cubic yards of sand removal from the Breachway and relocated to the Charlestown Town Beach. The Town applied for and received a ten year permit from RICRMC, Rhode Island Department of Environmental Management and The United States Army Special Operations Command for future maintenance dredging and beach replenishment that is anticipated to be accomplished on a five year schedule.

Work has started to replace the Town's computer servers.

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 2013 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 established fee structure. Financial statements are issued monthly to the governing Council and management and are on record in the Treasurer's office for public inspection. Cash and investments are monitored weekly and reported monthly. The 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 2013 the Town experienced considerable losses due to Super Storm Sandy and Winter Storm Nemo. The majority of the losses were covered by insurance proceeds and FEMA grants. There were damages to town owned vehicles and the town beaches. Repairs have been made. The Town anticipates minimal losses in 2014. 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 41 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

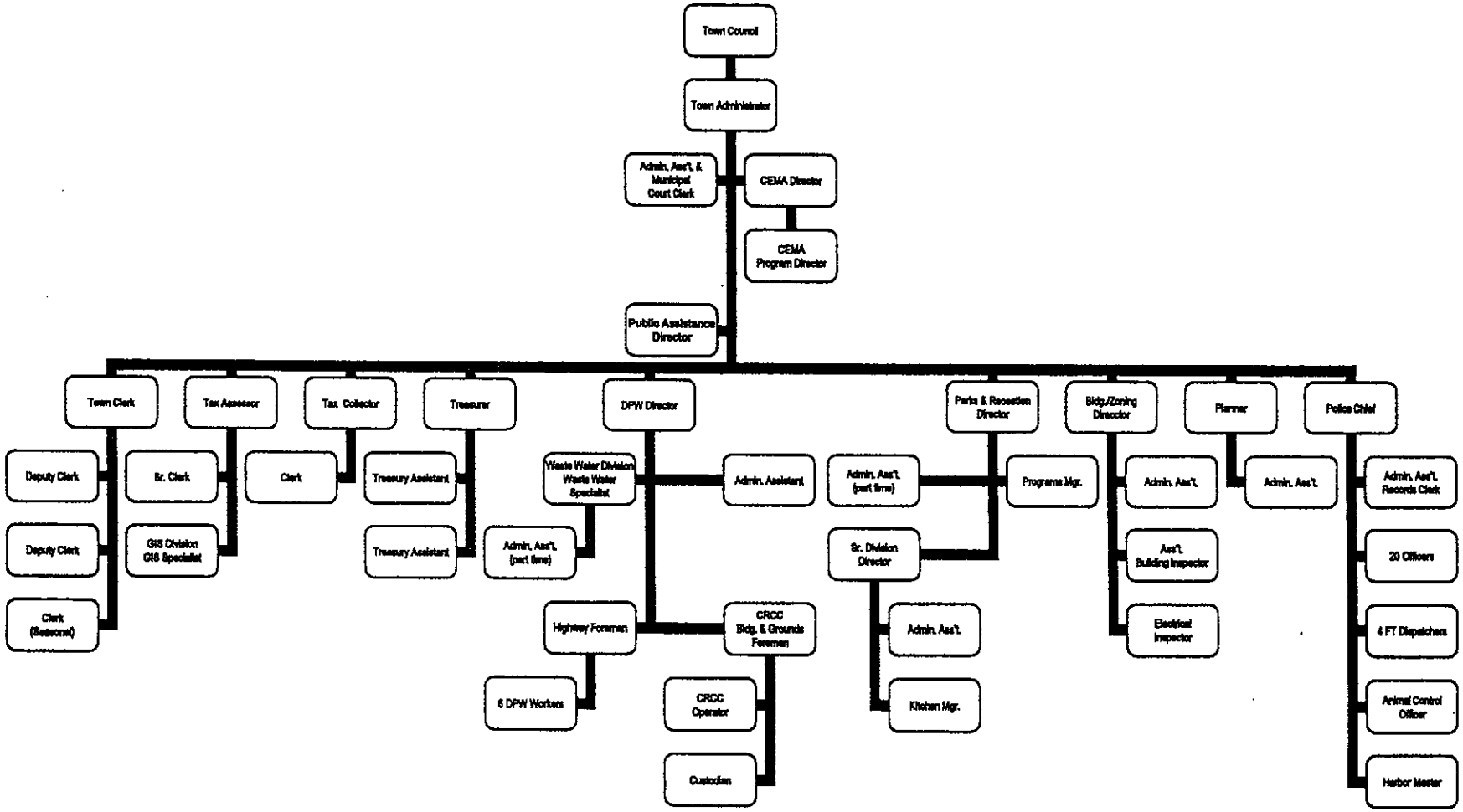
Town Council

Thomas B. Gentz, President
Paula Andersen, Vice President
Daniel J. Slattery
Lisa A. DiBello
George C. Tremblay

Town Officials

Town Administrator	*Mark S. Stankiewicz*
Chief of Police	*Jeffrey Allen*
Town Clerk	*Amy Rose Weinreich*
Treasurer	*Patricia M. Anderson*
Tax Assessor	*Kenneth J. Swain*
Tax Collector	*Jo-Anne Santos*
Building & Zoning Official	*Joseph Warner*
Public Works Director	*Alan A. Arsenault*
Parks & Recreation Director	*John Primiano*
Town Planner	*Ashley Hahn-Morris*
Animal Control Officer	*Kathy M. McA'Nulty*
Harbormaster	*Justin Vail*
Town Solicitor	*Peter Ruggiero*
Probate Solicitor	*Robert Craven*
Solicitor Indian Affairs	*Joseph Larisa, Jr.*
Emergency Management	*Kevin Gallup*
Town Moderator	*Henry Walsh*
Sealer of Weights & Measures	*Bernard Augustine*
Custodian of Cemeteries	*Francis Fenner*
Public Assistance	*Deb Nigrelli*
GIS	*Steven McCandless*

Charlestown, RI
Government Organizational Chart



TOWN OF CHARLESTOWN

FINANCIAL SECTION

Cayer Caccia

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

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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 4 through 17 and 68 through 75 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Charlestown, Rhode Island's basic financial statements. The introductory section and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2013, 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* in considering Town of Charlestown, Rhode Island's internal control over financial reporting and compliance.

Cayer Caccia, LLP

December 16, 2013

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 eleventh 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 18).

Highlights

Financial Highlights

The Town's net position increased by $491,651, (or 2.0%). Governmental net position increased by $547,125, (or 2.2%), while the business-type activities net position decreased by $55,474, (or 16.4%). In 2012, governmental net position increased by $259,731, (or 0.1%), while the business-type activities net position decreased by $9,849, (or 2.8%).

Governmental fund revenues for the year ending June 30, 2013 totaled $26,393,675 including charges for services at $1,138,998, operating grants and contributions at $2,659,207, capital grants and contributions at $82,188 with the balance of revenue from property taxes, revenue sharing, investment interest, and contributions not restricted to specific programs of $22,513,282.

Business-type activities revenues for the year ending June 30, 2013 totaled $218,736 including charges for services of $213,395, investment income of $341 and transfers of $5,000.

Governmental fund expenditures and transfers for the fiscal year totaled $25,841,550 and $5,000, respectively. Business-type activities expenses for the fiscal year totaled $274,210.

On the GAAP basis, expenditures and other financing uses were $25,382,753 for the general fund; $2,295 for Beach Pavilions; $1,340,684 for the non-major governmental funds; and $274,210 for business-type funds.

Use of the Annual Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 18 through 20) 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 21. 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 Position and Statement of Activities report 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 position and changes therein. The Town's net position is the difference between actual assets and liabilities against said assets. This measures the Town's financial health or financial position. Over time, increases or decreases in net position are 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 Position 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 21. 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 Position for the Town. The condensed format allows the reader to view the overall financial position of the Town.

Governments Wide Statements

Statement of Net Position
As of June 30:

	Governmental Activities		Business Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Current and Other Assets	$10,540,747	$ 9,677,093	$151,557	$192,061	$10,692,304	$ 9,869,154
Capital Assets	22,209,501	22,673,910	149,188	160,335	22,358,689	22,834,245
Total Assets	32,750,248	32,351,003	300,745	352,396	33,050,993	32,703,399
Current Liabilities	1,899,938	1,804,426	12,324	7,042	1,912,262	1,811,468
Long Term Liabilities	5,432,827	5,676,219	6,462	7,921	5,439,289	5,684,140
Total Liabilities	7,332,765	7,480,645	18,786	14,963	7,351,551	7,495,608
Net Investment in Capital Assets	17,329,257	17,609,967	149,188	160,335	17,478,445	17,770,302
Restricted for Other Purpose	5,457,782	2,118,515	10,000	10,000	5,467,782	2,128,515
Unrestricted	2,630,444	5,141,876	122,771	167,098	2,753,215	5,308,974
Total Net Position	$25,417,483	$24,870,358	$281,959	$337,433	$25,699,442	$25,207,791

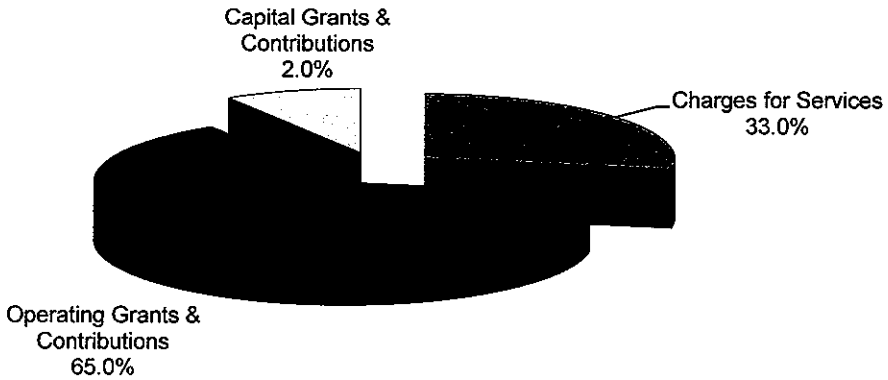
Net Position equals Total Assets less Total Liabilities

Changes in Net Position
For fiscal Year Ended
June 30:

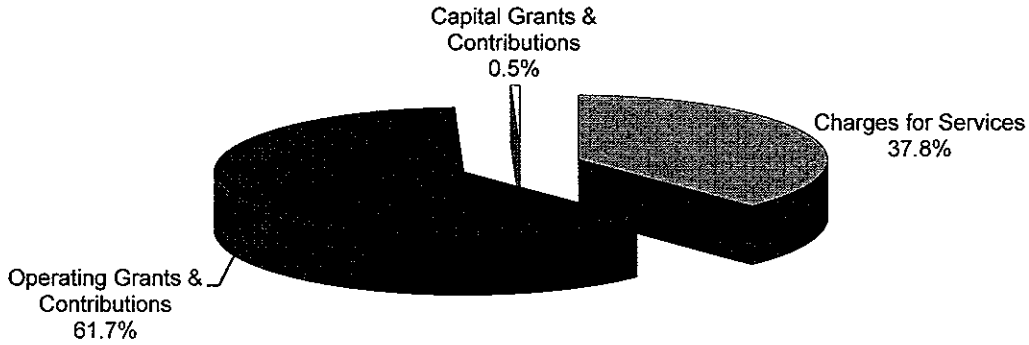
	Governmental Activities		Business Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Revenue:						
Program Revenue:						
Charges for services	$ 1,138,998	$ 1,070,979	$ 213,395	$ 230,304	$ 1,352,393	$ 1,301,283
Operating Grants & Contributions	2,659,207	2,124,193			2,659,207	2,124,193
Capital Grants & Contributions	82,188	19,859			82,188	19,859
Total Program Revenue	3,880,393	3,215,031	213,395	230,304	4,093,788	3,445,335
General Revenue:						
Property Tax	22,502,289	21,780,604			22,502,289	21,780,604
Unrestricted Investment Earnings	10,993	16,286	341	191	11,334	16,477
Total General Revenue	22,513,282	21,796,890	341	191	22,513,623	21,797,081
Total Revenue	26,393,675	25,011,921	213,736	230,495	26,607,411	25,242,416
Expenses:						
General Government	1,837,301	1,830,453			1,837,301	1,830,453
Public Safety	2,715,136	2,699,955			2,715,136	2,699,955
Public Works	2,208,132	2,007,288			2,208,132	2,007,288
Education	14,918,512	14,402,784			14,918,512	14,402,784
Parks & Recreation	592,431	795,203			592,431	795,203
Public Health & Asst	415,737	408,164			415,737	408,164
Community Development	594,329	134,469			594,329	134,469
Other	2,371,129	2,269,600	274,210	255,344	2,645,339	2,524,944
Interest on Long Term Debt	188,843	189,274			188,843	189,274
Total Expenses	25,841,550	24,737,190	274,210	255,344	26,115,760	24,992,534
Excess (deficiency) Of Revenue Over Expenditures Before Transfers	552,125	274,731	(60,474)	(24,849)	491,651	249,882
Transfers	(5,000)	(15,000)	5,000	15,000		
Change in Net Position	547,125	259,731	(55,474)	(9,849)	491,651	249,882
Net Position Beginning	24,870,358	24,610,627	337,433	347,282	25,207,791	24,957,909
Net Position Ending	$ 25,417,483	$ 24,870,358	$ 281,959	$ 337,433	$ 25,699,442	$ 25,207,791

This is the eleventh 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 fiscal year 2013. 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.

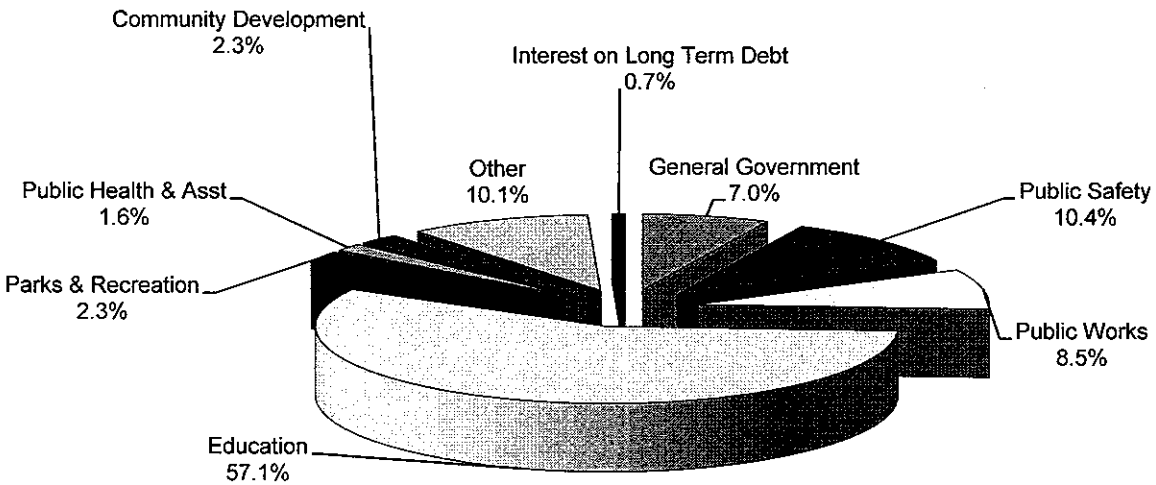
2013 Program Revenues



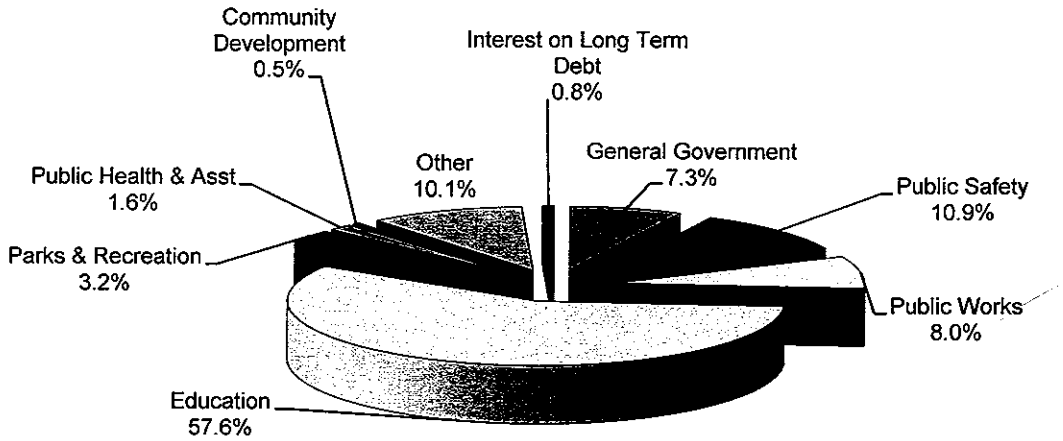
2012 Program Revenues



2013 Expenses



2012 Expenses



Normal Impacts:

There are six basic transactions that affect comparability of Net Position.

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 net investment in 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 position and increase the net investment in capital assets.

5. Principal Payment on Debt – a) reduce current assets and long-term debt and (b) reduce unrestricted net position and increase the net investment in capital assets.

6. Reduction of Assets through Depreciation – reduces capital assets and the net investment in capital assets.

Changes in net position of the Town's activities as a whole (includes governmental and business activities) was $491,651 and $249,882 for fiscal year 2013 and 2012, respectively, resulting from the difference between expenses and revenues. For fiscal year 2013, expenses net of their pertinent revenues were $22,021,972, while revenue not attributed to any activity in the government was $22,513,623, therefore netting an increase of $491,651 in net position. For fiscal year 2012, expenses net of their pertinent revenues was $21,547,199, while revenues not attributed to any activity in the government were $21,797,081, therefore netting an increase of $249,882 in net position.

Business type Activities:

The change in net position for the business-type activities for fiscal year 2013 and 2012 was $(55,474) and $(9,849), 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 2013, the general fund balance sheet showed a fund balance of $8,022,378. This figure results from all assets allocated to the fund less its liabilities, as presented on page 22. Of this total, $229,337 was nonspendable for tax sale property, $3,761,480 was restricted mainly for reappropriated fund balance for subsequent year's expenditures and $4,031,561 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 fund of the Town for fiscal year 2013 was the Beach Pavilions project. At the end of June 2013, the Beach Pavilions showed a fund deficit of $(1,190,000). Other governmental funds had a fund balance of $1,431,394 of which $1,532 was nonspendable for perpetual care, $1,465,433 was restricted mainly for education and capital projects, $186,608 was committed for parks and recreation and $(222,179) was unassigned. The total fund balance for the aforementioned funds is $8,263,772. 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 $567,502 at June 30, 2013.

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. 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 was $7,427,053.

Business-type Activity:

The business-type activities for the Town are the Collection Center and the Coastal Pond Management. These two entities combined had a total net postion of $281,959 at June 30, 2013, of which $149,188 is net investment in capital assets, $10,000 is restricted and $122,771 is unrestricted. At June 30, 2012, these two entities combined had a total net position of $337,433 of which $160,335 was net investment in capital assets, $10,000 was restricted and $167,098 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 69. 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, 2013, the general fund revenues exceeded budget projections by $502,415, or 1.9%. The general fund expenditures were less than the budget by $400,610, or 1.5%. This resulted in a $903,025 budgetary surplus in the General Fund for the year ending June 30, 2013.

The most significant revenue variances were the collection of current and prior years taxes in the amount of $147,869, additional School Aid in the amount of $23,364, the additional income of $87,955 in interest on delinquent taxes, Transfers In in the amount of $64,022 and the additional Parks and Recreation revenue in the amount of $87,700. This last amount includes Beach receipts at the two town beaches. The most significant expense variances were an over expenditure of $151,702 in Capital Improvements, and savings of $104,510 for Employee Insurance and Benefits, $292,116 for the Highway Department and $64,389 in legal services.

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 an over expenditure of $107,658 in Education, and savings of $230,886 for Legal Expenses and $199,025 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, 2013 and 2012 amounted to $22.4 and $22.9 million, respectively (net of accumulated depreciation). This investment in capital assets includes construction-in-progress, land, land improvements, 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)

	Governmental Activities		Business-Type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Motor Vehicles	$ 2.8	$ 3.1			$ 2.8	$ 3.1
Equipment	1.0	1.1	$0.2	$0.2	1.2	1.3
Infrastructure	44.2	44.0			44.2	44.0
Buildings and Improvements	8.6	8.5	0.1	0.1	8.7	8.6
Land and Land Improvements	7.3	7.2	0.2	0.2	7.5	7.4
Construction-in-progress	0.4	0.2			0.4	0.2
Total Assets	64.3	64.1	0.5	0.5	64.8	64.6
Less: Accumulated Depreciation	(42.1)	(41.4)	(0.3)	(0.3)	(42.4)	(41.7)
Net Capital Assets	$22.2	$22.7	$0.2	$0.2	$22.4	$22.9

The Town's investment in capital assets for its governmental and business type activities as of June 30, 2013 was $64.8 million less accumulated depreciation of $42.4 million for a net investment in capital assets of $22.4 million.

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.

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

- $ 266,102 for infrastructure
- $ 138,399 for vehicles
- $ 275,045 for construction in progress
- $ 124,900 for buildings and improvements
- $ 78,756 for equipment
- $ 40,082 for land improvements

Additional information on the Town's capital assets can be found on Note 13 on page 58 - 59 of this report.

Long Term Debt

As of June 30, 2013, the Town had total long-term liabilities of $5.9 million. Of that, $4.5 million related to bonded debt guaranteed by the Town's assets, $0.1 related to landfill monitoring costs; $0.9 million related to compensated absences; and $0.4 million related to leases payable.

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.

The business type activities had long-term liabilities $6,462 at June 30, 2013. This is related to compensated absences.

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

The Town's bond ratings are as follows:

- Moody's: Aa2

TOWN OF CHARLESTOWN

BASIC
FINANCIAL STATEMENTS

TOWN OF CHARLESTOWN, RHODE ISLAND

STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Current assets:			
Cash and cash equivalents	$ 7,592,782	$ 418,465	$ 8,011,247
Restricted cash and cash equivalents		15,901	15,901
Investments	500		500
Receivables:			
Taxes, net	899,653		899,653
Other receivables	31,568	7,647	39,215
Internal balances	292,456	(292,456)	
Due from other governments	1,086,209		1,086,209
Prepaid expenses	17,974	2,000	19,974
Tax sale property	229,337		229,337
Total current assets	10,150,479	151,557	10,302,036
Noncurrent assets:			
Capital assets:			
Non-depreciable	7,663,607	99,500	7,763,107
Depreciable, net	14,545,894	49,688	14,595,582
Bond issuance costs	28,471		28,471
Net other post-employment benefit asset	361,797		361,797
Total noncurrent assets	22,599,769	149,188	22,748,957
TOTAL ASSETS	32,750,248	300,745	33,050,993
LIABILITIES:			
Current liabilities:			
Accounts payable	400,020	12,324	412,344
Retainage payable	10,442		10,442
Accrued interest	156,576		156,576
Due to other governments	11,199		11,199
Current portion of long-term debt	507,080		507,080
Unearned revenue	768,116		768,116
Other liabilities	46,505		46,505
Total current liabilities	1,899,938	12,324	1,912,262
Noncurrent liabilities:			
Long-term debt, net	5,432,827	6,462	5,439,289
Total noncurrent liabilities	5,432,827	6,462	5,439,289
TOTAL LIABILITIES	7,332,765	18,786	7,351,551

(CONTINUED)

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF CHARLESTOWN, RHODE ISLAND

STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities	Business-type Activities	Total
NET POSITION:			
Net investment in capital assets	17,329,257	149,188	17,478,445
Restricted - nonexpendable	230,869	10,000	240,869
Restricted for:			
Community development	148		148
Education	241,069		241,069
Capital projects	980,467		980,467
Employee severance benefits	246,934		246,934
Special purposes	3,758,295		3,758,295
Unrestricted	2,630,444	122,771	2,753,215
TOTAL NET POSITION	$ 25,417,483	$ 281,959	$ 25,699,442

(CONCLUDED)

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF CHARLESTOWN, RHODE ISLAND

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

Functions/Programs:	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-type Activities	Net (Expense) Revenue and Changes in Net Position: Total
Governmental activities:							
General government	$ 1,837,301	$ 615,906	$ 223,008	$ 18,147	$ (980,240)		$ (980,240)
Public safety	2,715,136	22,443	14,285	2,900	(2,675,508)		(2,675,508)
Public works	2,208,132		332,164	17,062	(1,858,906)		(1,858,906)
Education	14,918,512		1,694,669		(13,223,843)		(13,223,843)
Parks and recreation	592,431	500,649	39,745	44,079	(7,958)		(7,958)
Public health and assistance	415,737				(415,737)		(415,737)
Community development	594,329		355,336		(238,993)		(238,993)
Other	2,371,129				(2,371,129)		(2,371,129)
Interest on long-term debt	188,843				(188,843)		(188,843)
Total governmental activities	25,841,550	1,138,998	2,659,207	82,188	(21,961,157)		(21,961,157)
Business-type activities:							
Residential Collection Center	222,452	159,555				$ (62,897)	(62,897)
Coastal Pond Management	51,758	53,840				2,082	2,082
Total business-type activities	274,210	213,395	0	0	0	(60,815)	(60,815)
Total	$ 26,115,760	$ 1,352,393	$ 2,659,207	$ 82,188	(21,961,157)	(60,815)	(22,021,972)
General revenues:							
Property taxes					22,502,289		22,502,289
Unrestricted investment earnings					10,993	341	11,334
Transfers					(5,000)	5,000	
Total general revenues and transfers					22,508,282	5,341	22,513,623
Change in net position					547,125	(55,474)	491,651
Net Position - beginning					24,870,358	337,433	25,207,791
Net Position - ending					$ 25,417,483	$ 281,959	$ 25,699,442

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF CHARLESTOWN, RHODE ISLAND

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General Fund	Beach Pavilions	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash and cash equivalents	$ 6,984,849		$ 607,933	$ 7,592,782
Investments			500	500
Receivables:				
Taxes, net	899,653			899,653
Other	21,568		10,000	31,568
Due from:				
Other funds	1,968,455		1,255,909	3,224,364
Other governments	105,047		981,162	1,086,209
Prepaid expenditures	17,974			17,974
Tax sale property	229,337			229,337
TOTAL ASSETS	$ 10,226,883	$ 0	$ 2,855,504	$ 13,082,387
LIABILITIES AND FUND BALANCE:				
LIABILITIES:				
Accounts payable	$ 185,582		$ 214,438	$ 400,020
Retainage payable	707		9,735	10,442
Due to:				
Other funds	1,229,818	$ 1,190,000	512,090	2,931,908
Other governments	11,199			11,199
Deferred revenues	738,158		680,383	1,418,541
Other liabilities	39,041		7,464	46,505
TOTAL LIABILITIES	2,204,505	1,190,000	1,424,110	4,818,615

(CONTINUED)

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF CHARLESTOWN, RHODE ISLAND

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General Fund	Beach Pavilions	Other Governmental Funds	Total Governmental Funds
FUND BALANCE:				
Nonspendable	229,337		1,532	230,869
Restricted	3,761,480		1,465,433	5,226,913
Committed			186,608	186,608
Unassigned	4,031,561	(1,190,000)	(222,179)	2,619,382
TOTAL FUND BALANCE (DEFICIT)	8,022,378	(1,190,000)	1,431,394	8,263,772
TOTAL LIABILITIES AND FUND BALANCE (DEFICIT)	$ 10,226,883	$ 0	$ 2,855,504	$ 13,082,387

(CONCLUDED)

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF CHARLESTOWN, RHODE ISLAND

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET (B-1) TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION (A-1) JUNE 30, 2013

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

Total Fund Balance (B-1)	$ 8,263,772
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	22,209,501
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.	361,797
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(5,939,907)
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 Position.	650,425
Accrued interest payable is recorded in governmental activities, but is not recorded in the funds.	(156,576)
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.	28,471
Total Net Position (A-1)	$ 25,417,483

(CONCLUDED)

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF CHARLESTOWN, RHODE ISLAND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	General Fund	Beach Pavilions	Other Governmental Funds	Total Governmental Funds
REVENUES:				
General property taxes	$ 22,432,073			$ 22,432,073
Intergovernmental	1,979,589		$ 790,406	2,769,995
Departmental	1,081,577			1,081,577
Investment income	10,307		686	10,993
Other	1,241		66,627	67,868
TOTAL REVENUES	25,504,787	$ 0	857,719	26,362,506
EXPENDITURES:				
Current:				
General government	1,370,833		1,930	1,372,763
Public safety	2,358,753		15,835	2,374,588
Public works	1,140,639		332,164	1,472,803
Education	14,894,812			14,894,812
Parks and recreation	465,798		9,833	475,631
Public health and assistance	415,737			415,737
Community development			594,329	594,329
Other	2,371,129			2,371,129
Debt Service:				
Principal	185,122			185,122
Interest and other costs	330,415			330,415
Capital:				
Capital outlay	489,997	2,295	326,299	818,591
TOTAL EXPENDITURES	24,023,235	2,295	1,280,390	25,305,920
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	1,481,552	(2,295)	(422,671)	1,056,586

(CONTINUED)

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF CHARLESTOWN, RHODE ISLAND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	General Fund	Beach Pavilions	Other Governmental Funds	Total Governmental Funds
OTHER FINANCING SOURCES (USES):				
Transfers in	60,294		991,353	1,051,647
Transfers out	(1,342,353)		(60,294)	(1,402,647)
Proceeds from capital leases	148,298			148,298
Landfill monitoring	(17,165)			(17,165)
NET OTHER FINANCING SOURCES (USES)	(1,150,926)	0	931,059	(219,867)
NET CHANGE IN FUND BALANCES	330,626	(2,295)	508,388	836,719
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	7,691,752	(1,187,705)	923,006	7,427,053
FUND BALANCE (DEFICIT) AT END OF YEAR	$ 8,022,378	$ (1,190,000)	$ 1,431,394	$ 8,263,772

(CONCLUDED)

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF CHARLESTOWN, RHODE ISLAND

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (B-2) TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES (A-2) YEAR ENDED JUNE 30, 2013

Net Change in Fund Balances - Total Governmental Funds (B-2):	$	836,719
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 deprecation exceeded capital outlay in the current period.		(464,409)
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.		21,243
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 position. This amount is the net effect of these differences.		127,706
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in governmental funds.		31,169
Adjustment to accrued interest payable related to long-term liabilities which is required to be recorded for government-wide financial statement presentation.		1,755
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.		(7,058)
Change in Net Position of Governmental Activities in the Statement of Activities (A-2)	$	547,125

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF CHARLESTOWN, RHODE ISLAND

STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

	Residential Collection Center	Coastal Pond Management	Totals
ASSETS:			
Current Assets:			
Cash and cash equivalents	$ 251,719	$ 166,746	$ 418,465
Restricted cash and cash equivalents		15,901	15,901
Receivables, net	7,647		7,647
Prepaid expenses	2,000		2,000
Total Current Assets	261,366	182,647	444,013
Noncurrent Assets:			
Net capital assets	149,188		149,188
Total Noncurrent Assets	149,188	0	149,188
TOTAL ASSETS	410,554	182,647	593,201
LIABILITIES:			
Current Liabilities:			
Accounts payable	9,614	2,710	12,324
Due to other funds	223,398	69,058	292,456
Total Current Liabilities	233,012	71,768	304,780
Noncurrent Liabilities:			
Accrued compensated absences	6,462		6,462
Total Noncurrent Liabilities	6,462	0	6,462
TOTAL LIABILITIES	239,474	71,768	311,242
NET POSITION:			
Net investment in capital assets	149,188		149,188
Restricted for endowment		10,000	10,000
Unrestricted	21,892	100,879	122,771
TOTAL NET POSITION	$ 171,080	$ 110,879	$ 281,959

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF CHARLESTOWN, RHODE ISLAND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013

	Residential Collection Center	Coastal Pond Management	Totals
OPERATING REVENUES:			
Charges for usage and service	$ 159,555	$ 53,840	$ 213,395
Total Operating Revenues	159,555	53,840	213,395
OPERATING EXPENSES:			
Operations	101,250	22,156	123,406
Personnel	110,055	29,602	139,657
Depreciation	11,147		11,147
Total Operating Expenses	222,452	51,758	274,210
OPERATING INCOME (LOSS)	(62,897)	2,082	(60,815)
NONOPERATING REVENUES:			
Investment income	189	152	341
Total Nonoperating Revenues	189	152	341
INCOME (LOSS) BEFORE TRANSFERS	(62,708)	2,234	(60,474)
TRANSFERS IN	5,000	0	5,000
CHANGE IN NET POSITION	(57,708)	2,234	(55,474)
TOTAL NET POSITION - BEGINNING	228,788	108,645	337,433
TOTAL NET POSITION - ENDING	$ 171,080	$ 110,879	$ 281,959

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF CHARLESTOWN, RHODE ISLAND

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013

	Residential Collection Center	Coastal Pond Management	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	$ 167,448	$ 53,840	$ 221,288
Cash paid to suppliers	(96,744)	(20,380)	(117,124)
Cash paid to employees	(111,514)	(29,602)	(141,116)
Net cash provided by (used for) operating activities	(40,810)	3,858	(36,952)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers from General Fund	5,000		5,000
Increase in due to other funds	106,223	35,641	141,864
Net cash provided by noncapital financing activities	111,223	35,641	146,864
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest on investments	189	152	341
Net cash provided by investing activities	189	152	341
NET INCREASE IN CASH AND CASH EQUIVALENTS	70,602	39,651	110,253
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	181,117	142,996	324,113
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 251,719	$ 182,647	$ 434,366

Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:

Operating income (loss)	$ (62,897)	$ 2,082	$ (60,815)
Adjustments to reconcile:			
Depreciation	11,147		11,147
Decrease in receivables, net	7,893		7,893
Decrease in prepaid expenses	1,000		1,000
Increase in accounts payable	3,506	1,776	5,282
Decrease in accrued compensated absences	(1,459)		(1,459)
Net cash provided by (used for) operating activities	$ (40,810)	$ 3,858	$ (36,952)

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF CHARLESTOWN, RHODE ISLAND

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013

	Other Post-Employment Benefit Trust Fund
ASSETS:	
Cash and cash equivalents	$ 8,716
Investments, at fair value	2,424,062
Total assets	2,432,778
LIABILITIES	0
NET POSITION:	
Held in trust for other post-employment benefits	$ 2,432,778

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF CHARLESTOWN, RHODE ISLAND

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2013

	Other Post-Employment Benefit Trust Fund
ADDITIONS:	
Contributions:	
Employer contributions	$ 346,000
Total contributions	346,000
Investment income:	
Interest and dividends	53,784
Net realized gains on sale of investments	93,750
Net increase in fair value of investments	96,487
Total investment income	244,021
Total additions	590,021
DEDUCTIONS:	
Benefits	0
Administrative expenses	0
Total deductions	0
CHANGE IN NET POSITION	590,021
NET POSITION - BEGINNING	1,842,757
NET POSITION - ENDING	$ 2,432,778

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

1. REPORTING ENTITY

In accordance with the requirements 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. 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 through the application of GASB criteria. Under GASB, the financial reporting entity includes both the primary government and all of its component units. GASB 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)

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. 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 inability to significantly influence the operations of the Chariho Regional School District.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Recently Issued Accounting Standards

The Town implemented the following pronouncements for the year ended June 30, 2013.

→ GASB Statement No. 60 - Accounting and Financial Reporting for Service Concession Arrangements.

→ GASB Statement No. 61 - The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34.

→ GASB Statement No. 62 - Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.

The adoption of these Statements did not have an impact on the Town's financial position or results of operations.

The Town also implemented GASB Statement No. 63 - Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. This statement provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position. Deferred outflows of resources and deferred inflows of resources are now required to be reported separately from assets and liabilities. The adoption of this Statement resulted in a change in the presentation of the balance sheet to what is now referred to as the Statement of Net Position and the term "net assets" is changed to "net position" throughout the financial statements.

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

→ GASB Statement No. 65 - Items Previously Reported as Assets and Liabilities, effective for the Town's fiscal year ending June 30, 2014. The objective of this statement is to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources. It requires the reclassification of amounts previously reported as assets and liabilities to deferred outflows of resources or deferred inflows of resources or to expenses or revenues. The implementation of GASB Statement No. 65 will change the beginning net position resulting primarily from the change in accounting for deferred bond issuance costs. Bond issuance costs will now be expensed as incurred. In addition, this Statement requires the amounts deferred on refunding to be reported as a deferred outflow or a deferred inflow of resources on the statement of net position, rather than as an addition to or a reduction from the bond liability.

(CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Standards (Continued)

→ 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 the 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.

→ GASB Statement No. 69 - Government Combinations and Disposals of Government Operations, effective for the Town's fiscal year ending June 30, 2015.

→ GASB Statement No. 70 - Accounting and Financial Reporting for Nonexchange Financial Guarantees effective for the Town's fiscal year ending June 30, 2014.

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

Basis of Presentation

Government-Wide Financial Statements

The Statement of Net Position 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:

(CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

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.

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, 2013.

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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:

Fund	Brief Description
Major:	
General:	See above for description
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.
Non-Major:	
Special Revenue:	Senior Community Activities, Police Grants – JAG, MEDS Grant - R.I. Dept. of Health, Frisbee Golf Course, School Impact Fees, Friends of Ninigret, Hazard Mitigation, Operation Blue Riptide, Mud Cove Recreation Development, Animal Spaying/Neutering, Ninigret Park Fund, Bicentennial Fund, Affordable Housing Acquisitions, FEMA, Developer Bond Deposits, Open Space Fees, Charlestown Community Garden, Naval Airfield Memorial, Police Forfeiture, RIIRMT Safety Enhancement, Municipal Planning, Affordable Housing Initiatives, Birthday Committee, Trail Improvement Grant - Mud Cove, Community Development Block Grant, Bulletproof Vest, Special Donations, Historical and Vital Records, Ninigret Dog Park, RIHPHC Preservation is Local Grant, Energy Efficient and Conservation Block Grant, and Comprehensive Planning Grant.
Capital Projects:	File Server, Columbia Heights Streetscapes Enhancement, Klondike Road, Skating Rink, Stormwater Elimination Project, DPW Salt/Sand Equipment Shed, Town Capital Maintenance Fund, Police Building Fund, DPW Road Engineering, Open Space Acquisitions, Web Based GIS, and Pond and Beach Preservation.
Permanent:	Zenis Ellis Trust and Cemetery Fund

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus

On the government-wide Statement of Net Position 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 position.

(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 Position 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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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 $356,000 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)

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.

Long-Term Debt

In the governmental-wide financial statements, long-term debt obligations are reported as liabilities in the statement of net position. Bonds payable are reported net of the applicable bond premium or discount. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

Governmental funds recognize bond premiums and discounts, as well as bond issuance costs, in the period issued. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources and discounts on debt issuances are reported as other financing uses. Issuance costs, even if withheld from the actual net proceeds received, are reported as expenditures. Interest is reported as an expenditure in the period in which the related payment is made.

The total bond premiums at June 30, 2013 were $35,075, while the accumulated amortization was $18,136. The total bond issuance costs at June 30, 2013 were $94,528, while the accumulated amortization was $66,057.

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)

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 Position. 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:

Classes	Useful Life
Buildings and improvements	15 - 50 years
Land improvements	10 - 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, 2013 amounted to $923,663. 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, 2013.

(CONTINUED)

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:

	Revenues and Transfers	Expenditures and Transfers
Schedule of Revenues, Expenditures and Changes in Fund Balance (Non-GAAP Budgetary Basis) Budget and Actual (E-2) ..	$26,470,009	$25,566,984
Reappropriated fund balance	(754,143)	
Prior year encumbrances		16,769
Activity of funds classified with the General Fund for purposes of GASB Statement No. 54	(2,487)	(201,000)
Statement of Revenues, Expenditures and Changes in Fund Balance (B-2)	$25,713,379	$25,382,753

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 position and displayed in three components:

(a) Net investment in capital assets - 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 position - Consists of net position 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 position - All other net position that does not meet the definition of "restricted" or "net investment in capital assets".

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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)

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, and changes in fund balances includes reconciliation between *net changes in fund balances - total governmental funds* and *changes in net position 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 $464,409 difference are as follows:

Capital outlays	$ 883,202
Capital dispositions	(710,982)
Depreciation expense, net	(636,629)
Net adjustment	$ (464,409)

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 $127,706 difference are as follows:

Bonds payable	$ 185,122
Add: issuance premium	1,926
Capital leases payable	(3,349)
Compensated absences	(117,993)
Landfill monitoring	62,000
Net adjustment	$ 127,706

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 $6,016,237 while the bank balance was $6,241,572 of which $250,000 was covered by federal depository insurance, $1,296,804 was uninsured, and $4,694,768 was collateralized. The Town also had nonnegotiable certificates of deposit totaling $2,007,636 which were FDIC insured under the Certificate of Deposit Account Registry Service (CDARS) at June 30, 2013. 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, 2013.

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3. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

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

Unrestricted cash deposits	$6,000,336
Restricted cash deposits	15,901
Petty cash	3,275
Certificate of deposit, 0.23%, dated April 25, 2013, due July 25, 2013	1,003,742
Certificate of deposit, 0.23%, dated May 23, 2013, due August 22, 2013	1,003,894
Total cash and cash equivalents – (A-1)	$8,027,148

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, 2013, the Town's non-fiduciary fund investments consisted entirely of a U.S. Series H Bond.

(CONTINUED)

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, 2013:

SPDR S&P 400 ETF Trust, closed end equity mutual fund	$126,502
Vanguard Intermediate - Term Bond Index fund, fixed income mutual fund	$124,832

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, 2013, investments other than those included in the Fiduciary Fund included:

Description	Fair Value	Interest Rate	Maturity
Series H Bond	$ 500	0.75%	N/A
Total investments (A-1)	$ 500		

(CONTINUED)

3. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Investments included in the Fiduciary Fund consisted of the following at June 30, 2013:

Description	Fair Value	Percentage of Portfolio at Year End	Maturity	Credit Rating
U.S. Government agencies:				
Federal Home Loan Mortgage Corp ...	$ 25,189	1.0%	11/14/18	AA+
Federal Home Loan Mortgage Corp ...	24,753	1.0%	7/30/19	AA+
Federal Farm Credit Bank	25,813	1.1%	11/22/17	AA+
Federal Farm Credit Bank	25,842	1.1%	11/19/18	AA+
Subtotal	101,597	4.2%		
Corporate bonds:				
Bank of America	26,369	1.1%	9/1/15	A-
General Electric Capital Corp	27,011	1.1%	9/21/15	AA+
General Electric	27,269	1.1%	1/7/21	AA+
Subtotal	80,649	3.3%		
Municipal bonds:				
New Jersey Environmental	27,718	1.2%	9/1/19	AAA
New York, NY GO	26,515	1.1%	10/1/18	AA
Northborough, MA GO	29,554	1.2%	10/15/18	Aa2
Pittsburgh, PA Urban Development	27,049	1.1%	5/1/17	AA-
Subtotal	110,836	4.6%		
Corporate equity securities	1,256,857	51.8%	(not applicable)	(not rated)
Equity mutual funds	372,887	15.4%	(not applicable)	(not rated)
Fixed income mutual funds	501,236	20.7%	(not applicable)	AA
Total Investments	$2,424,062	100.0%		

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, 2013 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 2013 were based on an assessed value of approximately $2,363,855,018 at December 31, 2011 and amounted to $22,244,817. Collections through June 30, 2013 amounted to $21,757,903 which represents 98% of the total tax levy.

(CONTINUED)

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, 2013 of $1,255,653 are recorded as a receivable, net of an allowance for uncollectible property taxes of $356,000. Those net property taxes receivable which were not collected within the 60 days immediately following June 30, 2013 are recorded as deferred revenue and amounted to $650,425 at June 30, 2013. Property taxes recognized as revenue for the fiscal year ended June 30, 2013 (due to their collection within the 60 days immediately following June 30, 2013) amounted to $249,228.

5. INTERGOVERNMENTAL RECEIVABLES/PAYABLES

Intergovernmental receivables and payables consisted of the following at June 30, 2013:

	Due From	Due To
Governmental activities:		
State of Rhode Island:		
Major funds:		
General Fund	$ 98,381	$11,199
Non-major funds	178,588	
Total	276,969	11,199
Federal government:		
Major funds:		
General Fund	6,666	
Non-major funds	802,574	
Total	809,240	0
Total governmental activities	$1,086,209	$11,199

6. DEFINED BENEFIT PENSION PLANS

Effective July 1, 2012, the State administered retirement system was modified to include both defined benefit and defined contribution plan components. General employees participate in a hybrid plan that combines both a defined benefit pension plan and a defined contribution plan. Police and fire employees participate only in the defined benefit plan unless they do not participate in Social Security in which case they also participate in the defined contribution plan.

(CONTINUED)

6. DEFINED BENEFIT PENSION PLANS (Continued)

(a) General Municipal Employees' Pension Plan

Plan Description

The Town's defined benefit pension plan, Municipal Employees' Retirement System of the State of Rhode Island (MERS), provides retirement, death and disability benefits, and an optional cost of living adjustment (COLA) as outlined in Chapter 45-21 of the Rhode Island General Laws (RIGL). The benefits may be amended by the Rhode Island General Assembly. MERS is an agent multiple-employer defined benefit plan administered by the Employees' Retirement System of Rhode Island (the 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 multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The Municipal Employees' 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 or at www.ersri.org. The payroll for employees covered by the System for the year ended June 30, 2013 was approximately $1,997,430, and the Town wide payroll was approximately $4,191,288.

Retirement Eligibility and Plan Benefits

Service credits accrued at June 30, 2012 are protected under the Rhode Island Retirement Security Act. Beginning July 1, 2012, members receive a benefit accrual of 1.0% per year. Effective July 1, 2012 the retirement age mirrors the Social Security Normal Retirement Age not to exceed age 67. Benefits are based on the five-year average compensation multiplied by the accumulated service credit percentage. Joint and survivor retirement benefit options are available.

Cost of Living Adjustments

Pursuant to the Rhode Island Retirement Security Act, the Cost of Living Adjustment (COLA) has been suspended for any unit whose funding level is less than 80%. The COLA provision can be reviewed in a five-year interval. When the funding level of a plan exceeds 80%, eligible retirees may receive a COLA annually effective on their date of retirement plus one month. The COLA will be calculated as the five (5) year smoothed investment rate of return less 5.50%, with a 0.00% floor and a 4.00% cap. COLA will be delayed until the later of age 55 or three years after retirement. The COLA will be applied to the first $25,000 of benefits indexed annually.

Disability Retirement Provisions

The plan also provides nonservice-connected disability benefits after 5 years of service; service-connected disability pensions with no minimum service requirement.

(CONTINUED)

6. DEFINED BENEFIT PENSION PLANS (Continued)

(a) General Municipal Employees' Pension Plan (Continued)

Funding Policy

The funding policy is outlined in RIGL Sections 45-21-41, 45-21-42, and 45-21-52 (which can be amended by the Rhode Island General Assembly). MERS members are required to contribute 2.0% of their annual covered salary. The Town is required to contribute at an actuarially determined rate; the current rate is 10.49% of annual covered payroll.

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2011	$172,977	100%	$0
2012	$241,400	100%	$0
2013	$209,531	100%	$0

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2012 (the date of the most recent actuarial valuation) was as follows:

Actuarial Valuation Date June 30	(A) Actuarial Value of Assets	(B) Actuarially Accrued Liability (AAL)	(B-A) Unfunded AAL	(A/B) Funded Ratio	(C) Covered Payroll	[(B-A)/C] UAAL as A Percentage of Covered Payroll
2012	$5,290,691	$6,134,811	$844,120	86.2%	$1,890,875	44.6%

Annual Pension Cost

For 2013, the Town's annual pension cost of $209,531 for MERS was equal to the Town's required and actual contributions. The required contribution was determined as part of the June 30, 2010 actuarial valuation. The actuarial methods and assumptions used in that valuation follow:

	General Municipal Employees' Pension Plan
Valuation date	6/30/10
Actuarial cost method	Entry Age Normal Cost
Amortization method	Level Percent of Payroll - Closed
Remaining amortization period	25 years
Asset valuation method	5-year Smoothed Market Value
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases	4.0%-8.0%
Inflation adjustments	2.75%

(CONTINUED)

6. DEFINED BENEFIT PENSION PLANS (Continued)

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

Annual Pension Cost (Continued)

Cost of living adjustments are equal to the average five-year fund asset performance (percent) greater than 5.5% up to a maximum of 4% - the COLA is to be applied to the first $25,000 of benefits, indexed over time. COLA is delayed until the later of Social Security eligibility age or 3 years after retirement. A 2% COLA is assumed after July 1, 2012.

(b) Police Pension Plan

Plan Description

All full-time police members participate in the same Municipal Employees' Retirement System of the State of Rhode Island (described above). The payroll for employees covered by the System for the year ended June 30, 2013 was approximately $1,331,248, and the Town wide payroll was approximately $4,191,288. The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability 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 2012 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 or www.ersri.org. This report is the most recent report available from the State, who administers the Plan.

Retirement Eligibility and Plan Benefits

Effective July 1, 2012 the benefit accrual for all plans is 2.0% per year based on the five-year average compensation, exclusive of overtime. Retirement age is 55 with 25 years of total service or for members with five years of service but less than 25 years of service the new retirement age will mirror the Social Security Normal Retirement Age not to exceed 67. Police officers or firefighters who were at least 45 years old, had 10 or more years of contributing service and were eligible to retire prior to age 52 under the law in effect on June 30, 2012, may retire at age 52. Police and fire employees may retire with a reduced pension benefit if they have 20 years of service and are within five years of their retirement eligibility. The actuarially reduced benefit is calculated based on how close the member is to the eligibility date that is prescribed in the Rhode Island Retirement Security Act. Joint and survivor retirement benefit options are available.

Cost of Living Adjustments

Pursuant to the Rhode Island Retirement Security Act, the Cost of Living Adjustment (COLA) has been suspended for any unit whose funding level is less than 80%. The COLA provision can be reviewed in a five-year interval. When the funding level of a plan exceeds 80%, eligible retirees may receive a COLA annually effective on their date of retirement plus one month. The COLA will be calculated as the five (5) year smoothed investment rate of return less 5.50%, with a 0.00% floor and a 4.00% cap. COLA will be delayed until the later of age 55 or three years after retirement. The COLA will be applied to the first $25,000 of benefits indexed annually.

Disability Retirement Provisions

The plan also provides nonservice-connected disability benefits after 5 years of service; service-connected disability pensions with no minimum service requirement.

(CONTINUED)

6. DEFINED BENEFIT PENSION PLANS (Continued)

(b) Police Pension Plan (Continued)

Funding Policy

The funding policy is outlined in RIGL Sections 45-21-41, 45-21-42, and 45-21-52 (which can be amended by the Rhode Island General Assembly). Covered police employees are required to contribute 8.0% of their salary. The Town is required to contribute at an actuarially determined rate; the current rate is 19.25% of annual covered payroll.

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2011	$282,782	100%	$0
2012	$339,476	100%	$0
2013	$256,265	100%	$0

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2012 (the date of the most recent actuarial valuation) was as follows:

Actuarial Valuation Date June 30	(A) Actuarial Value of Assets	(B) Actuarially Accrued Liability (AAL)	(B-A) Unfunded AAL	(A/B) Funded Ratio	(C) Covered Payroll	[(B-A)/C] UAAL as A Percentage of Covered Payroll
2012	$6,552,757	$9,579,279	$3,026,522	68.4%	$1,304,912	231.9%

Annual Pension Cost

For 2013, the Town's annual pension cost of $256,265 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, 2010 actuarial valuation. The actuarial methods and assumptions used in that valuation follow:

	Municipal Police Pension Plan
Valuation date	6/30/10
Actuarial cost method	Entry Age Normal Cost
Amortization method	Level Percent of Payroll - Closed
Remaining amortization period	25 years
Asset valuation method	5-year Smoothed Market Value
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases	4.25%-14.25%
Inflation adjustments	2.75%

(CONTINUED)

6. DEFINED BENEFIT PENSION PLANS (Continued)

(b) Police Pension Plan (Continued)

Annual Pension Cost (Continued)

Cost of living adjustments are equal to the average five-year fund asset performance (percent) greater than 5.5% up to a maximum of 4% - the COLA is to be applied to the first $25,000 of benefits, indexed over time. For MERS Police, COLA is delayed until the later of age 55 or 3 years after retirement. A 2% COLA is assumed after July 1, 2012.

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.

(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 2013, 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, 2013, the total cost to the Town for providing retirement benefits amounted to $9,422.

7. DEFINED CONTRIBUTION PLAN

(a) Plan Description

General municipal employees participating in the defined benefit plan, as described above, also participate in a defined contribution plan of the Employees' Retirement System as authorized by General Law Chapter 36-10.3. The defined contribution plan is established under IRS Section 401(a) and is administered by TIAA-CREF and the Employees' Retirement System of Rhode Island (the System). Employees may choose among various investment options available to plan participants.

Employee contributions are immediately vested while employer contributions are vested after three years of contributory service. Contributions required under the plan by both the employee and employer are established by the General Laws, which are subject to amendment by the General Assembly.

Amounts in the defined contribution plan are available to participants in accordance with Internal Revenue Service guideline for such plans.

(CONTINUED)

7. DEFINED CONTRIBUTION PLAN (Continued)

(b) Plan Funding Policy

The funding policy is outlined in RIGL chapter 36-10.3 (which can be amended by the Rhode Island General Assembly). Active non-police and fire members must contribute 5% of his/her compensation and the Town is required to contribute 1%. The plan members and Town contributed $96,282 and $19,503 respectively, during the fiscal year ended June 30, 2013.

The system issues an annual financial report that includes financial statements and required supplementary information for all of the plans it administers. The most recent report available from the State for the fiscal year ending June 30, 2012 may be obtained from the administrative offices of the State of Rhode Island Retirement Board, 50 Service Avenue, Warwick, Rhode Island, 02886 or at www.ersri.org.

8. INTERFUND BALANCES

Interfund receivable and payable balances at June 30, 2013 are as follows:

	Due From Other Funds	Due To Other Funds
Governmental activities:		
Major funds:		
General Fund	$1,968,455	$1,229,818
Beach Pavilions		1,190,000
Non-major funds	1,255,909	512,090
Total governmental activities	$3,224,364	$2,931,908
Business-type activities:		
Major funds:		
Residential Collection Center		$223,398
Coastal Pond Management		69,058
Total business-type activities	$ 0	$292,456

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9. LONG-TERM LIABILITIES

(a) Long-Term Liability Activity

Long-term liability activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Long-term debt:					
General obligation debt	$4,642,850		$185,122	$4,457,728	$186,528
Leases payable	402,228	$148,298	144,949	405,577	155,552
Subtotal	5,045,078	148,298	330,071	4,863,305	342,080
Plus: bond premium, net of amortization	18,865		1,926	16,939	
Total long-term debt	5,063,943	148,298	331,997	4,880,244	342,080
Other long-term liabilities:					
Compensated absences	805,670	502,744	384,751	923,663	157,000
Landfill monitoring costs	198,000		62,000	136,000	8,000
Total other long-term liabilities	1,003,670	502,744	446,751	1,059,663	165,000
Governmental activities:					
Long-term liabilities	$6,067,613	$651,042	$778,748	$5,939,907	$507,080
Business-type activities:					
Other long-term liabilities:					
Compensated absences	$ 7,921	$ 7,553	$ 9,012	$ 6,462	$ 0
Business-type activities:					
Long-term liabilities	$ 7,921	$ 7,553	$ 9,012	$ 6,462	$ 0

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

(b) Debt Maturity

At June 30, 2013, the Town had $4,190,000 of remaining authorized unissued bond authority.

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

Year ending June 30:	Principal	Interest	Total
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	193,561	162,501	356,062
2019 - 2023	999,032	692,408	1,691,440
2024 - 2028	460,339	511,361	971,700
2029 - 2033	386,739	428,511	815,250
2034 - 2038	481,947	333,303	815,250
2039 - 2043	600,595	214,655	815,250
2044 - 2047	579,240	66,900	646,140
Totals	$4,457,728	$3,133,490	$7,591,218

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9. LONG-TERM LIABILITIES (Continued)

(b) Debt Maturity (Continued)

At June 30, 2013, 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, 2013 consisted of the following:

	Interest Rate	Issue Date	Maturity Date	Original Issue	Balance June 30, 2013
General obligation serial bonds:					
Open Space bond	2.25% - 4.30%	2/12/04	2/1/24	$3,000,000	$1,650,000
USDA bond	4.50%	7/28/06	7/28/46	$3,000,000	2,807,728
Total general obligation bonds					$4,457,728

(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

	Public Safety	Public Works
Assets:		
Vehicles and equipment	$ 623,763	$1,370,756
Less: accumulated depreciation	(332,723)	(975,328)
Total	$ 291,040	$ 395,428

Business-type Activities

	Residential Recycling Center
Assets:	
Equipment	$31,025
Less: accumulated depreciation	0
Total	$31,025

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, 2013:

Fiscal year ending June 30:	Governmental Activities
2014	$170,224
2015	146,166
2016	77,347
2017	41,544
Total minimum lease payments	435,281
Less: amount representing interest	(29,704)
Present value of future minimum lease payments	$405,577

(CONTINUED)

10. COMMITMENTS AND CONTINGENT LIABILITIES

Affordable Housing

In March 2013, the Town entered into a funding agreement with the Washington County Community Development Corporation (WCCDC), South County Habitat for Humanity and the Church Community Housing Corporation for the development of seven affordable housing units and with WCCDC for two housing projects totaling thirty-five affordable units (24 senior and 11 family). The Town's total commitment for these projects is $950,000, including $800,000 for land acquisition and $150,000 for preconstruction costs. The total cost of the projects is currently estimated at $7,250,000 with additional funding expected from Community Development Block Grants (CDBG), Rhode Island Housing HOME program funds, possible low-income housing tax credits and the Housing Resources Commission's Building Homes Rhode Island program.

In January 2013, the Town Council approved a resolution authorizing the issuance of a $1,000,000 general obligation bond previously approved by vote of the electorate on November 7, 2006 to finance affordable housing initiatives in the Town consistent with the Town's approved affordable housing plan. The proceeds of this bond were issued and received in August 2013 as part of General Obligation Bonds, Series 2013A totaling $2,190,000.

For the fiscal year ending June 30, 2013, the Town has expended $114,280 for affordable housing land acquisitions and $103,688 for preconstruction costs for the affordable housing projects. The Town has no ownership rights in the land acquisitions or future housing units but the projects will meet the requirements of affordable housing under the State's 10% Affordable Housing mandate.

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 be material.

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.

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11. LANDFILL ENTERPRISE FUND - CLOSURE AND POSTCLOSURE CARE COSTS (Continued)

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, 2013 totaled $17,165. 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 $8,000 annually for the remaining 17 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 and regulations. Annual postclosure monitoring costs are expected to be funded through General Fund appropriations.

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.

	General Fund	Beach Pavilions	Other Governmental Funds	Total Governmental Funds
Nonspendable:				
Perpetual care			$ 1,532	$ 1,532
Tax sale property	$ 229,337			229,337
Restricted for:				
General government	320,318		220,348	540,666
Public safety			11,992	11,992
Parks and recreation			11,409	11,409
Community development			148	148
Education			241,069	241,069
Capital projects			980,467	980,467
Employee severance benefits	246,934			246,934
Subsequent year's budget	3,194,228			3,194,228
Committed to:				
Parks and recreation			186,608	186,608
Unassigned	4,031,561	$(1,190,000)	(222,179)	2,619,382
Total Fund Balances	$8,022,378	$(1,190,000)	$ 1,431,394	$8,263,772

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12. FUND EQUITY (Continued)

(b) Net Position

Restriction of net position at June 30, 2013 was as follows:

Enterprise Funds:	
Restriction for endowment	$ 10,000

(c) Fund Deficits

The following funds had cumulative deficits at June 30, 2013:

Major Governmental Funds:	
Beach Pavilions	$1,190,000
Non-major Governmental Funds:	
Hazard Mitigation	$ 207
Affordable Housing Acquisitions	114,280
Affordable Housing Initiatives	107,692

The deficits in the funds listed above will be funded by General Fund contributions and the issuance of General Obligation Bonds (2013 Series A).

13. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 7,241,614			$ 7,241,614
Construction-in-progress	187,030	$ 275,045	$ (40,082)	421,993
Total capital assets not being depreciated	7,428,644	275,045	(40,082)	7,663,607
Other capital assets:				
Buildings and improvements	8,532,281	124,900	(45,785)	8,611,396
Land improvements		40,082		40,082
Equipment	1,071,800	78,756	(176,372)	974,184
Vehicles	3,134,181	138,399	(488,825)	2,783,755
Infrastructure	43,977,093	266,102		44,243,195
Total other capital assets	56,715,355	648,239	(710,982)	56,652,612
Less: accumulated depreciation for:				
Buildings and improvements	(2,101,751)	(218,202)	11,606	(2,308,347)
Land improvements		(4,008)		(4,008)
Equipment	(763,513)	(95,321)	176,372	(682,462)
Vehicles	(2,057,854)	(253,915)	485,061	(1,826,708)
Infrastructure	(36,546,971)	(738,222)		(37,285,193)
Total accumulated depreciation	(41,470,089)	(1,309,668)	673,039	(42,106,718)
Other capital assets, net	15,245,266	(661,429)	(37,943)	14,545,894
Governmental activities capital assets, net	$22,673,910	$ (386,384)	$ (78,025)	$22,209,501

(CONTINUED)

13. CAPITAL ASSETS (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	$ 99,500			$ 99,500
Total capital assets not being depreciated	99,500	$ 0	$0	99,500
Other capital assets:				
Buildings	18,550			18,550
Land improvements	113,684			113,684
Machinery and equipment	230,464			230,464
Total other capital assets	362,698	0	0	362,698
Less: accumulated depreciation for:				
Buildings	(18,548)			(18,548)
Land improvements	(90,948)	(7,579)		(98,527)
Machinery and equipment	(192,367)	(3,568)		(195,935)
Total accumulated depreciation	(301,863)	(11,147)	0	(313,010)
Other capital assets, net	60,835	(11,147)	0	49,688
Business-type activities capital assets, net	$ 160,335	$(11,147)	$0	$ 149,188

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	$ 66,484
Public safety	269,411
Recreation	66,011
Public works	884,062
Education	23,700
Total governmental activities	$1,309,668
Business-type activities:	
Residential Collection Center	$11,147
Total business type activities	$11,147

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, 2013.

(CONTINUED)

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 eighteen 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, 2013, the Town believes there is minimal, if any, potential exposure for outstanding claims which would fall outside the parameter of the Trust policy.

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 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, 2013, the amount of loans outstanding under this program was approximately $524,383.

17. INTERFUND TRANSFERS

Interfund transfers for fiscal year ended June 30, 2013 are as follows:

	Transfers In	Transfers Out
Governmental activities:		
Major funds:		
General Fund	$ 60,294	$1,342,353
Non-major funds	991,353	60,294
Total governmental activities	$1,051,647	$1,402,647
Business-type activities:		
Major funds:		
Residential Collection Center	$ 5,000	
Total business-type activities	$ 5,000	$ 0
Fiduciary funds:		
Other Post-Employment Benefit Trust Fund	$ 346,000	$ 0

(CONTINUED)

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.

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.

(CONTINUED)

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

Cost Sharing (Continued)

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 as of July 1, 2012. The post-retirement plan does not issue a stand-alone financial report.

Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting

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

Classes of Employees Covered

As of July 1, 2012 (date of the last actuarial valuation) membership data consisted of the following:

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

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 2013 totaling $550,000 consist of the current year general fund appropriation of $346,000 and $204,000 of general fund pay-as-you-go benefit payments and implicit rate subsidies.

(CONTINUED)

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

Summary Financial Information

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

STATEMENT OF FIDUCIARY NET POSITION
OTHER POST-EMPLOYMENT BENEFIT TRUST FUND
JUNE 30, 2013

Assets:	
Cash and cash equivalents	$ 8,716
Investments, at fair value	2,424,062
Total	2,432,778
Liabilities	0
Net Position:	
Held in trust for OPEB benefits	$ 2,432,778

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
OTHER POST-EMPLOYMENT BENEFIT TRUST FUND
YEAR ENDED JUNE 30, 2013

Additions:	
Employer contributions	$ 346,000
Investment income, net of investment expenses	53,784
Realized investment gains	93,750
Unrealized investment gains	96,487
Total additions	590,021
Deductions:	
Benefits	0
Administration	0
Total deductions	0
Changes in Net Position	590,021
Net Position - July 1, 2012	1,842,757
Net Position - June 30, 2013	$2,432,778

(CONTINUED)

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

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	$ 527,000
Interest on net OPEB obligation	(25,541)
Adjustment to annual required contribution	27,298
Annual OPEB cost (expense)	528,757
Contributions made:	
Employer contributions	346,000
Retiree benefit payments	204,000
Total contributions made	550,000
Increase (decrease) in net OPEB obligation	(21,243)
Net OPEB obligation, (asset) - July 1, 2012	(340,554)
Net OPEB obligation, (asset) - June 30, 2013	$(361,797)

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011, 2012 and 2013 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation/(Asset)
June 30, 2011	$528,064	107.2%	$(337,484)
June 30, 2012	$527,930	100.6%	$(340,554)
June 30, 2013	$528,757	104.0%	$(361,797)

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:

Actuarial Valuation Date	(A) Actuarial Value of Assets	(B) Actuarially Accrued Liability (AAL) Protected Unit Credit	(A-B) Unfunded AAL	(A/B) Funded AAL Ratio	(C) Covered Payroll	[(A-B)/C] Under Funded AAL as A Percentage of Covered Payroll
July 1, 2012	$1,794,000	$5,361,000	$3,567,000	33.4%	$1,497,000	238.3%

(CONTINUED)

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

Funded Status and Funding Progress (Continued)

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

Actuarial Methods and Assumptions

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

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

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

(CONTINUED)

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.

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 with 90 days notice; otherwise, liquidated damages would also be assessed at the time of departure prior to the initial three-year period. The Trust may terminate a member's coverage for failure to pay amounts due.

For the year ended June 30, 2013, unaudited results indicate that the Pool generated $128,093,552 in revenues and excess of revenues over expenses of $7,357,330. The Pool had $54,689,018 in total assets and $24,344,121 in total equity as of June 30, 2013.

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, 2013, the Pool's membership consisted of 41 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.

(CONTINUED)

20. SUBSEQUENT EVENTS

Early Extinguishment of Debt

On July 2, 2013, the Town repaid the July 28, 2006 General Obligation USDA bond before the required maturity date of July 28, 2046. The total payment amounted to $2,928,537, including $2,807,728 of principal and $120,809 of interest payments. The extinguishment of debt was funded by the general fund and included in the approved fiscal year 2014 operating budget.

Open Space Land Acquisition

In August 2013, the Town Council authorized the purchase of approximately 78 acres of land known as the "Whalerock Property" (a.k.a. Charlestown Moraine Preserve) totaling $2,114,415 for preservation of open space. The purchase was funded with $114,415 from the Open Space Acquisition capital project fund and $2,000,000 from the general fund. The Town has the authority and anticipates issuing $2,000,000 in open space bonds during fiscal year 2014.

General Obligation Bonds

During August 2013, the Town issued the 2013 Series A Bonds dated August 22, 2013, with term bonds of $2,190,000 at rates varying from 2.00% to 4.50%. The nine term bonds mature at various dates beginning July 1, 2015 through July 1, 2033. Bond proceeds of $1,190,000 were used to finance the construction and furnishing of permanent beach structures at Charlestown Beach and Blue Shutters Beach. The remaining $1,000,000 of bond proceeds are to be used for the purpose of financing affordable housing initiatives consistent with the approved Charlestown affordable housing plan.

Refunding Bonds

On August 22, 2013, the Town issued the 2013 Series B Refunding Bonds, with serial bonds of $1,070,000 at rates varying from 2.00% to 3.00%, due annually from July 1, 2015 through July 1, 2021, a term bond of $165,000 at 2.00% due July 1, 2014 and a term bond of $285,000 at 3.25%, due July 1, 2023. Under the terms of the refunding agreement, the proceeds of the 2013 Series B Refunding Bonds were deposited into escrow funds established for each series or term bond which were invested in investment obligations maturing in amounts and bearing interest at rates sufficient to pay, when due, interest, and upon maturity or prior redemption on the earliest available redemption date, the outstanding principal of the refunded 2004 Series A Open Space Bonds. The Town completed the August 22, 2013 refunding to reduce its total debt service payments over the next ten years by $139,239 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of approximately $98,021.

(CONCLUDED)

TOWN OF CHARLESTOWN

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF CHARLESTOWN, RHODE ISLAND

REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date June 30,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	(Overfunded) Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
General Employees – Municipal Employees' Retirement System						
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%
2012	$5,290,691	$6,134,811	$ 844,120	86.2%	$1,890,875	44.6%
Police – Municipal Employees' Retirement System						
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%
2012	$6,552,757	$9,579,279	$3,026,522	68.4%	$1,304,912	231.9%
OPEB Trust Plan						
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	33.4%	$1,497,000	238.3%

Notes to the Schedule of Funding Progress

Changes affecting the June 30, 2012 actuarial valuation:

The assumptions for the Municipal Employees' Retirement System are consistent with the 2011 valuation, with the exception of certain assumption changes that resulted from the enactment of the Rhode Island Retirement Security Act of 2011. The marriage assumption was modified to reflect the expected percentage of members that will be eligible for survivor benefits upon their death, the incidence of disability was lowered to incorporate a continued trend of significantly fewer incidents of disability than anticipated by the current assumption, and the missing data assumption was updated to incorporate an assumption for missing beneficiary data.

The method used to determine the actuarial value of assets is the five-year smoothed market method. A small adjustment was made to the method used to smooth investment gains and losses to allow gains and losses to offset each other immediately. This modification will reduce future volatility in the actuarial value of assets while ensuring that the actuarial value always trends directly towards the market value of assets.

Changes affecting the June 30, 2011 actuarial valuation:

The retirement rates were modified to be consistent with the retirement eligibility changes instituted by the Rhode Island Retirement Security Act of 2011. Members that were assumed to retire prior to the Act, but before the earliest allowable age under the Act, are assumed to retire once eligible.

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, 2013

	Originally Adopted Budget	Final Approved Budget	Actual (Budgetary Basis)	Variance Positive (Negative)
REVENUES:				
General property taxes	$ 22,196,249	$ 22,196,249	$ 22,432,073	$ 235,824
Intergovernmental	1,978,092	1,978,092	1,979,589	1,497
Investment income	13,000	13,000	10,307	(2,693)
Departmental	1,026,110	1,026,110	1,081,577	55,467
Total revenues	25,213,451	25,213,451	25,503,546	290,095
EXPENDITURES:				
Current:				
General government	1,343,003	1,382,427	1,359,853	22,574
Public safety	2,270,478	2,325,984	2,358,753	(32,769)
Public works	1,445,573	1,483,696	1,140,639	343,057
Education	14,894,812	14,894,812	14,894,812	0
Recreation	492,504	498,695	465,798	32,897
Public health and assistance	415,150	416,150	415,737	413
Miscellaneous	2,600,148	2,562,304	2,371,129	191,175
Debt service:				
Principal	244,955	184,955	185,122	(167)
Interest and other costs	382,244	329,844	330,415	(571)
Capital:				
Capital improvements	425,206	318,506	470,208	(151,702)
Total expenditures	24,514,073	24,397,373	23,992,466	404,907
Excess of revenues over expenditures	699,378	816,078	1,511,080	695,002
Other financing sources (uses):				
Transfers from fund balance	754,143	754,143	754,143	0
Proceeds from capital leases	0	0	148,298	148,298
Transfers in	0	0	64,022	64,022
Transfers out	(1,443,921)	(1,550,621)	(1,557,353)	(6,732)
Landfill monitoring	(9,600)	(19,600)	(17,165)	2,435
Net other financing sources (uses)	(699,378)	(816,078)	(608,055)	208,023
Excess of revenues and other sources over expenditures and other uses	$ 0	$ 0	903,025	$ 903,025
Less: transfer from fund balance			(754,143)	
Less: prior 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			198,513	
Fund balance, beginning of year			7,691,752	
Fund balance, end of year			$ 8,022,378	

TOWN OF CHARLESTOWN, RHODE ISLAND

GENERAL FUND

SCHEDULE OF BUDGET ESTIMATES AND ACTUAL REVENUES
YEAR ENDED JUNE 30, 2013

	Original and Final Budget	Actual Revenues	Variance Positive (Negative)
Property taxes:			
Current and prior years	$ 22,061,249	$ 22,209,118	$ 147,869
Interest on delinquent taxes	135,000	222,955	87,955
Total property taxes	22,196,249	22,432,073	235,824
Intergovernmental revenues:			
State of Rhode Island including:			
Beach parking fees	15,000	22,915	7,915
School aid	1,671,305	1,694,669	23,364
Beverage/meals tax	108,283	105,814	(2,469)
Hotel tax	21,000	18,763	(2,237)
Public service corporation tax	88,095	98,381	10,286
Motor vehicle phaseout	41,218	39,047	(2,171)
DEM PILOT	23,000	0	(23,000)
FEMA grant	10,191	0	(10,191)
Total intergovernmental revenues	1,978,092	1,979,589	1,497
Departmental revenues:			
Town Clerk:			
Business licenses and fees	22,000	20,305	(1,695)
Non-business licenses and fees	5,000	9,376	4,376
Transfer stamps	160,000	171,782	11,782
Probate fees	12,000	17,436	5,436
Tax certificates	12,000	13,775	1,775
Recording fees	122,000	139,004	17,004
Building inspector	185,000	136,430	(48,570)
Municipal court	12,000	24,421	12,421
Police department	35,000	14,149	(20,851)
Recreation	41,000	57,364	16,364
Town beach parking and concessions	107,500	128,689	21,189
Beach passes	80,000	86,878	6,878
Blue Shutters parking and concessions	127,500	169,354	41,854
Animal control	3,000	7,474	4,474
Ninigret Park	10,000	11,415	1,415
Planning Board	2,500	2,200	(300)
Zoning Board and Review	5,000	3,450	(1,550)
Senior/Community Center	26,905	18,204	(8,701)
Assessment/GIS	3,705	0	(3,705)
Impact fees	50,000	0	(50,000)
Other revenues	4,000	49,871	45,871
Total departmental revenues	1,026,110	1,081,577	55,467
Investment income	13,000	10,307	(2,693)
Other financing sources:			
Transfers from fund balance	754,143	754,143	0
Transfers in	0	64,022	64,022
Proceeds from capital leases	0	148,298	148,298
Total other financing sources	754,143	966,463	212,320
Total revenues and other financing sources	$ 25,967,594	$ 26,470,009	$ 502,415

TOWN OF CHARLESTOWN, RHODE ISLAND

GENERAL FUND

SCHEDULE OF APPROPRIATIONS AND ACTUAL EXPENDITURES - BUDGETARY BASIS
YEAR ENDED JUNE 30, 2013

	Original Budget	Budget Amendments	Final Budget	Actual Expenditures and Transfers	Adjustments to Budgetary Basis	Expenditures and Transfers on Budgetary Basis	Variance Positive (Negative)
General Government:							
Central services	$ 220,520	$ 22,400	$ 242,920	$ 241,368		$ 241,368	$ 1,552
Town clerk	173,979	6,767	180,746	186,764		186,764	(6,018)
Treasurer	167,347	14,218	181,565	179,968		179,968	1,597
Town administrator	154,281	(27,916)	126,365	115,398		115,398	10,967
Tax assessor	119,559	5,523	125,082	126,851		126,851	(1,769)
Building inspector	150,931	6,001	156,932	149,200		149,200	7,732
Tax collector	99,959	4,579	104,538	102,752		102,752	1,786
Town planner	111,083	4,959	116,042	109,471		109,471	6,571
Town council	24,450		24,450	26,846		26,846	(2,396)
Elections unit	22,000		22,000	21,418		21,418	582
Boards, agencies, and committees	22,600		22,600	22,606		22,606	(6)
GIS	67,294	2,893	70,187	70,210		70,210	(23)
Municipal court	9,000		9,000	7,001		7,001	1,999
Total general government	1,343,003	39,424	1,382,427	1,359,853	$ 0	1,359,853	22,574
Public Safety:							
Police department	2,155,900	52,602	2,208,502	2,257,833		2,257,833	(49,331)
Animal control	79,071	2,458	81,529	80,415		80,415	1,114
Civil preparedness	35,507	446	35,953	20,505		20,505	15,448
Total public safety	2,270,478	55,506	2,325,984	2,358,753	0	2,358,753	(32,769)
Public Works:							
Highway department	932,061	14,737	946,798	654,682		654,682	292,116
Public buildings and grounds	293,448	14,026	307,474	264,232		264,232	43,242
Administration	127,435	5,569	133,004	124,900		124,900	8,104
Wastewater management	92,629	3,791	96,420	96,825		96,825	(405)
Total public works	1,445,573	38,123	1,483,696	1,140,639	0	1,140,639	343,057

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

GENERAL FUND

SCHEDULE OF APPROPRIATIONS AND ACTUAL EXPENDITURES - BUDGETARY BASIS
YEAR ENDED JUNE 30, 2013

	Original Budget	Budget Amendments	Final Budget	Actual Expenditures and Transfers	Adjustments to Budgetary Basis	Expenditures and Transfers on Budgetary Basis	Variance Positive (Negative)
Recreation:							
Participation recreation	209,823	5,818	215,641	204,637		204,637	11,004
Senior/Community Center	92,441	373	92,814	85,783		85,783	7,031
Blue Shutters Beach	72,425		72,425	68,589		68,589	3,836
Town Beach	84,925		84,925	76,707		76,707	8,218
Ninigret Park	32,890		32,890	30,082		30,082	2,808
Total recreation	492,504	6,191	498,695	465,798	0	465,798	32,897
Public Health and Assistance:							
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	2,300		2,300	2,300		2,300	0
Domestic Violence of South County	1,500		1,500	1,500		1,500	0
Public Assistance	13,100	1,000	14,100	13,687		13,687	413
Warm Shelter	1,000		1,000	1,000		1,000	0
Southern RI Volunteers	1,000		1,000	1,000		1,000	0
Thundermist Health Center of South County	2,000		2,000	2,000		2,000	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
Memorial Day Parade	1,000	(500)	500	500		500	0
Charlestown Memorial Parade	500	500	1,000	1,000		1,000	0
Chariho Tri Town Task Force	1,500		1,500	1,500		1,500	0
Charlestown Historical Society	3,000		3,000	3,000		3,000	0
Chamber of Commerce	3,000		3,000	3,000		3,000	0
Total public health and assistance	415,150	1,000	416,150	415,737	0	415,737	413

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

GENERAL FUND

SCHEDULE OF APPROPRIATIONS AND ACTUAL EXPENDITURES - BUDGETARY BASIS
YEAR ENDED JUNE 30, 2013

	Original Budget	Budget Amendments	Final Budget	Actual Expenditures and Transfers	Adjustments to Budgetary Basis	Expenditures and Transfers on Budgetary Basis	Variance Positive (Negative)
Education:							
Chariho Regional School District	14,894,812	0	14,894,812	14,894,812	0	14,894,812	0
Debt Service:							
General Obligation Bond:							
Principal	244,955	(60,000)	184,955	185,122		185,122	(167)
Interest	250,233	(51,750)	198,483	198,316		198,316	167
Capital leases	132,011	(1,000)	131,011	130,749		130,749	262
Bond issuance costs	0		0	1,000		1,000	(1,000)
Fiscal agent fees	0	350	350	350		350	0
Total debt service	627,199	(112,400)	514,799	515,537	0	515,537	(738)
Miscellaneous:							
Employee insurance and benefits	1,943,401	25,803	1,969,204	1,864,694		1,864,694	104,510
Council contingency	126,647	(103,647)	23,000	9,219		9,219	13,781
Town insurance	190,000		190,000	181,657		181,657	8,343
Auditing	39,500	10,000	49,500	49,348		49,348	152
Legal services	300,600	30,000	330,600	266,211		266,211	64,389
Total miscellaneous	2,600,148	(37,844)	2,562,304	2,371,129	0	2,371,129	191,175
Capital Improvements Program:							
Police	177,636	(2,150)	175,486	71,625		71,625	103,861
Public works	188,870	(53,200)	135,670	143,466	(16,769)	126,697	8,973
Parks and recreation	0		0	12,287		12,287	(12,287)
General government	58,700	(51,350)	7,350	109,768		109,768	(102,418)
Capital leases	0		0	149,831		149,831	(149,831)
Total capital improvements	425,206	(106,700)	318,506	486,977	(16,769)	470,208	(151,702)

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

GENERAL FUND

SCHEDULE OF APPROPRIATIONS AND ACTUAL EXPENDITURES - BUDGETARY BASIS
YEAR ENDED JUNE 30, 2013

	Original Budget	Budget Amendments	Final Budget	Actual Expenditures and Transfers	Adjustments to Budgetary Basis	Expenditures and Transfers on Budgetary Basis	Variance Positive (Negative)
Other financing uses:							
Transfers out:							
Enterprise funds	5,000		5,000	5,000		5,000	0
Special revenue funds - Revaluation	50,000		50,000	50,000		50,000	0
Special revenue funds - Reserve for Severance	150,000		150,000	150,000		150,000	0
Special revenue funds - Health Care Reserve	346,000		346,000	346,000		346,000	0
Special revenue funds - Pond and Beach Preservation	175,000		175,000	175,000		175,000	0
Special revenue funds - Mud Cove Recreation Development	0		0	6,512		6,512	(6,512)
Special revenue funds - Ninigret Park Master	15,000		15,000	15,000		15,000	0
Capital project funds - Stormwater Elimination Project	0	48,700	48,700	48,700		48,700	0
Capital project funds - File Server Replacement	0	50,000	50,000	50,000		50,000	0
Capital project funds - Web Based GIS	0	8,000	8,000	8,000		8,000	0
Capital project funds - Klondike Road	650,000		650,000	650,000		650,000	0
Capital project funds - DPW Salt/Sand Equipment Shed	27,921		27,921	28,141		28,141	(220)
Capital project funds - Town Capital Maintenance	25,000		25,000	25,000		25,000	0
Total transfers out	1,443,921	106,700	1,550,621	1,557,353	0	1,557,353	(6,732)
Other:							
Landfill monitoring	9,600	10,000	19,600	17,165		17,165	2,435
Total other	9,600	10,000	19,600	17,165	0	17,165	2,435
Total expenditures	$ 25,967,594	$ 0	$ 25,967,594	$ 25,583,753	$ (16,769)	$ 25,566,984	$ 400,610

(CONCLUDED)

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, 2013:

Excess of revenues and other sources over expenditures and other uses (Non-GAAP Budgetary Basis)	$ 903,025
Reappropriated fund balance	(754,143)
Prior year encumbrances	(16,769)
Excess of revenues and other sources over expenditures and other uses of funds classified with the General Fund for purposes of GASB Statement No. 54	198,513
Excess of revenues and other sources over expenditures and other uses (GAAP)	$ 330,626

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.

Friends of Ninigret

This fund will account for the donations being made to the improvements at Ninigret Park.

Hazard Mitigation

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

Operation Blue Riptide

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

(CONTINUED)

SPECIAL REVENUE FUNDS (CONTINUED)

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.

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.

Affordable Housing - Acquisitions

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

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.

(CONTINUED)

SPECIAL REVENUE FUNDS (CONTINUED)

Police Forfeiture

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

RIIRMT Safety Enhancement

This fund accounts for the safety initiatives as per the Trust Grant.

Municipal Planning

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

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.

Special Donations

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

(CONTINUED)

SPECIAL REVENUE FUNDS (CONTINUED)

Historical and Vital Records

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

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.

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)

NON-MAJOR GOVERNMENTAL FUNDS

CAPITAL PROJECT FUNDS

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

File Server Replacement

This fund will account for the expenses related to replacing the Town's servers.

Columbia Heights Streetscapes Enhancements

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

Klondike Road

This fund accounts for the cost associated with reconstructing Klondike Road. The Town will be funding the project in FY13 and 14.

Skating Rink

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

Stormwater Elimination Project

This fund will account for the cost associated with the elimination of stormwater discharge into Alan's Cove.

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.

(CONTINUED)

CAPITAL PROJECT FUNDS (CONTINUED)

Web Based GIS

This fund will account for the cost to purchase a web based GIS system.

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)

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)

TOWN OF CHARLESTOWN, RHODE ISLAND

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013

	Special Revenue Funds						
	Senior Community Activities	Police Grants - JAG	MEDS Grant - RI Dept of Health	Frisbee Golf Course	School Impact Fees	Friends of Ninigret	Hazard Mitigation
ASSETS:							
Cash and cash equivalents					$ 241,069		
Investments							
Accounts receivable							
Due from:							
Other funds	$ 424		$ 2,770	$ 838		$ 179	
Other governments		$ 8,222	1,500				$ 13,162
TOTAL ASSETS	$ 424	$ 8,222	$ 4,270	$ 838	$ 241,069	$ 179	$ 13,162
LIABILITIES AND FUND BALANCES:							
LIABILITIES:							
Accounts payable							
Retainage payable							
Due to:							
Other funds		$ 773					$ 206
Deferred revenues		7,449	$ 4,270				13,163
Other liabilities							
TOTAL LIABILITIES	$ 0	8,222	4,270	$ 0	$ 0	$ 0	13,369
FUND BALANCES:							
Nonspendable:							
Perpetual care							
Restricted for:							
General government							
Public safety							
Parks and recreation				838		179	
Community development							
Education					241,069		
Capital projects							
Committed for:							
Parks and recreation	424						
Unassigned							(207)
TOTAL FUND BALANCES	424	0	0	838	241,069	179	(207)
TOTAL LIABILITIES AND FUND BALANCES	$ 424	$ 8,222	$ 4,270	$ 838	$ 241,069	$ 179	$ 13,162

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013

	Special Revenue Funds						
	Operation Blue Riptide	Mud Cove Recreation Development	Animal Spaying/ Neutering	Ninigret Park Fund	Bicentennial Fund	Affordable Housing Acquisitions	FEMA
ASSETS:							
Cash and cash equivalents				$ 186,184	$ 2,196		
Investments							
Accounts receivable				9,000			
Due from:							
Other funds			$ 5,474				
Other governments		$ 99,472					$ 278,137
TOTAL ASSETS	$0	$ 99,472	$ 5,474	$ 195,184	$ 2,196	$ 0	$ 278,137
LIABILITIES AND FUND BALANCES:							
LIABILITIES:							
Accounts payable		$ 24,780					
Retainage payable							
Due to:							
Other funds		25,112				$ 114,280	$ 263,287
Deferred revenues		49,580		$ 9,000			14,850
Other liabilities							
TOTAL LIABILITIES	$0	99,472	$ 0	9,000	$ 0	114,280	278,137
FUND BALANCES:							
Nonspendable:							
Perpetual care							
Restricted for:							
General government							
Public safety			5,474				
Parks and recreation					2,196		
Community development							
Education							
Capital projects							
Committed for:							
Parks and recreation				186,184			
Unassigned						(114,280)	
TOTAL FUND BALANCES	0	0	5,474	186,184	2,196	(114,280)	0
TOTAL LIABILITIES AND FUND BALANCES	$0	$ 99,472	$ 5,474	$ 195,184	$ 2,196	$ 0	$ 278,137

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013

	Special Revenue Funds						
	Developer Bond Deposits	Open Space Fees	Charlestown Community Garden	Naval Airfield Memorial	Police Forfeiture	RIIRMT Safety Enhancement	Municipal Planning
ASSETS:							
Cash and cash equivalents		$ 37,152		$ 843	$ 6,518		
Investments							
Accounts receivable						$ 1,000	
Due from:							
Other funds	$ 7,251		$ 5,019				$ 70,856
Other governments							
TOTAL ASSETS	$ 7,251	$ 37,152	$ 5,019	$ 843	$ 6,518	$ 1,000	$ 70,856
LIABILITIES AND FUND BALANCES:							
LIABILITIES:							
Accounts payable							
Retainage payable							
Due to:							
Other funds				$ 240		$ 500	
Deferred revenues						500	
Other liabilities	$ 7,251						
TOTAL LIABILITIES	7,251	$ 0	$ 0	240	$ 0	1,000	$ 0
FUND BALANCES:							
Nonspendable:							
Perpetual care							
Restricted for:							
General government		37,152					70,856
Public safety					6,518		
Parks and recreation			5,019	603			
Community development							
Education							
Capital projects							
Committed for:							
Parks and recreation							
Unassigned							
TOTAL FUND BALANCES	0	37,152	5,019	603	6,518	0	70,856
TOTAL LIABILITIES AND FUND BALANCES	$ 7,251	$ 37,152	$ 5,019	$ 843	$ 6,518	$ 1,000	$ 70,856

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013

	Special Revenue Funds						
	Affordable Housing Initiatives	Birthday Committee	Trail Improvement Grant - Mud Cove	Community Development Block Grant	Bulletproof Vest	Special Donations	Historical and Vital Records
ASSETS:							
Cash and cash equivalents				$ 2,963		$ 5,222	
Investments							
Accounts receivable							
Due from:							
Other funds		$ 1,906					$ 97,574
Other governments			$ 43,869	141,222			
TOTAL ASSETS	$ 0	$ 1,906	$ 43,869	$ 144,185	$0	$ 5,222	$ 97,574
LIABILITIES AND FUND BALANCES:							
LIABILITIES:							
Accounts payable			$ 4,017				$ 663
Retainage payable							
Due to:							
Other funds	$ 107,692						
Deferred revenues			39,852	$ 144,037			
Other liabilities							
TOTAL LIABILITIES	107,692	$ 0	43,869	144,037	$0	$ 0	663
FUND BALANCES:							
Nonspendable:							
Perpetual care							
Restricted for:							
General government						5,222	96,911
Public safety							
Parks and recreation		1,906					
Community development				148			
Education							
Capital projects							
Committed for:							
Parks and recreation							
Unassigned	(107,692)						
TOTAL FUND BALANCES	(107,692)	1,906	0	148	0	5,222	96,911
TOTAL LIABILITIES AND FUND BALANCES	$ 0	$ 1,906	$ 43,869	$ 144,185	$0	$ 5,222	$ 97,574

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013

	Special Revenue Funds				Capital Project Funds		
	Ninigret Dog Park	RIHPHC Preservation is Local Grant	Energy Efficient and Conservation Block Grant	Comprehensive Planning Grant	File Server	Columbia Heights Streetscapes Enhancement	Klondike Road
ASSETS:							
Cash and cash equivalents				$ 10,207			
Investments							
Accounts receivable							
Due from:							
Other funds	$ 668	$ 2,104			$ 16,496		$ 650,000
Other governments						$ 395,578	
TOTAL ASSETS	$ 668	$ 2,104	$0	$ 10,207	$ 16,496	$ 395,578	$ 650,000
LIABILITIES AND FUND BALANCES:							
LIABILITIES:							
Accounts payable							$ 184,978
Retainage payable							9,735
Due to:							
Other funds							
Deferred revenues		$ 2,104				$ 395,578	
Other liabilities							
TOTAL LIABILITIES	$ 0	2,104	$0	$ 0	$ 0	395,578	194,713
FUND BALANCES:							
Nonspendable:							
Perpetual care							
Restricted for:							
General government				10,207			
Public safety							
Parks and recreation	668						
Community development							
Education							
Capital projects					16,496		455,287
Committed for:							
Parks and recreation							
Unassigned							
TOTAL FUND BALANCES	668	0	0	10,207	16,496	0	455,287
TOTAL LIABILITIES AND FUND BALANCES	$ 668	$ 2,104	$0	$ 10,207	$ 16,496	$ 395,578	$ 650,000

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013

	Capital Project Funds					
	Skating Rink	Stormwater Elimination Project	DPW Salt/Sand Equipment Shed	Town Capital Maintenance Fund	Police Building Fund	DPW Road Engineering
ASSETS:						
Cash and cash equivalents						
Investments						
Accounts receivable						
Due from:						
Other funds		$ 48,700		$ 115,735		$ 46,833
Other governments						
TOTAL ASSETS	$0	$ 48,700	$0	$ 115,735	$0	$ 46,833
LIABILITIES AND FUND BALANCES:						
LIABILITIES:						
Accounts payable						
Retainage payable						
Due to:						
Other funds						
Deferred revenues						
Other liabilities						
TOTAL LIABILITIES	$0	$ 0	$0	$ 0	$0	$ 0
FUND BALANCES:						
Nonspendable:						
Perpetual care						
Restricted for:						
General government						
Public safety						
Parks and recreation						
Community development						
Education						
Capital projects		48,700		115,735		46,833
Committed for:						
Parks and recreation						
Unassigned						
TOTAL FUND BALANCES	0	48,700	0	115,735	0	46,833
TOTAL LIABILITIES AND FUND BALANCES	$0	$ 48,700	$0	$ 115,735	$0	$ 46,833

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013

	Capital Project Funds			Permanent Funds		
	Open Space Acquisitions	Web Based GIS	Pond and Beach Preservation	Zenis Ellis Trust	Cemetery Fund	Total Non-Major Governmental Funds
ASSETS:						
Cash and cash equivalents	$ 114,416			$ 1,163		$ 607,933
Investments					$ 500	500
Accounts receivable						10,000
Due from:						
Other funds		$ 8,000	$ 175,000		82	1,255,909
Other governments						981,162
TOTAL ASSETS	$ 114,416	$ 8,000	$ 175,000	$ 1,163	$ 582	$ 2,855,504
LIABILITIES AND FUND BALANCES:						
LIABILITIES:						
Accounts payable						$ 214,438
Retainage payable						9,735
Due to:						
Other funds						512,090
Deferred revenues						680,383
Other liabilities				$ 213		7,464
TOTAL LIABILITIES	$ 0	$ 0	$ 0	213	$ 0	1,424,110
FUND BALANCES:						
Nonspendable:						
Perpetual care				950	582	1,532
Restricted for:						
General government						220,348
Public safety						11,992
Parks and recreation						11,409
Community development						148
Education						241,069
Capital projects	114,416	8,000	175,000			980,467
Committed for:						
Parks and recreation						186,608
Unassigned						(222,179)
TOTAL FUND BALANCES	114,416	8,000	175,000	950	582	1,431,394
TOTAL LIABILITIES AND FUND BALANCES	$ 114,416	$ 8,000	$ 175,000	$ 1,163	$ 582	$ 2,855,504

(CONCLUDED)

TOWN OF CHARLESTOWN, RHODE ISLAND

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	Special Revenue Funds						
	Senior Community Activities	Police Grants-JAG	MEDS Grant - RI Dept of Health	Frisbee Golf Course	School Impact Fees	Friends of Ninigret	Hazard Mitigation
REVENUES:							
Intergovernmental		$ 2,900	$ 5,151				
Investment income					$ 303		
Other	$ 77			$ 467	8,562	$ 179	
TOTAL REVENUES	77	2,900	5,151	467	8,865	179	$ 0
EXPENDITURES:							
Current:							
General government							
Public safety			5,151				
Public works							
Parks and recreation				1,684			
Community development							
Capital:							
Capital outlay		2,900			5,005		
TOTAL EXPENDITURES	0	2,900	5,151	1,684	5,005	0	0
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	77	0	0	(1,217)	3,860	179	0
OTHER FINANCING SOURCES (USES):							
Transfers in							
Transfers out					(50,000)		
NET OTHER FINANCING SOURCES (USES)	0	0	0	0	(50,000)	0	0
NET CHANGE IN FUND BALANCES	77	0	0	(1,217)	(46,140)	179	0
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	347	0	0	2,055	287,209	0	(207)
FUND BALANCE (DEFICIT) AT END OF YEAR	$ 424	$ 0	$ 0	$ 838	$ 241,069	$ 179	$ (207)

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	Special Revenue Funds						
	Operation Blue Riptide	Mud Cove Recreation Development	Animal Spaying/ Neutering	Ninigret Park Fund	Bicentennial Fund	Affordable Housing Acquisitions	FEMA
REVENUES:							
Intergovernmental	$ 8,634	$ 41,808					$ 349,226
Investment income				$ 169	$ 3		
Other			$ 820	28,200			
TOTAL REVENUES	8,634	41,808	820	28,369	3	$ 0	349,226
EXPENDITURES:							
Current:							
General government							
Public safety	8,634						
Public works							332,164
Parks and recreation							
Community development						114,280	
Capital:							
Capital outlay		41,808					17,062
TOTAL EXPENDITURES	8,634	41,808	0	0	0	114,280	349,226
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	0	0	820	28,369	3	(114,280)	0
OTHER FINANCING SOURCES (USES):							
Transfers in		6,512					
Transfers out							
NET OTHER FINANCING SOURCES (USES)	0	6,512	0	0	0	0	0
NET CHANGE IN FUND BALANCES	0	6,512	820	28,369	3	(114,280)	0
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	0	(6,512)	4,654	157,815	2,193	0	0
FUND BALANCE (DEFICIT) AT END OF YEAR	$ 0	$ 0	$ 5,474	$ 186,184	$ 2,196	$ (114,280)	$ 0

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	Special Revenue Funds						
	Developer Bond Deposits	Open Space Fees	Charlestown Community Garden	Naval Airfield Memorial	Police Forfeiture	RIIRMT Safety Enhancement	Municipal Planning
REVENUES:							
Intergovernmental							
Investment income		$ 37		$ 1	$ 7		
Other			$ 7,800	500		$ 500	
TOTAL REVENUES	$0	37	7,800	501	7	500	$ 0
EXPENDITURES:							
Current:							
General government							1,930
Public safety						500	
Public works							
Parks and recreation			3,661	240			
Community development							
Capital:							
Capital outlay							
TOTAL EXPENDITURES	0	0	3,661	240	0	500	1,930
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	0	37	4,139	261	7	0	(1,930)
OTHER FINANCING SOURCES (USES):							
Transfers in							
Transfers out							
NET OTHER FINANCING SOURCES (USES)	0	0	0	0	0	0	0
NET CHANGE IN FUND BALANCES	0	37	4,139	261	7	0	(1,930)
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	0	37,115	880	342	6,511	0	72,786
FUND BALANCE (DEFICIT) AT END OF YEAR	$0	$ 37,152	$ 5,019	$ 603	$ 6,518	$ 0	$ 70,856

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	Special Revenue Funds						
	Affordable Housing Initiatives	Birthday Committee	Trail Improvement Grant - Mud Cove	Community Development Block Grant	Bulletproof Vest	Special Donations	Historical and Vital Records
REVENUES:							
Intergovernmental			$ 9,204	$ 355,336			
Investment income				27		$ 5	
Other						50	$ 18,054
TOTAL REVENUES	$ 0	$ 0	9,204	355,363	$ 0	55	18,054
EXPENDITURES:							
Current:							
General government							
Public safety					1,550		
Public works							
Parks and recreation			2,271				
Community development	103,688			376,361			
Capital:							
Capital outlay							
TOTAL EXPENDITURES	103,688	0	2,271	376,361	1,550	0	0
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	(103,688)	0	6,933	(20,998)	(1,550)	55	18,054
OTHER FINANCING SOURCES (USES):							
Transfers in							
Transfers out						(884)	
NET OTHER FINANCING SOURCES (USES)	0	0	0	0	0	(884)	0
NET CHANGE IN FUND BALANCES	(103,688)	0	6,933	(20,998)	(1,550)	(829)	18,054
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	(4,004)	1,906	(6,933)	21,146	1,550	6,051	78,857
FUND BALANCE (DEFICIT) AT END OF YEAR	$ (107,692)	$ 1,906	$ 0	$ 148	$ 0	$ 5,222	$ 96,911

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	Special Revenue Funds				Capital Project Funds		
	Ninigret Dog Park	RIHPHC Preservation is Local Grant	Energy Efficient and Conservation Block Grant	Comprehensive Planning Grant	File Server	Columbia Heights Streetscapes Enhancement	Klondike Road
REVENUES:							
Intergovernmental			$ 18,147				
Investment income				$ 12			
Other	$ 1,418						
TOTAL REVENUES	1,418	$ 0	18,147	12	$ 0	$0	$ 0
EXPENDITURES:							
Current:							
General government							
Public safety							
Public works							
Parks and recreation	1,977						
Community development							
Capital:							
Capital outlay			18,147		33,504		194,713
TOTAL EXPENDITURES	1,977	0	18,147	0	33,504	0	194,713
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	(559)	0	0	12	(33,504)	0	(194,713)
OTHER FINANCING SOURCES (USES):							
Transfers in					50,000		650,000
Transfers out							
NET OTHER FINANCING SOURCES (USES)	0	0	0	0	50,000	0	650,000
NET CHANGE IN FUND BALANCES	(559)	0	0	12	16,496	0	455,287
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	1,227	0	0	10,195	0	0	0
FUND BALANCE (DEFICIT) AT END OF YEAR	$ 668	$ 0	$ 0	$ 10,207	$ 16,496	$0	$ 455,287

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	Capital Project Funds					
	Skating Rink	Stormwater Elimination Project	DPW Salt/Sand Equipment Shed	Town Capital Maintenance Fund	Police Building Fund	DPW Road Engineering
REVENUES:						
Intergovernmental						
Investment income						
Other						
TOTAL REVENUES	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
EXPENDITURES:						
Current:						
General government						
Public safety						
Public works						
Parks and recreation						
Community development						
Capital:						
Capital outlay	121			9,319	3,720	
TOTAL EXPENDITURES	121	0	0	9,319	3,720	0
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	(121)	0	0	(9,319)	(3,720)	0
OTHER FINANCING SOURCES (USES):						
Transfers in		48,700	28,141	25,000		
Transfers out					(9,410)	
NET OTHER FINANCING SOURCES (USES)	0	48,700	28,141	25,000	(9,410)	0
NET CHANGE IN FUND BALANCES	(121)	48,700	28,141	15,681	(13,130)	0
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	121	0	(28,141)	100,054	13,130	46,833
FUND BALANCE (DEFICIT) AT END OF YEAR	$ 0	$ 48,700	$ 0	$ 115,735	$ 0	$ 46,833

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	Capital Project Funds			Permanent Funds		
	Open Space Acquisitions	Web Based GIS	Pond and Beach Preservation	Zenis Ellis Trust	Cemetery Fund	Total Non-Major Governmental Funds
REVENUES:						
Intergovernmental						$ 790,406
Investment income	$ 115				$ 7	686
Other						66,627
TOTAL REVENUES	115	$ 0	$ 0	$ 0	7	857,719
EXPENDITURES:						
Current:						
General government						1,930
Public safety						15,835
Public works						332,164
Parks and recreation						9,833
Community development						594,329
Capital:						
Capital outlay						326,299
TOTAL EXPENDITURES	0	0	0	0	0	1,280,390
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	115	0	0	0	7	(422,671)
OTHER FINANCING SOURCES (USES):						
Transfers in		8,000	175,000			991,353
Transfers out						(60,294)
NET OTHER FINANCING SOURCES (USES)	0	8,000	175,000	0	0	931,059
NET CHANGE IN FUND BALANCES	115	8,000	175,000	0	7	508,388
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	114,301	0	0	950	575	923,006
FUND BALANCE (DEFICIT) AT END OF YEAR	$ 114,416	$ 8,000	$ 175,000	$ 950	$ 582	$ 1,431,394

(CONCLUDED)

TOWN OF CHARLESTOWN

REPORT IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Cayer Caccia

Gerard R. Cayer
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CPA, MST, CFP™

INDEPENDENT AUDITOR'S 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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, 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, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of Charlestown's basic financial statements, and have issued our report thereon dated December 16, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Charlestown's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Charlestown's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Charlestown's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

December 16, 2013

Cayer Caccia, LLP