

**TOWN OF
CHARLESTOWN, RHODE ISLAND**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**FOR THE YEAR ENDED
JUNE 30, 2007**

Prepared by:

Karen M. Hagan

Town Treasurer

TOWN OF CHARLESTOWN, RHODE ISLAND
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2007

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TOWN OF CHARLESTOWN

INTRODUCTORY SECTION

Karen M. Hagan
Treasurer
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TOWN OF CHARLESTOWN

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Charlestown,
Rhode Island 02813
Tel. (401) 364-1235
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Hearing/Speech Impaired
Dial 711-364-1240

December 24, 2007

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, 2007, 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, 2007. The Comprehensive Annual Financial Report is a joint effort between Town Management and our auditing firm, Cayer Caccia, LLP Certified Public Accountants.

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

The single audit section relating to federal financial assistance is required for the 2007 fiscal year. In 1996, the US Office of Management and Budget issued Circular A-133 rescinding Circular A-128 as it related to Audits of State and Local Governments. The Single Audit applies in years that the Town of Charlestown expends \$500,000 or more in federal funds.

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

In accordance with Federal law and U.S. Dept. of Agriculture policy, the Town of Charlestown is prohibited from discrimination on the basis of race, color, national origin, sex, age or disability. (Not all prohibited bases apply to all programs.) To file a complaint of discrimination, write USDA, Director, Office of Civil Rights, 1400 Independence Avenue, S.W., Washington DC 20250-0410 or call 800-795-3272 (voice) or 202-720-6382 (TDD).

Community Description

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

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

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

Major Initiatives

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

The Governing Council identifies needs to meet citizen's demands for services and to safeguard the environment with conformity to applicable local, state and federal law. Following is a list of undertakings initiated, or completed, during the 2006-2007 fiscal year:

During 2007, the Town continued its computerization of land evidence records from 1738 to 1945. The Town also began digitizing plat maps to make them accessible electronically.

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 2007 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. As of June 30, 2007, 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. A formal remediation completion report by Fuss and O'Neil, the Town's engineers on this project, is awaiting approval by RIDEM.

The Waste Water Management Commission along with the assistance of RIDEM, fostered public awareness and education about wastewater contamination and the need to upgrade failing septic systems. All old ISDS records obtained by plat and lot number are now computerized. In addition, the Town of Charlestown in conjunction with the University of Rhode Island, the Town of South Kingstown and New Shoreham were recipients of an EPA grant to further enhance ground water protection goals. The Town has also initiated a web-based data-tracking program for its wastewater inspection program.

The Town continued to maintain an excellent working relationship with all units representing employees within the structure of government for the Town. Bargaining agreements will be expiring June 30, 2007 with two of the Town's unions and the professional management group. The current police contract was re-negotiated and put into effect for July 1, 2006 through June 30, 2009.

The Town continued to secure properties for the purpose of open space preservation by acquiring one property during 2007.

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. Efforts to draft and implement an inclusionary zoning ordinance in furtherance of these initiatives are on going.

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

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

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

Community Development

Charlestown is very mindful of its current physical and economic assets and recognizes that various outstanding needs must be met. Consequently, the Town attempts to address issues that it feels are vital to its future. The Town has a substantial investment in maintaining affordable housing in the community. Since 1996 Charlestown has been awarded more than \$1.22 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 \$1.1 million since 2000. Additionally, Mr. Marchant is coordinating the improvement and expansion of the Shannock Water District for Charlestown and Richmond. The CDBG program also enhances resources to residents through other community projects such as the Women's Resource Center, Jonnycake Center, Health Center of South County, Waste Water Management, Affordable Housing and various non-profit organizations which enable repairs to property in our community that otherwise would be impossible due to income levels.

Financial Management

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

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

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

Risk Management

During 2007 the Town experienced minimal losses on insurance claims and anticipates a similar situation in 2008. The Town has taken steps to maintain adequate and cost effective insurance coverage for all related municipal services and facilities. Our insurance carrier reviews all Town facilities each year so that we minimize exposure to any risk of liability. In addition, the Town is subject to an annual review by the Occupational Safety and Health Administration (OSHA) to detect any existing or potential hazards to municipal employees or citizens while on Town property.

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

Independent Audit

State law requires an annual audit of Town finances by an independent certified public accountant. The accounting firm of Cayer Caccia, LLP was awarded the bid to conduct the Town's audit for fiscal years ending June 30, 2005 through June 30, 2007 in response to the Town's request for proposal issued in 2005.

Sincerely,



Karen M. Hagan
Treasurer

MUNICIPAL OFFICERS

Town Council

John Craig, President
James Mageau, Vice President
Harriet Allen
Bruce Picard
Katherine H. Waterman

Town Officials

<i>Town Administrator</i>	<i>Edward Barrett</i>
<i>Chief of Police</i>	<i>Thomas J. Sharkey</i>
<i>Town Clerk</i>	<i>Jodi LaCroix, CMC</i>
<i>Treasurer</i>	<i>Karen Hagan</i>
<i>Tax Assessor</i>	<i>Kenneth J. Swain</i>
<i>Tax Collector</i>	<i>Jo-Anne Santos</i>
<i>Building & Zoning Official</i>	<i>John J. Matuza</i>
<i>Public Works Director</i>	<i>Alan A. Arsenault</i>
<i>Parks & Recreation Director</i>	<i>Lisa A. DiBello</i>
<i>Town Planner</i>	<i>Ashley Hahn-Morris</i>
<i>Animal Control Officer</i>	<i>Kathy M. McA'Nulty</i>
<i>Harbormaster</i>	<i>Michael Roy</i>
<i>Town Solicitor</i>	<i>Robert Craven</i>
<i>Assistant Town Solicitor</i>	<i>Vacant</i>
<i>Probate Solicitor</i>	<i>Robert Craven</i>
<i>Solicitor Indian Affairs</i>	<i>Joseph Larisa, Jr.</i>
<i>Civil Preparedness Director</i>	<i>Kevin Gallup</i>
<i>Town Moderator</i>	<i>Henry Walsh</i>
<i>Sealer of Weights & Measures</i>	<i>Bernard Augustine</i>
<i>Custodian of Cemeteries</i>	<i>Francis Fenner</i>

TOWN OF CHARLESTOWN

FINANCIAL SECTION

CAYER CACCIA LLP

Certified Public Accountants and Business Consultants

INDEPENDENT AUDITOR'S REPORT

To the Honorable Town Council
Charlestown, Rhode Island

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Charlestown, Rhode Island, as of and for the year ended June 30, 2007, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Charlestown, Rhode Island's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Charlestown, Rhode Island, as of June 30, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 24, 2007, on our consideration of the Town of Charlestown, Rhode Island's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The Management's Discussion and Analysis, historical pension information and budgetary comparison information on pages 3 through 16 and 52 through 60, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Charlestown, Rhode Island's basic financial statements. The introductory section and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Town of Charlestown, Rhode Island. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

December 24, 2007

Cayer Caccia, LLP.

Town of Charlestown, Rhode Island

Management's Discussion and Analysis

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

Highlights

Financial Highlights

The Town's net assets increased by \$108,561 (or 0.5%). Governmental net assets increased by \$98,303, (or 0.4%) while the business type activities net assets increased by \$10,258 (or 0.1%). In 2006, governmental net assets increased by \$1,332,711 (or 6.4%) while the business-type activities net assets increased by \$30,796 (or 11.5%).

Governmental fund revenues for the year ending June 30, 2007 totaled \$22,590,729 including charges for services at \$1,197,174, operating grants and contributions \$2,242,927, capital grants and contributions \$160,277 with the balance of revenue from property taxes, revenue sharing, and investment interest of \$18,990,351.

Business-type activities revenues for the year ending June 30, 2007 totaled \$275,585 including charges for services of \$197,117, capital grants and contributions of \$17,140, investment income of \$16,328, and transfers of \$45,000.

Governmental fund expenditures and transfers out for the fiscal year totaled \$22,447,426 and \$45,000, respectively. Business-type activities expenses for the fiscal year totaled \$265,327.

On the GAAP basis, expenditures and other financing uses were \$24,678,176 for the general fund; \$684,508 for Buckeye Brook Road; \$1,037,777 for the non-major governmental funds; and \$265,327 for business-type funds.

Town Highlights:

Construction began in the spring of 2005 on the new police station approved by voters in fiscal year 2003. This capital project was bonded in July 2006 over a forty-year term at \$3.0 million with the U. S Department of Agriculture (USDA) – Rural Development agency. Relocation of the police department to the new building took place in August 2006. The Town voters approved a resolution and the Rhode Island General Assembly passed legislation that will allow the Town to borrow funds in an amount not to exceed \$1.0 million for the purpose of funding affordable housing initiatives. The Town hired a consultant to conduct an inventory of the Town's infrastructure assets in accordance with GASB Statement Number 34. The consultant completed the project and the assets are reported on the Town's financial statements for the fiscal year ended June 30, 2007. The Town is continuing its efforts to create a Master Plan for Ninigret Park and an Ad-Hoc committee has been appointed to assist in this task. Voters approved financing of the reconstruction and resurfacing of Buckeye Brook Road during fiscal year 2005. Bids for this project were solicited in spring 2006 with the reconstruction completed in fiscal year 2007.

Use of the Annual Report

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

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

Reporting the Town as a whole:

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

Reporting the Town as a whole (Continued):

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

Significant Funds

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

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

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

Town as a Whole

Analysis as a Whole

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

Governments Wide Statements

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

	Governmental		Business Type		Total Primary	
	Activities		Activities		Government	
	<u>2007</u>	<u>2006 As Restated</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006 As Restated</u>
<i>Current and Other Assets</i>	\$ 9,550,215	\$ 9,711,463	\$162,493	\$ 139,935	\$ 9,712,708	\$ 9,851,398
<i>Capital Assets</i>	23,784,714	23,679,724	192,115	185,862	23,976,829	23,865,586
Total Assets	33,334,929	33,391,187	354,608	325,797	33,689,537	33,716,984
<i>Current Liabilities</i>	2,506,217	2,543,268	39,807	22,036	2,546,024	2,565,304
<i>Long Term Liabilities</i>	8,527,722	8,645,232	6,408	5,626	8,534,130	8,650,858
Total Liabilities	11,033,939	11,188,500	46,215	27,662	11,080,154	11,216,162
<i>Invested in Capital Assets</i>						
<i>Net of Related Debt</i>	17,025,887	16,747,534	192,115	185,862	17,218,002	16,933,396
<i>Restricted for Other Purpose</i>	2,116,871	2,073,396	10,000	10,000	2,126,871	2,083,396
<i>Unrestricted</i>	3,158,232	3,381,757	106,278	102,273	3,264,510	3,484,030
Total Net Assets	\$22,300,990	\$22,202,687	\$308,393	\$298,135	\$22,609,383	\$22,500,822

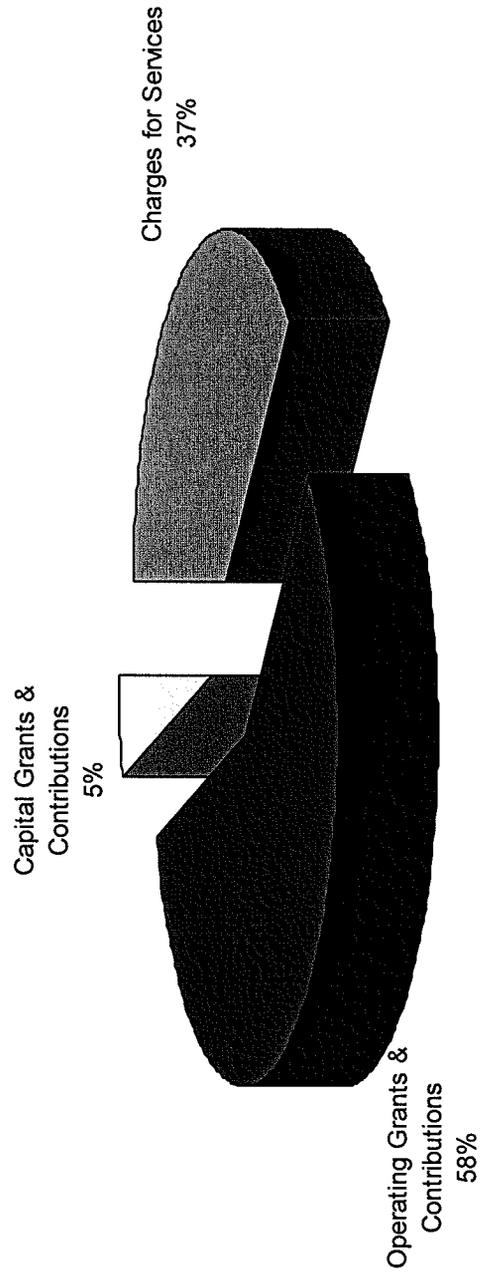
Net Assets equals Total Assets less Total Liabilities

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

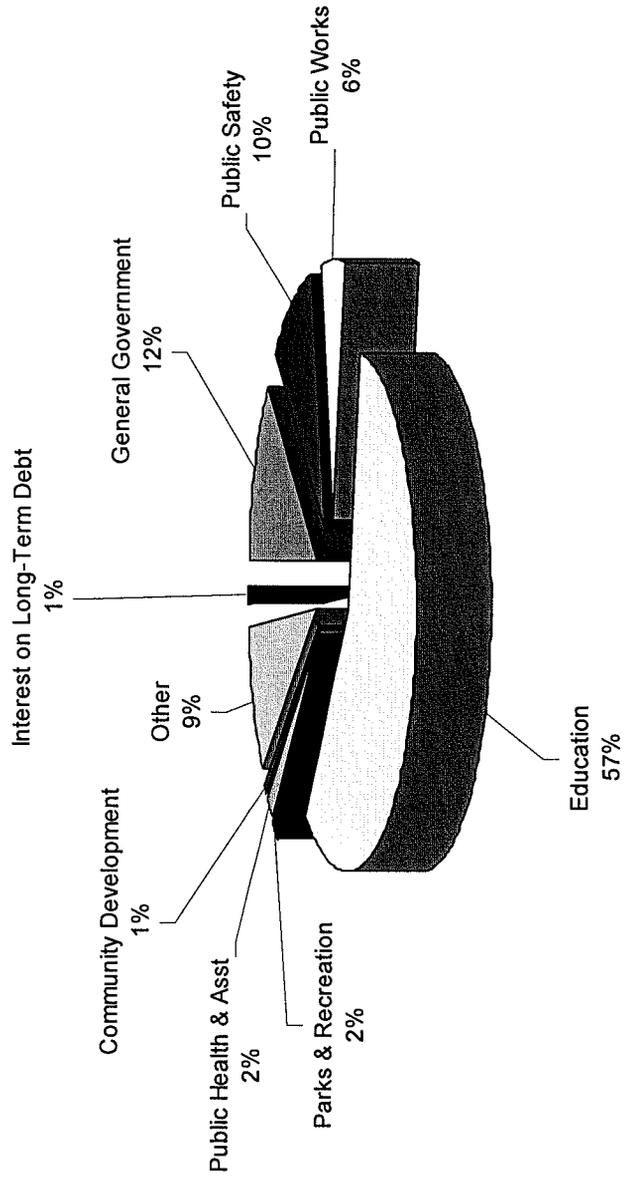
	<i>Governmental</i>		<i>Business-type</i>		<i>Total Primary</i>	
	<i>Activities</i>		<i>Activities</i>		<i>Government</i>	
	<u>2007</u>	<u>2006 As Restated</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006 As Restated</u>
Revenue:						
Program Revenue:						
Charges for services	\$ 1,197,174	\$ 1,249,775	\$197,117	\$205,015	\$ 1,394,291	\$ 1,454,790
Operating Grants & Contributions	2,242,927	1,944,231			2,242,927	1,944,231
Capital Grants & contributions	160,277	431,941	17,140		177,417	431,941
Total Revenue	3,600,378	3,625,947	214,257	205,015	3,814,635	3,830,962
General Revenues:						
Property Taxes	18,228,278	17,260,683			18,228,278	17,260,683
State Revenue Sharing	411,097	410,604			411,097	410,604
Unrestricted Investment Earnings	350,976	201,034	16,328	14,210	367,304	215,244
Total General Revenues	18,990,351	17,872,321	16,328	14,210	19,006,679	17,886,531
Total Revenues	22,590,729	21,498,268	230,585	219,225	22,821,314	21,717,493
Expenses:						
General Government	2,620,408	1,345,571			2,620,408	1,345,571
Public Safety	2,325,821	1,970,611			2,325,821	1,970,611
Public Works	1,302,925	1,224,149			1,302,925	1,224,149
Education	13,180,668	12,731,133			13,180,668	12,731,133
Parks & Recreation	382,074	387,181			382,074	387,181
Public Health & Asst	355,695	339,161			355,695	339,161
Community Development	146,389	128,492			146,389	128,492
Other	1,879,401	1,785,803	265,327	238,429	2,144,728	2,024,232
Interest on Long Term Debt	254,045	203,456			254,045	203,456
Total Expenses	22,447,426	20,115,557	265,327	238,429	22,712,753	20,353,986
Excess (deficiency) of Revenues Over Expenditures Before Transfers	143,303	1,382,711	(34,742)	(19,204)	108,561	1,363,507
Transfers	(45,000)	(50,000)	45,000	50,000	0	0
Change in Net Assets	98,303	1,332,711	10,258	30,796	108,561	1,363,507
Net Assets Beginning , as restated	22,202,687	20,869,976	298,135	267,339	22,500,822	21,137,315
Ending Net Assets	\$22,300,990	\$22,202,687	\$308,393	\$298,135	\$22,609,383	\$22,500,822

This is the fifth 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 2007. 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.

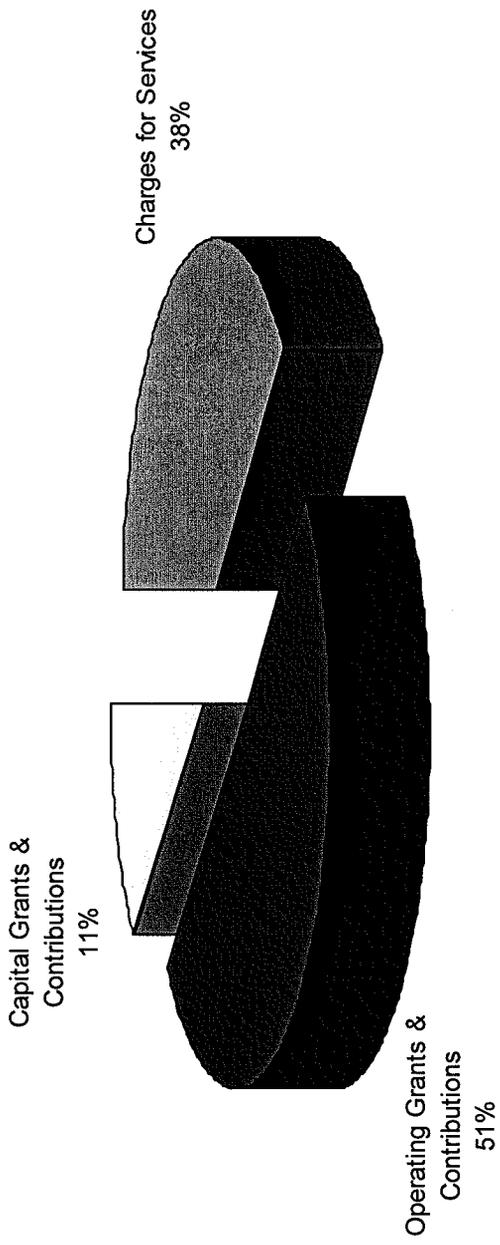
2007 Program Revenues



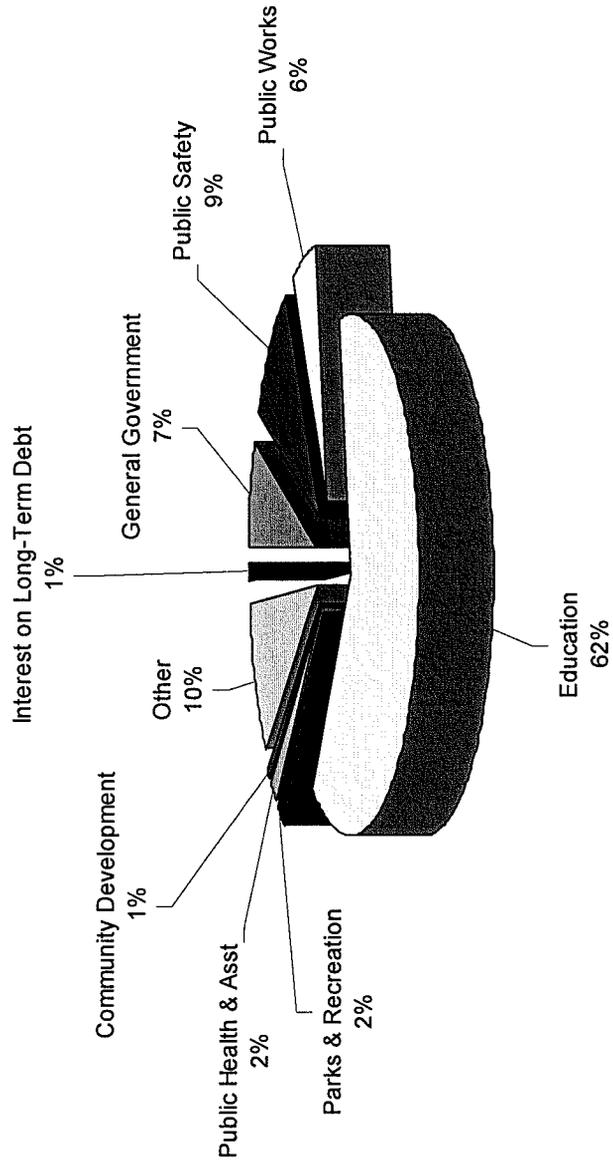
2007 Expenses



2006 Program Revenues



2006 Expenses



Normal Impacts:

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

1. Net results of activities – will increase or decrease current and unrestricted
2. Borrowing of Capital – increases current assets and long term debt
3. Spending Borrowed Proceeds on New Capital – reduces current assets and increases capital. Also, a second impact occurs – increase in invested capital assets and an increase in related net debt – note the investment in capital assets will not change the capital asset net of debt.
4. Spending of non-borrowed Current Assets on New Capital – will (a) reduce current assets and increase capital assets and (b) reduce unrestricted net assets and increase invested in capital assets, net of debt.
5. Principal Payment on Debt – a) reduce current assets and long-term debt and (b) reduce unrestricted assets and increase invested capital assets, net of debt.
6. Reduction of Assets through Depreciation – reduces capital assets and invested in capital assets, net of debt.

Changes in net assets of the Town's activities as a whole (includes governmental and business activities) was \$108,561 and \$1,363,507 for fiscal year 2007 and 2006, respectively, resulting from the difference between expenses and revenues. For fiscal year 2007, expenses net of their pertinent revenues was \$18,898,118, while revenues not attributed to any activity in the government were \$19,006,679, therefore netting an increase of \$108,561 in net assets. For fiscal year 2006, expenses net of their pertinent revenues were \$16,523,024, while revenue not attributed to any activity in the government were \$17,886,531, therefore netting an increase of \$1,363,507 in net assets.

Business-type Activities:

The change in net assets for the business-type activities for fiscal year 2007 and 2006 was \$10,258 and \$30,796, respectively.

Town's Funds:

General Fund & Other Governmental funds:

At the end of June 2007, the general fund balance sheet showed a fund balance of \$5,955,186. This figure results from all assets allocated to the fund less its liabilities, as presented on page 20. Of this total, \$668,426 was reserved for encumbrances, prepaids, and other. The Town was also required to show any other major funds which are determined by criteria listed by the GASB. The other major fund of the Town for fiscal year 2007 was the Buckeye Brook Road project. At the end of June 2007, the Buckeye Brook Road Fund showed a fund deficit of \$(576,208). Other governmental funds had a fund balance of \$2,060,721. The total fund balance for the aforementioned funds is \$7,439,699. See Schedule B-1.

At the end of June 2006, the general fund balance sheet showed a fund balance of \$5,303,987. This figure results from all assets allocated to this fund less its liabilities. Of this total \$322,680 was reserved for encumbrances, prepaids, and other. The other major fund of the Town for fiscal year 2006 was the Police Building Fund. At the end of June 2006, the Police Building Fund showed a fund balance of \$15,163. Other governmental funds had a fund balance of \$1,886,330. The total fund balance for the aforementioned funds is \$7,205,480.

Business-type Activities:

The business-type activities for the Town are the Residential Collection Center and the Coastal Pond Management. These two entities combined had total net assets of \$308,393 at June 30, 2007, of which \$192,115 is invested in capital assets, net of related debt, \$10,000 is restricted and \$106,278 is unrestricted. At June 30, 2006, these two entities combined had total net assets of \$298,135 of which \$185,862 was invested in capital assets, net of related debt of \$10,000 was restricted and \$102,273 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 54. 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, 2007, the general fund revenues exceeded budget projections by \$4.0 million or 18.3%. The general fund expenditures were more than the budget by \$2.9 million or 13.4%. This resulted in a \$1.1 million budgetary surplus in the General Fund for the year ending June 30, 2007.

For the year ended June 30, 2006, the general fund revenues exceeded budget projections by \$0.5 million or 2.6%. The general fund expenditures were less than the budget by \$0.08 million or 0.4%. This resulted in a \$0.6 million budgetary surplus in the General Fund for the year ending June 30, 2006.

There were no significant revenue or expenditure variances.

Capital Assets and Long-Term Debt

Capital Assets

The Town of Charlestown's investment in capital assets for its governmental and business type activities as of June 30, 2007 and 2006 amounted to \$23.9 million, respectively (net of accumulated depreciation). This investment in capital assets includes construction-in-progress, land, buildings and improvements, motor vehicles, equipment and infrastructure.

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

Capital Assets at June 30:
(In Millions)

	Governmental Activities		Business-Type Activities		Totals	
	2006		2007	2006	2006	
	2007	As Restated			2007	As Restated
<i>Motor Vehicles</i>	\$ 2.3	\$ 2.0			\$ 2.3	\$ 2.0
<i>Equipment</i>	0.7	0.3	\$0.2	\$0.2	0.9	0.5
<i>Infrastructure</i>	40.5	40.4			40.5	40.4
<i>Buildings and Improvements</i>	6.4	3.1			6.4	3.1
<i>Land and Land Improvements</i>	7.2	7.2	0.2	0.2	7.4	7.4
<i>Construction-in-progress</i>	1.1	3.5			1.1	3.5
<i>Total Assets</i>	58.2	56.5	0.4	0.4	58.6	56.9
<i>Less: Accumulated Depreciation</i>	(34.5)	(32.8)	(0.2)	(0.2)	(34.7)	(33.0)
<i>Net Capital Assets</i>	\$ 23.7	\$ 23.7	\$0.2	\$0.2	\$ 23.9	\$ 23.9

The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2007 was \$58.6 million less accumulated depreciation of \$34.7 million for a net investment in capital assets of \$23.7 million.

The Town's investment in capital assets for its governmental and business type activities as of June 30, 2006 was \$56.5 million less accumulated depreciation of \$33.0 million for a net investment in capital assets of \$23.7 million.

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

- \$685,000 of construction-in-progress for the Buckeye Brook Road project
- \$224,000 for Public Safety vehicles
- \$175,000 of construction-in-progress for tennis courts and Ninigret Park
- \$170,000 of road maintenance
- \$68,000 for Public Works vehicles
- \$51,000 for land

Additional information on the Town's capital assets can be found on Note 13 on page 48-49 of this report.

Long Term Debt

As of June 30, 2007, the Town had total long-term liabilities of \$9.2 million. Of that, \$6.2 million related to bonded debt guaranteed by the Town's assets, \$1.8 million related to landfill monitoring costs; \$0.7 million related to compensated absences; and \$0.6 million related to leases payable.

As of June 30, 2006, the Town had total long-term liabilities of \$9.3 million. Of that, \$3.5 million related to bonded debt guaranteed by the Town's assets, \$3.0 million related to bond anticipation note, \$1.7 million related to landfill monitoring costs; \$0.7 million related to compensated absences; and \$0.4 million related to leases payable. See Note 8 for further explanation of the Town's long-term liabilities.

The business-type activities had long-term liabilities of \$6,400 and \$5,600 at June 30, 2007 and 2006, respectively.

The Town's bond ratings are as follows:

- *Moody's: A1*

TOWN OF CHARLESTOWN

BASIC FINANCIAL STATEMENTS

TOWN OF CHARLESTOWN, RHODE ISLANDSTATEMENT OF NET ASSETS
JUNE 30, 2007

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 7,606,629	\$ 195,061	\$ 7,801,690
Restricted cash and cash equivalents		15,113	15,113
Investments	500		500
Receivables:			
Taxes, net	544,238		544,238
Other receivables	38,608	6,125	44,733
Internal balances	53,806	(53,806)	
Due from other governments	1,162,110		1,162,110
Tax sale property	73,505		73,505
Total current assets	9,479,396	162,493	9,641,889
Noncurrent assets:			
Capital assets:			
Non-depreciable	8,305,654	99,500	8,405,154
Depreciable, net	15,479,060	92,615	15,571,675
Bond issuance costs	70,819		70,819
Total noncurrent assets	23,855,533	192,115	24,047,648
TOTAL ASSETS	33,334,929	354,608	33,689,537
LIABILITIES:			
Current liabilities:			
Accounts payable	377,838	38,497	416,335
Accrued interest	188,852		188,852
Retainage payable	25,943		25,943
Due to other governments	28,904		28,904
Accrued claims and judgments	50,000		50,000
Current portion of long-term debt	704,041		704,041
Unearned revenue	939,324	1,310	940,634
Other liabilities	191,315		191,315
Total current liabilities	2,506,217	39,807	2,546,024
Noncurrent liabilities:			
Long-term debt, net	8,527,722	6,408	8,534,130
Total noncurrent liabilities	8,527,722	6,408	8,534,130
TOTAL LIABILITIES	11,033,939	46,215	11,080,154

(CONTINUED)

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF CHARLESTOWN, RHODE ISLANDSTATEMENT OF NET ASSETS
JUNE 30, 2007

	Governmental Activities	Business-type Activities	Total
NET ASSETS:			
Invested in capital assets, net of related debt	17,025,887	192,115	17,218,002
Restricted for:			
Capital projects	728,735		728,735
Specific projects and programs	1,388,136	10,000	1,398,136
Unrestricted	3,158,232	106,278	3,264,510
TOTAL NET ASSETS	\$ 22,300,990	\$ 308,393	\$ 22,609,383

(CONCLUDED)

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF CHARLESTOWN, RHODE ISLAND

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007

Functions/Programs:	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 2,620,408	\$ 718,419	\$ 339,894	\$ 22,901	\$ (1,539,194)	\$	\$ (1,539,194)
Public safety	2,325,821	65,371	22,561	83,084	(2,154,805)		(2,154,805)
Public works	1,302,925	600	109,557		(1,192,768)		(1,192,768)
Education	13,180,668		1,624,508		(11,556,160)		(11,556,160)
Parks and recreation	382,074	412,784		54,292	85,002		85,002
Public health and assistance	355,695				(355,695)		(355,695)
Community development	146,389		146,407		18		18
Other	1,879,401				(1,879,401)		(1,879,401)
Interest on long-term debt	254,045				(254,045)		(254,045)
Total governmental activities	22,447,426	1,197,174	2,242,927	160,277	(18,847,048)		(18,847,048)
Business-type activities:							
Residential Collection Center	224,705	153,797		17,140		\$ (53,768)	(53,768)
Coastal Pond Management	40,622	43,320				2,698	2,698
Total business-type activities	265,327	197,117	0	17,140	0	(51,070)	(51,070)
Total	\$ 22,712,753	\$ 1,394,291	\$ 2,242,927	\$ 177,417	(18,847,048)	(51,070)	(18,898,118)
General revenues:							
Property taxes					18,228,278		18,228,278
State revenue sharing					411,097		411,097
Unrestricted investment earnings					350,976	16,328	367,304
Transfers					(45,000)	45,000	
Total general revenues and transfers					18,945,351	61,328	19,006,679
Change in net assets					98,303	10,258	108,561
Net Assets - beginning, as restated					22,202,687	298,135	22,500,822
Net Assets - ending					\$ 22,300,990	\$ 308,393	\$ 22,609,383

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF CHARLESTOWN, RHODE ISLAND

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007**

	General Fund	Buckeye Brook Road	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash and cash equivalents	\$ 6,730,651		\$ 875,978	\$ 7,606,629
Investments			500	500
Receivables:				
Taxes, net	544,238			544,238
Other	37,716		892	38,608
Due from:				
Other funds	872,409		1,406,802	2,279,211
Other governments	81,463		1,080,647	1,162,110
Tax sale property	73,505			73,505
TOTAL ASSETS	\$ 8,339,982	\$ 0	\$ 3,364,819	\$ 11,704,801
LIABILITIES AND FUND BALANCE:				
LIABILITIES:				
Accounts payable	\$ 350,003		\$ 27,835	\$ 377,838
Retainage payable			25,943	25,943
Due to:				
Other funds	1,372,279	\$ 576,208	276,918	2,225,405
Other governments	28,904			28,904
Deferred revenues	498,423		917,274	1,415,697
Other liabilities	135,187		56,128	191,315
TOTAL LIABILITIES	2,384,796	576,208	1,304,098	4,265,102
FUND BALANCE:				
Reserved for tax sale property	73,505			73,505
Reserved for perpetual care			1,503	1,503
Reserved for encumbrances	17,544		143,191	160,735
Reserved for amounts not due within one year	577,377			577,377
Unreserved, reported in:				
General fund	5,286,760			5,286,760
Special revenue funds			1,244,312	1,244,312
Capital project funds		(576,208)	658,933	82,725
Debt service funds			12,782	12,782
TOTAL FUND BALANCE (DEFICIT)	5,955,186	(576,208)	2,060,721	7,439,699
TOTAL LIABILITIES AND FUND BALANCE	\$ 8,339,982	\$ 0	\$ 3,364,819	\$ 11,704,801

(CONTINUED)

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF CHARLESTOWN, RHODE ISLAND

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET (B-1)
TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS (A-1)
JUNE 30, 2007**

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

Total Fund Balance (B-1)	\$ 7,439,699
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	23,784,714
Claims and judgments that are not due and payable in the current period are not reported in the funds.	(50,000)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(9,231,763)
Deferred revenues (net of an allowance for uncollectibles) are recorded in the funds, but are not deferred under the measurement focus employed in the Statement of Net Assets.	476,373
Accrued interest payable is recorded in governmental activities, but is not recorded in the funds.	(188,852)
Bond issuance costs are reported as expenditures in the Governmental Funds financial statements. The cost and related accumulated amortization is reflected as an other asset on the government-wide financial statements.	<u>70,819</u>
Total Net Assets (A-1)	<u><u>\$ 22,300,990</u></u>

(CONCLUDED)

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF CHARLESTOWN, RHODE ISLAND

**STATEMENT OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES),
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007**

	General Fund	Buckeye Brook Road	Other Governmental Funds	Total Governmental Funds
REVENUES:				
General property taxes	\$ 17,864,472			\$ 17,864,472
Intergovernmental	2,832,382		\$ 490,303	3,322,685
Departmental	1,127,456			1,127,456
Investment income	307,779		43,197	350,976
Other			90,005	90,005
TOTAL REVENUES	22,132,089	\$ 0	623,505	22,755,594
EXPENDITURES:				
Current:				
General government	1,164,599		184,664	1,349,263
Public safety	1,988,927		39,718	2,028,645
Public works	915,394		109,557	1,024,951
Education	13,158,668			13,158,668
Parks and recreation	360,535		6,745	367,280
Public health and assistance	354,278		1,417	355,695
Community development			146,389	146,389
Other	1,879,401			1,879,401
Debt Service:				
Principal	340,000		4,322	344,322
Interest and other costs	386,558		3,478	390,036
Capital:				
Capital outlay	652,612	684,508	449,870	1,786,990
TOTAL EXPENDITURES	21,200,972	684,508	946,160	22,831,640
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	931,117	(684,508)	(322,655)	(76,046)
OTHER FINANCING SOURCES (USES):				
Transfers in			446,432	446,432
Transfers out	(399,815)		(91,617)	(491,432)
Proceeds from bond issuance	3,000,000			3,000,000
Proceeds from capital leases	197,286		235,368	432,654
Repayment of bond anticipation note	(3,000,000)			(3,000,000)
Landfill monitoring	(77,389)			(77,389)
NET OTHER FINANCING SOURCES (USES)	(279,918)	0	590,183	310,265
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	651,199	(684,508)	267,528	234,219
FUND BALANCE AT BEGINNING OF YEAR	5,303,987	108,300	1,793,193	7,205,480
FUND BALANCE (DEFICIT) AT END OF YEAR	\$ 5,955,186	\$ (576,208)	\$ 2,060,721	\$ 7,439,699

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF CHARLESTOWN, RHODE ISLAND

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, OTHER FINANCING SOURCES (USES) AND CHANGES IN FUND BALANCE (B-2)
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES (A-2)
YEAR ENDED JUNE 30, 2007**

Net Change in Fund Balances - Total Governmental Funds (B-2):	\$	234,219
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		104,990
Claims and judgments reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		(50,000)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences.		99,663
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in governmental funds.		(164,865)
Adjustment to accrued interest payable related to long-term liabilities which is required to be recorded for government-wide financial statement presentation.		(126,367)
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.		663
Change in Net Assets of Governmental Activities in the Statement of Activities (A-2)	\$	98,303

TOWN OF CHARLESTOWN, RHODE ISLAND

**STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 JUNE 30, 2007**

	<u>Residential Collection Center</u>	<u>Coastal Pond Management</u>	<u>Totals</u>
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 118,522	\$ 76,539	\$ 195,061
Restricted cash and cash equivalents		15,113	15,113
Receivables, net	6,125		6,125
Total Current Assets	<u>124,647</u>	<u>91,652</u>	<u>216,299</u>
Noncurrent Assets:			
Net capital assets	188,744	3,371	192,115
Total Noncurrent Assets	<u>188,744</u>	<u>3,371</u>	<u>192,115</u>
TOTAL ASSETS	<u>313,391</u>	<u>95,023</u>	<u>408,414</u>
LIABILITIES:			
Current Liabilities:			
Accounts payable	38,072	425	38,497
Due to other funds	40,402	13,404	53,806
Deferred revenue	1,310		1,310
Total Current Liabilities	<u>79,784</u>	<u>13,829</u>	<u>93,613</u>
Noncurrent Liabilities:			
Accrued compensated absences	6,408		6,408
Total Noncurrent Liabilities	<u>6,408</u>	<u>0</u>	<u>6,408</u>
TOTAL LIABILITIES	<u>86,192</u>	<u>13,829</u>	<u>100,021</u>
NET ASSETS:			
Invested in capital assets, net of related debt	188,744	3,371	192,115
Restricted for endowment		10,000	10,000
Unrestricted	38,455	67,823	106,278
TOTAL NET ASSETS	<u>\$ 227,199</u>	<u>\$ 81,194</u>	<u>\$ 308,393</u>

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF CHARLESTOWN, RHODE ISLAND

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2007**

	<u>Residential Collection Center</u>	<u>Coastal Pond Management</u>	<u>Totals</u>
OPERATING REVENUES:			
Charges for usage and service	\$ 153,797	\$ 43,320	\$ 197,117
Total Operating Revenues	<u>153,797</u>	<u>43,320</u>	<u>197,117</u>
OPERATING EXPENSES:			
Operations	128,565	9,401	137,966
Personnel	86,216	30,258	116,474
Depreciation	9,924	963	10,887
Total Operating Expenses	<u>224,705</u>	<u>40,622</u>	<u>265,327</u>
OPERATING INCOME (LOSS)	<u>(70,908)</u>	<u>2,698</u>	<u>(68,210)</u>
NONOPERATING REVENUES:			
Investment income	11,505	4,823	16,328
Grant revenue	17,140		17,140
Total Nonoperating Revenues	<u>28,645</u>	<u>4,823</u>	<u>33,468</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>(42,263)</u>	<u>7,521</u>	<u>(34,742)</u>
TRANSFERS IN	<u>45,000</u>	<u>0</u>	<u>45,000</u>
CHANGE IN NET ASSETS	<u>2,737</u>	<u>7,521</u>	<u>10,258</u>
TOTAL NET ASSETS - BEGINNING	<u>224,462</u>	<u>73,673</u>	<u>298,135</u>
TOTAL NET ASSETS - ENDING	<u>\$ 227,199</u>	<u>\$ 81,194</u>	<u>\$ 308,393</u>

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF CHARLESTOWN, RHODE ISLAND

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2007**

	Residential Collection Center	Coastal Pond Management	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 146,957	\$ 43,320	\$ 190,277
Cash paid to suppliers	(104,491)	(9,739)	(114,230)
Cash paid to employees	(85,434)	(30,258)	(115,692)
Net cash provided by (used for) operating activities	(42,968)	3,323	(39,645)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers from General Fund	45,000		45,000
Decrease in due to other funds	(235,514)	(43,984)	(279,498)
Net cash used for noncapital financing activities	(190,514)	(43,984)	(234,498)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Nonoperating grants received	17,140		17,140
Acquisition of capital assets	(17,140)		(17,140)
Net cash provided by (used for) capital and related financing activities	0	0	0
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest on investments	11,505	4,823	16,328
Net cash provided by investing activities	11,505	4,823	16,328
NET DECREASE IN CASH AND CASH EQUIVALENTS	(221,977)	(35,838)	(257,815)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	340,499	127,490	467,989
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 118,522	\$ 91,652	\$ 210,174
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ (70,908)	\$ 2,698	\$ (68,210)
Adjustments to reconcile:			
Depreciation	9,924	963	10,887
Increase in receivables, net	(875)		(875)
Increase (decrease) in accounts payable	24,074	(338)	23,736
Decrease in deferred revenue	(5,965)		(5,965)
Increase in accrued compensated absences	782		782
Net cash provided by (used for) operating activities	\$ (42,968)	\$ 3,323	\$ (39,645)

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF CHARLESTOWN, RHODE ISLAND

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2007

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

TOWN OF CHARLESTOWN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

1. REPORTING ENTITY

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

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

Primary Government

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

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

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

- * is able to impose its will on the potential component unit and/or
- * is in a relationship of financial benefit or burden with the potential component unit;

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

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

Potential component unit:

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

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

1. REPORTING ENTITY (Continued)

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Recently Issued Accounting Standards

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

- GASB Statement No. 45 - Accounting and Financial Reporting by Employees for Post-employment Benefits Other Than Pensions, effective for the Town's fiscal year ending June 30, 2009.
- GASB Statement No. 50 - Pension Disclosures - an amendment for GASB Statements No. 25 and No. 27, effective for the Town's fiscal year ending June 30, 2008.
- GASB Statement No. 51 - Accounting and Reporting for Intangible Assets, effective for the Town's fiscal year ending June 30, 2010.

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

Basis of Presentation

Government-Wide Financial Statements

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

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Fund Financial Statements

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

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

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

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

Special Revenue Funds

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

Capital Project Funds

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

Debt Service Funds

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

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds (Continued)

Permanent Funds

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

Proprietary Funds

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

Fiduciary Funds (Not included in government-wide statements)

Agency Funds

Agency funds account for assets held by the Town in a purely custodial capacity. The reporting entity includes one agency fund. Since agency funds are custodial in nature (i.e. assets equal liabilities), they do not involve the measurement of results of operations. The agency fund is as follows:

- Unclaimed Estates: accounts for monies collected from probated estates held on behalf of heirs.

Major and Non-Major Funds

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

<u>Fund</u>	<u>Brief Description</u>
<i>Major:</i>	
General:	See above for description
Capital Projects:	Buckeye Brook Road: accounts for the funds needed to complete the road reconstruction project over and above the amount approved by referendum in FY05.
Proprietary:	Residential Collection Center: accounts for the operation and maintenance of the Residential Collection Center. Coastal Pond Management: accounts for the operation of the Coastal Pond Management Fund.

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Major and Non-Major Funds (Continued)

<u>Fund</u>	<u>Brief Description</u>
Non-Major:	
Special Revenue:	Police Grants – LLEBG Grants, Police Grants – Byrne, MEDS Grant - R.I. Dept. of Health, Police Grant - NCHIP, School Impact Fees, Educational Planning, Historical and Vital Records, Municipal Planning, Revaluation Fund, Reserve for Employee Severance Benefits, Comprehensive Planning Grant, Neighborhood Crime Prevention, RI Economic Development Grant, Recreation Donations, Ninigret Park Fund, Bicentennial Fund, Washington County Regional Planning, Facilities Maintenance, Developer Bond Deposits, Open Space Fees, DARE Program, Naval Airfield Memorial, Police Forfeiture, Employee Vending, Police Bike Unit Training, Birthday Committee, Homeland Security Grant, Town Hall Building Upgrade, Health Care Reserve Fund, Public Assistance Special Account, Homeland Security Grant – Police Dept., Ninigret Park Master Plan, Wastewater Management, Community Development Block Grant, Senior Community Activities, Housing Preservation Grants Program, GIS Project, Dept. of Justice – COPS Technology Grant, Special Donations, Stormwater Management Grant, Accounting Software Funds, EPA Grant, Columbia Heights Streetscapes Enhancement, Homeland Security Grant – EMA Citizens, and Trail Improvement Grant - Mud Cove.
Capital Projects:	DPW – Old Coach Road Reconstruction Phase 1, Tennis Court Construction, Town Capital Maintenance Fund, Police Building Fund, DPW Road Engineering, Open Space Acquisitions, and Landfill Closure.
Debt Service:	Ocean Ridge Road
Permanent:	Zenis Ellis Trust, Cemetery Fund

Measurement Focus

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

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

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

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

- (b) All proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.
- (c) Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

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

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

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

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

Accounts Receivable

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based on historical trends and the periodic aging of accounts receivable. The allowance for uncollectible accounts totaled \$212,600 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.

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

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

Encumbrances

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

Investments

Investments are stated at fair value. For purposes of the statements of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

Short-term Interfund Receivables/Payables

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

Advances to Other Funds

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

Interfund Transfers

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

During fiscal year 2007, the General Fund made several transfers totaling \$399,815 to other funds as budgeted subsidies.

Bond Premiums and Issuance Costs

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

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

The total bond premiums at June 30, 2007 were \$35,075, while the accumulated amortization was \$6,580. The total bond issuance costs at June 30, 2007 were \$94,528, while the accumulated amortization was \$23,709.

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Materials and Supplies

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

Prepaid Items

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

Property, Plant and Equipment

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

Government-Wide Statements

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

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

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

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

Fund Financial Statements

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

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2007 amounted to \$672,936. 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, 2007.

Budgets

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

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

	<u>Revenues and Transfers</u>	<u>Expenditures and Transfers</u>
Schedule of Revenues, Expenditures and Changes in Fund Balance (Non-GAAP Budgetary Basis) Budget and Actual (E-2)...	\$25,694,375	\$24,639,365
Reappropriated fund balance.....	(365,000)	
Current year encumbrances.....		(17,544)
Prior year encumbrances.....		<u>56,355</u>
Statement of Revenues, Expenditures and Changes in Fund Balance (B-2)	<u>\$25,329,375</u>	<u>\$24,678,176</u>

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

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

Equity Classifications

Government-Wide Statements

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

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

Fund Statements

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

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

The governmental fund statement of revenues, expenditures, other financing sources (uses) and changes in fund balances includes reconciliation between *net changes in fund balances - total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense". The details of this \$104,990 difference are as follows:

Capital outlays	\$1,751,193
Depreciation expense.....	<u>(1,646,203)</u>
Net adjustment	<u>\$ 104,990</u>

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 \$99,663 difference are as follows:

Bonds payable	\$ 340,000
Less: deferred charge on refunding	(7,809)
Add: issuance premium	1,926
Capital leases payable	(160,754)
Compensated absences	(23,700)
Landfill monitoring	(50,000)
Net adjustment	<u>\$ 99,663</u>

3. DEPOSITS AND INVESTMENTS

Deposits

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

The Town maintains deposits at local financial institutions. At year end, the carrying amount of such deposits was \$456,375, while the bank balance was \$518,153 of which \$104,117 was covered by federal depository insurance and \$414,036 was uninsured and uncollateralized. Rhode Island General Law 35-10.1 requires that public deposits which are time deposits with maturities greater than 60 days be insured or pledged by collateral. In addition, collateral must be insured or pledged for depository institutions, which do not meet minimum capital standards. The Town of Charlestown was in compliance with this law at June 30, 2007.

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

Unrestricted cash deposits	\$ 456,375
Petty cash	1,850
Investments classified as cash equivalents	7,248,632
Investments classified as restricted cash equivalents	109,955
Less: Fiduciary funds cash (not included in the government-wide statement)....	(9)
Total cash and cash equivalents – (A-1)	<u>\$ 7,816,803</u>

Investments

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

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007**

3. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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

As of June 30, 2007, the Town had the following investments:

<u>Description</u>	<u>Fair Value</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Rating</u>
Series H Bond	\$ 500	1.50%	N/A	
U.S. Government Money Market Funds	3,383,628	Varies Daily (1)	Daily	Aaa/AAA m
Local Government Investment Pool	<u>3,974,959</u>	Varies Daily (2)	Daily	(not rated)
Subtotal	<u>\$7,359,087</u>			

- (1) Current yield of 4.81% for June 30, 2007.
- (2) Average daily rate of 4.93% on June 30, 2007.

Reconciliation to Government-wide Statement of Net Assets:

Investments	\$7,359,087
Less: investments classified as cash equivalents	<u>(7,358,587)</u>
Total investments (A-1)	<u>\$ 500</u>

4. TAXES RECEIVABLE AND DEFERRED REVENUE

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

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

Unpaid property taxes at June 30, 2007 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.

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007**

4. TAXES RECEIVABLE AND DEFERRED REVENUE (Continued)

Net property taxes levied for the fiscal year 2007 were based on an assessed value of approximately \$2,454,443,948 at December 31, 2005 and amounted to \$17,752,958. Collections through June 30, 2007 amounted to \$17,480,897, which represents 98% of the total tax levy.

The Town recognizes property tax revenues in accordance with Section P70, "Property Taxes" of the Codification of Governmental Accounting and Financial Reporting Standards. Unpaid property taxes as of June 30, 2007 (\$756,838) are recorded as a receivable, net of an allowance for uncollectible property taxes of \$212,600. Those net property taxes receivable which were not collected within the 60 days immediately following June 30, 2007 are recorded as deferred revenue and amounted to \$476,373 at June 30, 2007. Property taxes recognized as revenue for the fiscal year ended June 30, 2007 (due to their collection within the 60 days immediately following June 30, 2007) amounted to \$67,865.

5. INTERGOVERNMENTAL RECEIVABLES/PAYABLES

Intergovernmental receivables and payables consisted of the following at June 30, 2007:

	<u>Due From</u>	<u>Due To</u>
Governmental activities:		
State of Rhode Island:		
Major funds:		
General Fund	\$ 81,463	\$28,904
Non-major funds	260,562	
Total	<u>342,025</u>	<u>28,904</u>
Federal government:		
Non-major funds	820,085	
Total governmental activities	<u>\$1,162,110</u>	<u>\$28,904</u>

6. DEFINED BENEFIT PENSION PLANS

(a) General Municipal Employee's Pension Plan

Plan Description

The Town's defined benefit pension plan, Municipal Employee's Retirement System of the State of Rhode Island (MERS), provides retirement and disability benefits, annual cost-of-living adjustments, death and disability benefits to plan members and beneficiaries. MERS is an agent multiple-employer Public Employee Retirement System that acts as a common investment agent for participants. The Municipal Employee's Retirement System of the State of Rhode Island issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State of Rhode Island Employee Retirement Board, 40 Fountain Street, Providence, RI 02903.

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007**

6. DEFINED BENEFIT PENSION PLANS (Continued)

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

Funding Policy

MERS members are required to contribute 7.0% of their annual covered salary. The Town is required to contribute at an actuarially determined rate; the current rate is 7.79% of annual covered payroll. The contribution requirements of plan members and the Town are established and may be amended by State Statute.

Annual Pension Cost

For 2007, the Town's annual pension cost of \$117,034 for MERS was equal to the Town's required and actual contributions. The required contribution was determined as part of the June 30, 2004 actuarial valuation using the entry age normal cost method with frozen initial liability. Significant actuarial assumptions included (a) a net investment return of 8.25 percent compounded annually, (b) projected salary increases of 4.5 percent - 8.5 percent, (c) 3.0 percent per year cost-of-living adjustments, (d) mortality rates based on the 1994 Group Annuity Mortality Tables and (e) a retirement age of 65 or completion of service requirements, if later. The actuarial value of MERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period. MERS unfunded actuarial accrued liability is being amortized as a level percentage of salary funding over a closed 30 year period. The remaining amortization period at June 30, 2007 was 2 years.

(b) Municipal Police Pension Plan

Plan Description

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

Funding Policy

Covered police employees are required to contribute 9.0% of their salary. The Town is required to contribute at an actuarially determined rate; the current rate is 28.53% of annual covered payroll. The contribution requirements of plan members and the Town are established and may be amended by State Statute.

Annual Pension Cost

For 2007, the Town's annual pension cost of \$319,816 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, 2004 actuarial valuation using the entry age normal cost method with frozen initial liability and adjusted on December 31, 2003 in anticipation of adopting COLA Plan C. Significant actuarial assumptions included (a) net investment return of 8.25 percent compounded annually, (b) projected salary increases of 4.75 percent - 14.75 percent compounded annually, (c) 3.0 percent per year cost of living adjustments, (d) mortality rates based on the 1994 Group Annuity Mortality Tables, and (e) a retirement age of 60 and completion of 10 years of service, or at the later of the age 55 and completion of 25 years of service, if earlier, or completion of service requirements, if later. The actuarial value of MERS' assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period. MERS unfunded actuarial accrued liability is being amortized as a level percentage of salary funding over a closed 30 year period. The remaining amortization period at June 30, 2007 was 5 years.

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007**

6. DEFINED BENEFIT PENSION PLANS (Continued)

(b) Municipal Police Pension Plan (Continued)

Annual Pension Cost (Continued)

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 2006 Annual Financial Report, which may be obtained from the administrative offices of the State of Rhode Island Retirement Board, 40 Fountain Street, Providence, Rhode Island. This report is the most recent report available from the State, who administers the Plan.

(c) Other Retirement Plans

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

Town Funded Retirement Benefits

During fiscal year 2007, the Town provided retirement benefits to two former employees. These pensions are self-funded by the Town on a pay-as-you-go basis. One of the pensions is based on a fixed annual amount of \$4,800 and is payable for the remainder of the retiree's life. The other pension has a June 30, 1987 base amount of \$9,000 and is increased annually by 3%. In addition, if the retiree predeceases his spouse, then the surviving spouse is entitled to 50% of the benefits for the remainder of the spouse's life or until the spouse remarries. For the year ended June 30, 2007, the total cost to the Town for providing retirement benefits to these two retirees amounted to \$20,582.

7. INTERFUND BALANCES

Interfund receivable and payable balances at June 30, 2007 are as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Governmental activities:		
Major funds:		
General Fund	\$ 872,409	\$1,372,279
Buckeye Brook Road		576,208
Non-major funds	<u>1,406,802</u>	<u>276,918</u>
Total governmental activities	<u>\$2,279,211</u>	<u>\$2,225,405</u>
Business-type activities:		
Major funds:		
Residential Collection Center		\$ 40,402
Coastal Pond Management		<u>13,404</u>
Total business-type activities	<u>\$ 0</u>	<u>\$ 53,806</u>

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

8. LONG-TERM LIABILITIES

(a) Long-Term Liability Activity

Long-term liability activity for the year ended June 30, 2007 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Long-term debt:					
General obligation debt.....	\$3,530,000	\$3,000,000	\$ 340,000	\$6,190,000	\$348,050
Bond anticipation note	3,000,000		3,000,000		
Leases payable.....	407,560	432,654	271,900	568,314	180,191
Subtotal.....	6,937,560	3,432,654	3,611,900	6,758,314	528,241
Plus: bond premium, net of amortization.....	30,421		1,926	28,495	
Less: amount deferred on refunding	(35,791)		(7,809)	(27,982)	
Total long-term debt	<u>6,932,190</u>	<u>3,432,654</u>	<u>3,606,017</u>	<u>6,758,827</u>	<u>528,241</u>
Other long-term liabilities:					
Compensated absences	649,236	23,700		672,936	100,800
Landfill monitoring costs	1,750,000	127,389	77,389	1,800,000	75,000
Total other long-term liabilities	<u>2,399,236</u>	<u>151,089</u>	<u>77,389</u>	<u>2,472,936</u>	<u>175,800</u>
Governmental activities:					
Long-term liabilities	<u>\$9,331,426</u>	<u>\$3,583,743</u>	<u>\$3,683,406</u>	<u>9,231,763</u>	<u>\$704,041</u>
Business-type Activities:					
Long-term liabilities:					
Compensated absences	\$ 5,626	\$ 782	\$ 0	\$ 6,408	\$ 0
Business-type activities long-term liabilities	<u>\$ 5,626</u>	<u>\$ 782</u>	<u>\$ 0</u>	<u>\$ 6,408</u>	<u>\$ 0</u>

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

(b) Debt Maturity

At June 30, 2007, the Town had \$4,882,800 of remaining authorized unissued bond authority.

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007**

8. LONG-TERM LIABILITIES (Continued)

(b) Debt Maturity (Continued)

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

<u>Year ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 348,050	\$ 241,725	\$ 589,775
2009	344,312	233,463	577,775
2010	335,631	224,494	560,125
2011	332,010	215,115	547,125
2012	183,450	204,863	388,313
2013 - 2017	941,230	922,334	1,863,564
2018 - 2022	988,308	733,318	1,721,626
2023 - 2027	596,975	537,551	1,134,526
2028 - 2032	370,086	445,164	815,250
2033 - 2037	461,193	354,057	815,250
2038 - 2042	574,732	240,518	815,250
2043 - 2047	714,023	99,031	813,054
Totals	<u>\$6,190,000</u>	<u>\$4,451,633</u>	<u>\$10,064,633</u>

At June 30, 2007, 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, 2007 consisted of the following:

	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Original Issue</u>	<u>Balance June 30, 2007</u>
General obligation serial bonds:					
Open Space bond	2.25% - 4.30%	2/12/04	2/1/24	\$3,000,000	\$2,550,000
Refunding bond	1.0% - 2.75%	2/12/04	2/1/11	\$1,230,000	640,000
USDA bond	4.50%	7/28/06	7/28/46	\$3,000,000	<u>3,000,000</u>
Total general obligation bonds					<u>\$6,190,000</u>

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007**

8. LONG-TERM LIABILITIES (Continued)

(d) Capital Leases

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

The assets acquired through capital leases are as follows:

	<u>Public Safety</u>	<u>Public Works</u>
Assets:		
Vehicles and equipment.....	\$508,639	\$562,586
Less: accumulated depreciation.....	<u>(84,631)</u>	<u>(240,099)</u>
Total	<u>\$424,008</u>	<u>\$322,487</u>

The following schedule summarizes the future minimum lease payments under those capital leases, and the present value of the net minimum lease payments at June 30, 2007:

Fiscal year ending
June 30:

2008	\$210,167
2009	185,115
2010	142,685
2011	97,989
2012	<u>600</u>
Total minimum lease payments	636,556
Less: amount representing interest.....	<u>(68,242)</u>
Present value of future minimum lease payments	<u>\$568,314</u>

(e) Bond Anticipation Note

The Town issued a \$3,000,000, 3.5% Bond Anticipation Note on May 3, 2005 with a maturity date of August 1, 2006. On July 28, 2006, the Town issued a \$3,000,000 general obligation bond to permanently finance the construction of the new police facility. The bond proceeds were used to pay off the \$3,000,000 bond anticipation note.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Bond Anticipation Note.....	<u>\$3,000,000</u>	<u>\$0</u>	<u>\$3,000,000</u>	<u>\$0</u>

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007**

9. CONTINGENT LIABILITIES

Grants

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

Litigation

The Town has established a \$50,000 liability based on attorneys' estimates of pending matters and lawsuits in which the Town is involved. There are other pending matters and lawsuits in which the Town is involved. The Town estimates that the potential claims against the Town not recorded in the accompanying basic financial statements resulting from such litigation would not materially affect the basic financial statements. In addition, there is one matter involving an administrative appeal of a notice of violation issued by the Rhode Island Department of Environmental Management (DEM) for the alleged failure of the Town to close the former municipal landfill correctly. If the Town fails to prevail, the potential remedial costs to comply are estimated at \$45,000.

10. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

In addition to providing pension benefits, the Town provides 14 former employees with health insurance benefits and medicare for the remainder of their lives or until alternative coverage is obtained. These benefits are self-funded by the Town on a pay-as-you-go basis. For the year ended June 30, 2007, the total cost to the Town for providing retirement benefits to these 14 former employees amounted to \$114,276.

11. LANDFILL ENTERPRISE FUND - CLOSURE AND POSTCLOSURE CARE COSTS

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

State and federal laws and regulations require the Town to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the Town reported a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The Town closed the Landfill effective June 30, 2000. Costs incurred to close the landfill during the fiscal year ended June 30, 2007 totaled \$2,533 and have been recorded in the Landfill Closure Capital Project Fund. There is an additional \$20,564 in encumbrances due on the landfill closure project. Postclosure monitoring costs were originally estimated at \$50,000 per year for 30 years. Based upon revised estimates, the annual costs should approximate \$75,000 annually for the remaining 24 years.

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007**

12. FUND EQUITY

The fund equity balances have been classified to reflect the limitations and restrictions placed on the respective funds as follows:

(a) Reservations

Reservations of fund balances at June 30, 2007 were as follows:

General Fund:

Reserved for tax sale property	\$ 73,505
Reserved for encumbrances	17,544
Reserved for amounts not due within one year	<u>577,377</u>
Total	<u>\$ 668,426</u>

Special Revenue Funds:

Reserved for encumbrances	<u>\$ 122,627</u>
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Capital Projects Funds:

Reserved for encumbrances	<u>\$ 20,564</u>
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Permanent Funds:

Reserved for perpetual care	<u>\$ 1,503</u>
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(b) Net Assets

Restriction of net assets at June 30, 2007 were as follows:

Enterprise Funds:

Restriction for endowment	<u>\$ 10,000</u>
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(c) Fund Deficits

The following funds had cumulative deficits at June 30, 2007:

Major Governmental Funds:

Buckeye Brook Road	<u>\$ 576,208</u>
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Non-major Governmental Funds:

Senior Community Activities	\$ 1,169
Tennis Court Construction	\$ 49,238

The deficit in the Senior Community Activities fund will be funded by General Fund contributions. The deficit in the Tennis Court Construction fund will be funded by contributions from other special revenue and capital project funds. The deficit in the Buckeye Brook Road fund will be funded by proceeds from general obligation bonds and/or general fund contributions.

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007**

13. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2007 was as follows:

	Beginning Balance, <u>as Restated</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 7,190,721	\$ 50,893		\$7,241,614
Construction-in-progress	<u>3,485,264</u>	<u>1,029,285</u>	<u>\$(3,450,509)</u>	<u>1,064,040</u>
Total capital assets not being depreciated ..	<u>10,675,985</u>	<u>1,080,178</u>	<u>(3,450,509)</u>	<u>8,305,654</u>
Other capital assets:				
Buildings and improvements	3,062,236	3,312,974		6,375,210
Equipment	327,144	401,792		728,936
Vehicles	2,027,815	292,120	(20,138)	2,299,797
Infrastructure	<u>40,401,931</u>	<u>133,098</u>		<u>40,535,029</u>
Total other capital assets	<u>45,819,126</u>	<u>4,139,984</u>	<u>(20,138)</u>	<u>49,938,972</u>
Less: accumulated depreciation for:				
Buildings and improvements	(1,158,295)	(120,627)		(1,278,922)
Equipment	(193,787)	(78,587)		(272,374)
Vehicles	(1,086,004)	(280,851)	1,678	(1,365,177)
Infrastructure	<u>(30,377,301)</u>	<u>(1,166,138)</u>		<u>(31,543,439)</u>
Total accumulated depreciation	<u>(32,815,387)</u>	<u>(1,646,203)</u>	<u>1,678</u>	<u>(34,459,912)</u>
Other capital assets, net	<u>13,003,739</u>	<u>2,493,781</u>	<u>(18,460)</u>	<u>15,479,060</u>
Governmental activities capital assets, net	<u>\$23,679,724</u>	<u>\$3,573,959</u>	<u>\$(3,468,969)</u>	<u>\$23,784,714</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 99,500			\$ 99,500
Total capital assets not being depreciated ..	<u>99,500</u>	<u>\$ 0</u>	<u>\$0</u>	<u>\$ 99,500</u>
Other capital assets:				
Buildings	18,550			18,550
Land improvements	113,684			113,684
Machinery and equipment	177,012	17,140		194,152
Total other capital assets	<u>309,246</u>	<u>17,140</u>	<u>\$0</u>	<u>325,386</u>
Less: accumulated depreciation for:				
Buildings	(18,177)	(371)		(18,548)
Land improvements	(45,474)	(7,579)		(53,053)
Machinery and equipment	<u>(159,233)</u>	<u>(2,937)</u>		<u>(162,170)</u>
Total accumulated depreciation	<u>(222,884)</u>	<u>(10,887)</u>	<u>\$0</u>	<u>(233,771)</u>
Other capital assets, net	<u>86,362</u>	<u>6,253</u>	<u>0</u>	<u>92,615</u>
Business-type activities capital assets, net	<u>\$ 185,862</u>	<u>\$6,253</u>	<u>\$0</u>	<u>\$ 192,115</u>

Capital assets at June 30, 2006 were restated to reflect net infrastructure assets in the amount of \$9,186,947 acquired prior to July 1, 2002.

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

13. CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions as follows:

Governmental activities:

General government	\$1,189,698
Public safety	268,190
Recreation	17,435
Public works	148,880
Education	<u>22,000</u>
Total governmental activities depreciation expense.....	<u>\$1,646,203</u>

Business-type activities:

Residential Collection Center	\$ 9,924
Coastal Pond Management	<u>963</u>
Total business type activities	<u>\$10,887</u>

14. DEFERRED COMPENSATION PLAN

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

During the year ended June 30, 1998, the Town implemented the Governmental Accounting Standards Board, Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. All assets and income of the Plan are held in trust for the exclusive benefit of the participants and their beneficiaries. As a result, deferred compensation investments and the respective liability have been removed from the Town's financial statements for the year ended June 30, 2007.

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 thirteen fiscal years.

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

16. COMMUNITY SEPTIC LOAN PROGRAM

On June 9, 1999, the Town entered into an agreement with the Rhode Island Clean Water Finance Agency to finance the Town's Community Septic System Loan Program. The loan agreement provides the Town with a \$500,000 non-restoring line-of-credit. The proceeds of the loan shall be used by the Town for the establishment and operation of a Community Septic System Loan Program. The Program provides for the Town to make loans to property owners of the Town for the repair or replacement of failed or failing septic systems. The individual loans to be made to property owners shall be underwritten by the Town with the assistance of the Rhode Island Housing Mortgage Finance Corporation (RIHMFC). RIHMFC, on behalf of the Town shall perform all administrative functions related to servicing the individual loans, including disbursing loans to property owners and collecting and remitting borrower loan payments. The loan has a zero interest rate to the Town and 4% to property owners. The Town is only required to make principal repayments in the event that individual property owners default on their loans. As of June 30, 2007, approximately \$292,049 of loans have been disbursed under this program.

17. INTERFUND TRANSFERS

Interfund transfers for fiscal year ended June 30, 2007 are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental activities:		
Major funds:		
General Fund		\$399,815
Non-major funds	<u>\$446,432</u>	<u>91,617</u>
Total governmental activities	<u>\$446,432</u>	<u>\$491,432</u>
Business-type activities:		
Major funds:		
Residential Collection Center	<u>\$ 45,000</u>	
Total business-type activities	<u>\$ 45,000</u>	<u>\$ 0</u>

18. CONSTRUCTION COMMITMENTS

As of June 30, 2007, the Town had the following commitments with respect to unfinished capital projects:

Landfill Closure	<u>\$20,564</u>
Total	<u>\$20,564</u>

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007**

19. SUBSEQUENT EVENTS

On September 27, 2007, the Town received the proceeds from a lease purchase agreement to finance two vehicles and various police equipment. The lease proceeds totaled \$143,468. The lease is payable over a five-year period beginning October 12, 2007 and requires total principal and interest payments of \$156,911.

20. RESTATEMENT

Government-wide Financial Statements:

Net assets at June 30, 2006, have been restated for the following:

Net assets at June 30, 2006, (as originally reported)	\$12,300,863
Cost basis of infrastructure resulting from required implementation of GASB No. 34	39,450,004
Accumulated depreciation of infrastructure as of June 30, 2006.....	(30,263,057)
Adjustment to properly report unearned revenue	<u>714,877</u>
Net assets at June 30, 2006, as restated	<u>\$22,202,687</u>

(CONCLUDED)

TOWN OF CHARLESTOWN

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF CHARLESTOWN, RHODE ISLAND
MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date <u>June 30,</u>	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	(Overfunded) Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
<u>General Employees</u>						
2004	\$2,696,674	\$3,547,581	\$ 850,907	76.0%	\$1,363,696	62.4%
2005	\$2,799,513	\$3,850,033	\$1,050,521	72.7%	\$1,410,304	74.5%
2006	\$3,076,371	\$4,562,471	\$1,428,100	67.4%	\$1,484,156	100.1%
<u>Police</u>						
2004	\$3,481,132	\$5,797,368	\$2,316,236	60.0%	\$ 926,956	249.9%
2005	\$3,706,715	\$6,299,199	\$2,592,485	58.8%	\$ 949,693	273.0%
2006	\$4,172,898	\$6,306,521	\$2,133,624	66.2%	\$1,051,151	203.0%

SCHEDULE OF CONTRIBUTIONS FROM THE TOWN

Year Ended <u>June 30,</u>	Annual Pension Cost (APC)	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
<u>General Employees</u>			
2005	\$ 56,314	100%	\$0
2006	\$ 99,114	100%	\$0
2007	\$117,034	100%	\$0
<u>Police</u>			
2005	\$220,717	100%	\$0
2006	\$293,965	100%	\$0
2007	\$319,816	100%	\$0

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)

NOTES TO SCHEDULES

Additional information as of the latest actuarial valuation follows:

Valuation date	June 30, 2005
Actuarial cost method	Entry Age Normal
Amortization method	Level percent closed
Remaining amortization period	30 years (for original unfunded)
Asset valuation method	Market value of assets
Actuarial assumptions:	
Investment rate of return	8.25%, compounded annually
Projected salary increases	4.5% - 8.5% Town and 4.75% -14.75% Police
Cost-of-living adjustments	3.0% not compounded
Inflation	3.0% annually

(CONCLUDED)

TOWN OF CHARLESTOWN, RHODE ISLAND

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

**GENERAL FUND
YEAR ENDED JUNE 30, 2007**

	Originally Adopted Budget	Final Approved Budget	Actual (Budgetary Basis)	Variance Positive (Negative)
REVENUES:				
General property taxes	\$ 17,650,227	\$ 17,650,227	\$ 17,864,472	\$ 214,245
Intergovernmental	2,639,233	2,639,233	2,832,382	193,149
Investment income	80,300	80,300	307,779	227,479
Departmental	986,450	986,450	1,127,456	141,006
Total revenues	<u>21,356,210</u>	<u>21,356,210</u>	<u>22,132,089</u>	<u>775,879</u>
EXPENDITURES:				
Current:				
General government	1,226,806	1,237,606	1,166,486	71,120
Public safety	2,047,503	2,049,003	1,976,062	72,941
Public works	1,014,655	980,855	918,428	62,427
Education	13,095,475	13,095,475	13,158,668	(63,193)
Recreation	393,734	395,234	359,468	35,766
Public health and assistance	356,175	356,175	354,278	1,897
Miscellaneous	1,994,832	1,946,332	1,879,401	66,931
Debt service:				
Principal	340,000	340,000	340,000	
Interest and other costs	433,743	433,743	386,558	47,185
Capital:				
Capital improvements	538,487	415,383	622,812	(207,429)
Total expenditures	<u>21,441,410</u>	<u>21,249,806</u>	<u>21,162,161</u>	<u>87,645</u>
Excess of revenues over (under) expenditures	<u>(85,200)</u>	<u>106,404</u>	<u>969,928</u>	<u>863,524</u>
Other financing sources (uses):				
Transfers from fund balance	365,000	365,000	365,000	0
Proceeds from bond issuance	0	0	3,000,000	3,000,000
Proceeds from capital leases	0	0	197,286	197,286
Transfers out	(206,000)	(397,604)	(399,815)	(2,211)
Repayment of bond anticipation note	0	0	(3,000,000)	(3,000,000)
Landfill monitoring	(73,800)	(73,800)	(77,389)	(3,589)
Net other financing sources (uses)	<u>85,200</u>	<u>(106,404)</u>	<u>85,082</u>	<u>191,486</u>
Excess of revenues and other sources over expenditures and other uses	<u>\$ 0</u>	<u>\$ 0</u>	<u>1,055,010</u>	<u>\$ 1,055,010</u>
Less: transfers from fund balance			(365,000)	
Less: prior year encumbrances			(56,355)	
Add: current year encumbrances			17,544	
Fund balance, beginning of year			<u>5,303,987</u>	
Fund balance, end of year			<u>\$ 5,955,186</u>	

TOWN OF CHARLESTOWN, RHODE ISLANDGENERAL FUNDSCHEDULE OF BUDGET ESTIMATES AND ACTUAL REVENUES
YEAR ENDED JUNE 30, 2007

	Original and Final Budget	Actual Revenues	Variance Positive (Negative)
Property taxes:			
Current and prior years	\$ 17,550,227	\$ 17,733,716	\$ 183,489
Interest on delinquent taxes	100,000	130,756	30,756
Total property taxes	17,650,227	17,864,472	214,245
Intergovernmental revenues:			
State of Rhode Island including:			
Beach parking fees	0	30,237	30,237
School aid	1,532,347	1,624,508	92,161
General revenue sharing	408,708	411,097	2,389
Beverage tax on meals	111,379	112,610	1,231
Hotel tax	12,500	38,130	25,630
Public service corporation tax	91,420	76,504	(14,916)
Motor vehicle phaseout	474,899	528,671	53,772
Office of Indian Affairs	0	10,000	10,000
Emergency Management grant	7,980	625	(7,355)
Total intergovernmental revenues	2,639,233	2,832,382	193,149
Departmental revenues:			
Town Clerk:			
Business licenses and fees	12,000	14,145	2,145
Non-business licenses and fees	900	3,330	2,430
Transfer stamps	225,000	249,718	24,718
Probate fees	14,000	20,607	6,607
Tax certificates	14,000	11,780	(2,220)
Recording fees	150,000	149,480	(520)
Building inspector	150,000	152,896	2,896
Police department	60,000	100,269	40,269
Recreation	15,000	21,352	6,352
Town beach parking and concessions	65,000	86,931	21,931
Beach passes	81,000	78,693	(2,307)
Blue Shutters parking and concessions	106,550	129,304	22,754
Driving range	27,000	20,767	(6,233)
Animal control	5,000	5,952	952
Ninigret Park	4,500	6,145	1,645
Planning Board	7,500	7,760	260
Zoning Board and Review	6,500	6,450	(50)
Senior/Community Center	10,500	10,815	315
Other revenues	32,000	51,062	19,062
Total departmental revenues	986,450	1,127,456	141,006
Investment income	80,300	307,779	227,479
Other financing sources:			
Transfer from fund balance	365,000	365,000	0
Proceeds from bond issuance	0	3,000,000	3,000,000
Proceeds from capital leases	0	197,286	197,286
Total other financing sources	365,000	3,562,286	3,197,286
Total revenues and other financing sources	\$ 21,721,210	\$ 25,694,375	\$ 3,973,165

TOWN OF CHARLESTOWN, RHODE ISLAND

GENERAL FUND

SCHEDULE OF APPROPRIATIONS AND ACTUAL EXPENDITURES - BUDGETARY BASIS
YEAR ENDED JUNE 30, 2007

	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	\$ 189,000	\$ 10,000	\$ 199,000	\$ 183,463	\$ 402	\$ 183,865	\$ 15,135
Town clerk	177,151		177,151	167,414	(311)	167,103	10,048
Treasurer	159,274	(3,500)	155,774	148,322	161	148,483	7,291
Town administrator	131,930	3,500	135,430	134,754		134,754	676
Tax assessor	157,978	800	158,778	150,848	1,617	152,465	6,313
Building inspector	146,863		146,863	137,544		137,544	9,319
Tax collector	89,606		89,606	89,023		89,023	583
Town planner	100,204		100,204	90,087	18	90,105	10,099
Town council	21,150		21,150	21,083		21,083	67
Elections unit	24,350		24,350	18,275		18,275	6,075
Boards, agencies, and committees	29,300		29,300	23,786		23,786	5,514
Total general government	1,226,806	10,800	1,237,606	1,164,599	1,887	1,166,486	71,120
Public Safety:							
Police department	1,958,293		1,958,293	1,903,227	(11,086)	1,892,141	66,152
Animal control	66,985	1,500	68,485	69,302	(844)	68,458	27
Civil preparedness	22,225		22,225	16,398	(935)	15,463	6,762
Total public safety	2,047,503	1,500	2,049,003	1,988,927	(12,865)	1,976,062	72,941
Public Works:							
Highway department	638,080	(20,000)	618,080	590,051	2,805	592,856	25,224
Public buildings and grounds	201,925	(1,600)	200,325	193,454	229	193,683	6,642
Administration	100,400	1,600	102,000	102,120		102,120	(120)
Wastewater management	74,250	(13,800)	60,450	29,769		29,769	30,681
Total public works	1,014,655	(33,800)	980,855	915,394	3,034	918,428	62,427

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

GENERAL FUND

SCHEDULE OF APPROPRIATIONS AND ACTUAL EXPENDITURES - BUDGETARY BASIS
YEAR ENDED JUNE 30, 2007

	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	127,228		127,228	119,660		119,660	7,568
Senior/Community Center	70,000	1,500	71,500	70,932		70,932	568
Blue Shutters Beach	66,721		66,721	63,500	(157)	63,343	3,378
Town Beach	78,259		78,259	67,157	(157)	67,000	11,259
Driving Range	25,750		25,750	15,020	(118)	14,902	10,848
Ninigret Park	25,776		25,776	24,266	(635)	23,631	2,145
Total recreation	393,734	1,500	395,234	360,535	(1,067)	359,468	35,766
Public Health and Assistance:							
Cross Mills Library	193,200		193,200	193,200		193,200	0
Ambulance services	130,000		130,000	130,000		130,000	0
VNS Home Health Services	7,000		7,000	7,000		7,000	0
South Shore Mental Health	4,000		4,000	4,000		4,000	0
Domestic Violence of South County	1,000		1,000	1,000		1,000	0
Health Center of South County	2,500		2,500	2,500		2,500	0
Public Assistance	7,275		7,275	5,378		5,378	1,897
Warm Shelter	1,000		1,000	1,000		1,000	0
Salt ponds	500		500	500		500	0
Wood River/Pawcatuck	600		600	600		600	0
Seniors helping others	1,000		1,000	1,000		1,000	0
Community Action South County	1,000		1,000	1,000		1,000	0
The Samaritans	250		250	250		250	0
St. James Food Pantry	1,500		1,500	1,500		1,500	0
Memorial Day Parade	500		500	500		500	0
Chariho Cowboys	500		500	500		500	0
Chariho Soccer League	250		250	250		250	0
Charlestown Memorial Parade	1,000		1,000	1,000		1,000	0
Chamber of Commerce	3,100		3,100	3,100		3,100	0
Total public health and assistance	356,175	0	356,175	354,278	0	354,278	1,897

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

GENERAL FUND

SCHEDULE OF APPROPRIATIONS AND ACTUAL EXPENDITURES - BUDGETARY BASIS
YEAR ENDED JUNE 30, 2007

	Original Budget	Budget Amendments	Final Budget	Actual Expenditures and Transfers	Adjustments to Budgetary Basis	Expenditures and Transfers on Budgetary Basis	Variance Positive (Negative)
Education:							
Charlho Regional High School	13,095,475	0	13,095,475	13,158,668	0	13,158,668	(63,193)
Debt Service:							
General Obligation Bond:							
Principal	340,000		340,000	340,000		340,000	0
Interest	112,950		112,950	112,950		112,950	0
Tax anticipation note - interest	7,500		7,500	0		0	7,500
Open Space BAN - interest	60,000		60,000	25,890		25,890	34,110
Capital leases	239,593		239,593	239,232		239,232	361
Bond issuance costs	13,000		13,000	7,786		7,786	5,214
Fiscal agent fees	700		700	700		700	0
Total debt service	773,743	0	773,743	726,558	0	726,558	47,185
Miscellaneous:							
Employee insurance and benefits	1,538,132	(28,500)	1,509,632	1,471,072		1,471,072	38,560
Council contingency	9,800		9,800	3,625		3,625	6,175
Town insurance	231,000	(20,000)	211,000	201,167		201,167	9,833
Auditing	29,500		29,500	36,844		36,844	(7,344)
Legal services	186,400		186,400	166,693		166,693	19,707
Total miscellaneous	1,994,832	(48,500)	1,946,332	1,879,401	0	1,879,401	66,931
Capital Improvements Program:							
Police	75,000		75,000	103,490		103,490	(28,490)
Public works	321,612	(59,229)	262,383	268,835	(23,800)	245,035	17,348
Animal control	0		0	12,612	(6,000)	6,612	(6,612)
Asset inventory infrastructure	40,000		40,000	32,722		32,722	7,278
Geographical info system	50,000	(42,000)	8,000	7,667		7,667	333
Treasurer financial software	21,875	(21,875)	0	0		0	0
Ambulance	30,000		30,000	30,000		30,000	0
Capital leases	0		0	197,286		197,286	(197,286)
Total capital improvements	538,487	(123,104)	415,383	652,612	(29,800)	622,812	(207,429)

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

GENERAL FUND

**SCHEDULE OF APPROPRIATIONS AND ACTUAL EXPENDITURES - BUDGETARY BASIS
YEAR ENDED JUNE 30, 2007**

	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	45,000		45,000	45,000		45,000	0
Special revenue funds - Revaluation	15,000		15,000	15,000		15,000	0
Special revenue funds - Police Grants	3,500		3,500	0		0	3,500
Special revenue funds - Reserve for Severance	75,000		75,000	75,000		75,000	0
Special revenue funds - Municipal Planning	25,000		25,000	25,000		25,000	0
Special revenue funds - Facilities Maintenance	12,000		12,000	12,000		12,000	0
Special revenue funds - Treasurer financial software	0	21,875	21,875	21,875		21,875	0
Special revenue funds - Geographical info system	0	42,000	42,000	42,000		42,000	0
Special revenue funds - RI Economic Development	0		0	2,970		2,970	(2,970)
Capital project funds - Police Building Fund	0		0	2,750		2,750	(2,750)
Capital project funds - Old Coach Road Recon	0	59,229	59,229	59,220		59,220	9
Capital project funds - Landfill Closure	10,500	68,500	79,000	79,000		79,000	0
Capital project funds - DPW Road Engineering	20,000		20,000	20,000		20,000	0
Total transfers out	206,000	191,604	397,604	399,815	0	399,815	(2,211)
Other:							
Repayment of bond anticipation note	0		0	3,000,000		3,000,000	(3,000,000)
Landfill monitoring	73,800		73,800	77,389		77,389	(3,589)
Total other	73,800	0	73,800	3,077,389	0	3,077,389	(3,003,589)
Total expenditures	\$ 21,721,210	\$ 0	\$ 21,721,210	\$ 24,678,176	\$ (38,811)	\$ 24,639,365	\$ (2,918,155)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2007**

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, 2007:

Excess of revenues and other sources over expenditures and other uses (Non-GAAP Budgetary Basis).....	\$1,055,010
Fund balance reappropriated	(365,000)
Current year encumbrances.....	17,544
Prior year encumbrances	<u>(56,355)</u>
Excess of revenues and other sources over expenditures and other uses (GAAP)	<u>\$ 651,199</u>

Town Of Charlestown

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Police Grants – LLEBG Grant

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

Police Grants - Byrne

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

MEDS Grant – RI Dept. of Health

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

Police Grant - NCHIP

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

School Impact Fees

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

Educational Planning

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

Historical and Vital Records

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

Municipal Planning

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

(CONTINUED)

Town Of Charlestown

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS (CONTINUED)

Revaluation Fund

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

Reserve for Employee Severance Benefits

This fund accounts for funds set-aside for employee severance benefits.

Comprehensive Planning Grant

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

Neighborhood Crime Prevention

This fund accounts for grant monies to be used for crime prevention in local neighborhoods.

RI Economic Development Grant

This fund accounts for monies to be used towards various projects including the Cross Mills Historic Village and the Senior/Community Center access road.

Recreation Donations

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

Ninigret Park Fund

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

Bicentennial Fund

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

Washington County Regional Planning

The purpose of this fund is to account for a grant for a regional planning study of the Route 1 Corridor from Westerly, RI to North Kingstown, RI. The Town of Charlestown has been designated as the fiscal agent of the grant funds. The grant was received from the RI Department of Administration – Division of Planning.

(CONTINUED)

Town Of Charlestown

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS (CONTINUED)

Facilities Maintenance

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

Developer Bond Deposits

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

Open Space Fees

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

D.A.R.E. Program

D.A.R.E. stands for Drug Abuse Resistance Education. This program is to account for a grant received by the Town to be utilized to educate the youth of Charlestown on drug abuse.

Naval Airfield Memorial

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

Police Forfeiture

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

Employee Vending

The purpose of this fund is to account for funds generated from vending machines located in Town Hall which are used to pay for an annual employee party.

Police Bike Unit Training

This fund accounts for fees collected for bike training to offset costs associated with the operations of the bike unit.

Birthday Committee

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

(CONTINUED)

Town Of Charlestown

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS (CONTINUED)

Homeland Security Grant

This fund accounts for monies to be used to upgrade communications between Police, Fire and Rescue in a case of a major emergency.

Town Hall Building Upgrade

This fund was created to reserve funds needed to renovate the old police facility located at the Town Hall that has been vacant since the Police Department moved to its new facility. New offices will be built and several Town departments moved.

Health Care Reserve Fund

This fund was created to reserve funds for other post-employment benefits for Town retirees.

Public Assistance Special Account

The purpose of this fund is to account for the one-time transfer budgeted in FY06 for public assistance for needy people.

Homeland Security Grant - Police Dept.

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

Ninigret Park Master Plan

The purpose of this fund is to account for the monies set aside in FY06 for master planning and updating of the Ninigret Park facility.

Wastewater Management

This fund accounts for federal monies received to further enhance the wastewater management in the Town of Charlestown.

Community Development Block Grants

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

Senior Community Activities

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

(CONTINUED)

Town Of Charlestown

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS (CONTINUED)

Housing Preservation Grants Program

This fund accounts for funds to be used for housing rehabilitation for a specific project.

GIS Project

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

Dept. of Justice – COPS Technology Grant

The purpose of this fund is to account for a grant for equipment and technology to be utilized at the newly constructed police station. This grant was received by the U.S. Department of Justice.

Special Donations

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

Stormwater Management Grant

This fund accounts for grant monies for the development of a stormwater management plan.

Accounting Software Fund

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

EPA Grant

This fund accounts for monies to be used for septic upgrades and innovative programs.

Columbia Heights Streetscapes Enhancement

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

(CONTINUED)

Town Of Charlestown

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS (CONTINUED)

Homeland Security Grant - EMA Citizens

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

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.

CAPITAL PROJECT FUNDS

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

DPW - Old Coach Road Reconstruction Phase 1

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

Tennis Court Construction

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

Town Capital Maintenance Fund

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

Police Building Fund

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

DPW Road Engineering

Accounts for costs related to road engineering.

Open Space Acquisition

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

(CONTINUED)

Town Of Charlestown

NON-MAJOR GOVERNMENTAL FUNDS

CAPITAL PROJECT FUNDS (CONTINUED)

Landfill Closure

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

DEBT SERVICE FUND

The Debt Service Fund is used to account for the accumulation of resources and payment of demand note principal and interest from governmental resources and special assessment demand note principal and interest from special assessment levies when the government is obligated in some manner for the payment.

Ocean Ridge Road

This fund accounts for the assessment of property owners for road improvements through special legislation. The property liens are placed on the plats for a period of 15 years.

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 Fund

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, 2007**

	Special Revenue Funds					
	Police Grants - LLEBG Grants	Police Grants - Byrne	MEDS Grant - RI Dept of Health	Police Grant - NCHIP	School Impact Fees	Educational Planning
					\$ 545,071	
	\$ 804		\$ 7,000	\$ 17,100		\$ 19,933
	\$ 804		\$ 7,000	\$ 17,100	\$ 545,071	\$ 19,933

ASSETS:

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

LIABILITIES AND FUND BALANCES:

LIABILITIES:

Accounts payable
Due to other funds
Retainage payable
Deferred revenues
Other liabilities
TOTAL LIABILITIES

FUND BALANCES:

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

TOTAL LIABILITIES AND FUND BALANCES

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2007**

	Special Revenue Funds					
	Historical and Vital Records	Municipal Planning	Revaluation Fund	Reserve for Employee Severance Benefits	Comprehensive Planning Grant	Neighborhood Crime Prevention
	\$ 51,799	\$ 100,811	\$ 110,665	\$ 105,281	\$ 777	
			6,996			
	\$ 51,799	\$ 100,811	\$ 117,661	\$ 105,281	\$ 12,845	\$ 580
TOTAL ASSETS						

ASSETS:

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

LIABILITIES AND FUND BALANCES:

LIABILITIES:

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

TOTAL LIABILITIES

FUND BALANCES:

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

TOTAL FUND BALANCES

TOTAL LIABILITIES AND FUND BALANCES

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2007**

	Special Revenue Funds					Washington County Regional Planning Facilities Maintenance
	RI Economic Development Grant	Recreation Donations	Ninigret Park Fund	Bicentennial Fund		
		\$ 1,159	\$ 144,649	\$ 2,069		\$ 30,025
					\$ 56,825	
TOTAL ASSETS	\$ 0	\$ 1,159	\$ 144,649	\$ 2,069	\$ 56,825	\$ 30,025

ASSETS:

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

TOTAL ASSETS

LIABILITIES AND FUND BALANCES:

LIABILITIES:

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

TOTAL LIABILITIES

FUND BALANCES:

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

TOTAL FUND BALANCES

TOTAL LIABILITIES AND FUND BALANCES

			\$ 54,087		\$ 27,762	
					12,658	
					16,405	
TOTAL LIABILITIES	\$ 0	\$ 0	\$ 54,087	\$ 0	\$ 56,825	\$ 0
	0	1,159	90,562	2,069	0	30,025
TOTAL FUND BALANCES	\$ 0	\$ 1,159	\$ 144,649	\$ 2,069	\$ 56,825	\$ 30,025

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2007**

Special Revenue Funds

	Developer Bond Deposits	Open Space Fees	DARE Program	Naval Airfield Memorial	Police Forfeiture	Employee Vending
	\$ 55,973	\$ 30,131	\$ 230	\$ 4,833	\$ 6,939	\$ 774
		1,091				
	\$ 55,973	\$ 31,222	\$ 230	\$ 4,833	\$ 6,939	\$ 774

ASSETS:

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

TOTAL ASSETS

LIABILITIES AND FUND BALANCES:

LIABILITIES:

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

TOTAL LIABILITIES

FUND BALANCES:

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

TOTAL FUND BALANCES

TOTAL LIABILITIES AND FUND BALANCES

\$ 55,973	0	\$ 0	0	0	0	0
55,973	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
	31,222	230	4,833	6,939	774	
0	31,222	230	4,833	6,939	774	
\$ 55,973	\$ 31,222	\$ 230	\$ 4,833	\$ 6,939	\$ 774	

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2007**

	Special Revenue Funds						
	Police Bike Unit Training	Birthday Committee	Homeland Security Grant	Town Hall Building Upgrade	Health Care Reserve Fund	Public Assistance Special Account	
	\$	1,814			\$	52,311	
	\$	294	\$	70,000	\$		2,022
	\$	294	\$	70,000	\$	52,311	\$
			\$	3,886			
	\$	294	\$	3,886	\$	52,311	\$
	\$	0	\$	0	\$	0	\$
	\$	294	\$	3,886	\$	0	\$
	\$	294	\$	3,886	\$	52,311	\$
	\$	294	\$	3,886	\$	52,311	\$

ASSETS:

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

LIABILITIES AND FUND BALANCES:

LIABILITIES:

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

TOTAL LIABILITIES

FUND BALANCES:

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

TOTAL FUND BALANCES

TOTAL LIABILITIES AND FUND BALANCES

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2007**

	Special Revenue Funds						
	Homeland Security Grant - Police Dept	Ninigret Park Master Plan	Wastewater Management	Community Development Block Grant	Senior Community Activities	Housing Preservation Grants Program	
			\$ 7,882				
\$ 204	\$ 34,646					\$ 73	
		\$ 20,625	285,376			21,775	
\$ 204	\$ 34,646	\$ 20,625	\$ 293,258	\$ 0	\$ 21,848		

ASSETS:

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

LIABILITIES AND FUND BALANCES:

LIABILITIES:

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

TOTAL LIABILITIES

FUND BALANCES:

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

TOTAL FUND BALANCES

TOTAL LIABILITIES AND FUND BALANCES

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2007**

	Special Revenue Funds					
	Dept of		Stormwater Management Grant	Accounting Software Fund	EPA Grant	
	Justice - COPS Technology Grant	Special Donations				
GIS Project						
	\$ 42,000	\$ 4,530		\$ 21,875		\$ 90,270
Cash and cash equivalents	\$ 45,778		\$ 25,000			\$ 90,270
Investments						
Other receivables						
Due from:						
Other funds						
Other governments						
TOTAL ASSETS	\$ 42,000	\$ 4,530	\$ 25,000	\$ 21,875		\$ 90,270

ASSETS:

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

LIABILITIES AND FUND BALANCES:

LIABILITIES:

Accounts payable						
Due to other funds	\$ 5,696		\$ 24,319		\$ 17,554	
Retainage payable						
Deferred revenues	40,082		681		72,716	
Other liabilities						
TOTAL LIABILITIES	\$ 0	\$ 0	\$ 25,000	\$ 0	\$ 90,270	

FUND BALANCES:

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

	42,000	4,530	25,000	21,875	0	90,270
TOTAL FUND BALANCES	42,000	4,530	25,000	21,875	0	90,270
TOTAL LIABILITIES AND FUND BALANCES	\$ 42,000	\$ 4,530	\$ 25,000	\$ 21,875	\$ 0	\$ 90,270

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2007**

	Special Revenue Funds				Capital Project Funds			
	Columbia Heights Streetscapes Enhancement	Homeland Security Grant - EMA Citizens	Trail Improvement Grant - Mud Cove	DPW - Old Coach Road Reconstruction Phase I	Tennis Court Construction	Town Capital Maintenance Fund	Police Building Fund	
	\$ 395,578	\$ 6,538	\$ 50,000	\$ 59,220	\$ 34,526	\$ 245,924	\$ 4,108	
	\$ 395,578	\$ 6,538	\$ 50,000	\$ 59,220	\$ 99,526	\$ 245,924	\$ 63,663	
TOTAL ASSETS								\$ 67,771

ASSETS:

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

LIABILITIES AND FUND BALANCES:

LIABILITIES:

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

TOTAL LIABILITIES

FUND BALANCES:

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

TOTAL FUND BALANCES

TOTAL LIABILITIES AND FUND BALANCES

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2007

	Capital Project Funds			Debt Service Funds			Total Non-Major Governmental Funds
	DPW Road Engineering	Open Space Acquisitions	Landfill Closure	Ocean Ridge Road	Zenis Ellis Trust	Cemetery Fund	
Cash and cash equivalents				\$ 12,782	\$ 1,105	\$ 500	\$ 875,978
Investments							500
Other receivables				892			892
Due from:							
Other funds	\$ 113,625	\$ 188,361	\$ 79,000				1,406,802
Other governments							1,080,647
TOTAL ASSETS	\$ 113,625	\$ 188,361	\$ 79,000	\$ 13,674	\$ 1,105	\$ 553	\$ 3,364,819

ASSETS:

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

LIABILITIES AND FUND BALANCES:

LIABILITIES:

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

TOTAL LIABILITIES

FUND BALANCES:

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

TOTAL FUND BALANCES

TOTAL LIABILITIES AND FUND BALANCES

							\$ 27,835
							276,918
	\$ 20,000						25,943
		\$ 892					917,274
			\$ 155				56,128
\$ 0	\$ 0	20,000	892	155	0	0	1,304,098
		20,564			950	553	1,503
							143,191
							1,244,312
113,625	188,361	38,436					658,933
			12,782				12,782
113,625	188,361	59,000	12,782	950	553	2,060,721	
\$ 113,625	\$ 188,361	\$ 79,000	\$ 13,674	\$ 1,105	\$ 553	\$ 3,364,819	

(CONCLUDED)

TOWN OF CHARLESTOWN, RHODE ISLAND

COMBINING STATEMENT OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES) AND CHANGES IN FUND BALANCE
 NON-MAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2007

		Special Revenue Funds					
		Police Grants - LLEBG Grants	Police Grants-Byrne	MEDS Grant - RI Dept. of Health	Police Grant - NCHIP	School Impact Fees	Educational Planning
REVENUES:							
	Intergovernmental		\$ 322	\$ 218			
	Investment income					\$ 25,662	
	Other					27,113	
	TOTAL REVENUES	\$ 0	322	218	\$ 0	52,775	\$ 0
EXPENDITURES:							
Current:							
	General government						
	Public safety	206	322	218			
	Public works						
	Parks and recreation						
	Community development						
	Public health and assistance						
	Debt Service:						
	Principal					4,322	
	Interest					3,478	
	Capital:						
	Capital outlay	206	322	218	7,800	0	0
	TOTAL EXPENDITURES	(206)	0	0	(7,800)	52,775	0
	EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)						
	OTHER FINANCING SOURCES (USES):						
	Proceeds from capital leases						
	Transfers in						
	Transfers out						
	NET OTHER FINANCING SOURCES (USES)	0	0	0	0	0	0
	EXCESS OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) EXPENDITURES	(206)	0	0	(7,800)	52,775	0
	FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	206	481	0	24,900	492,296	19,933
	FUND BALANCE (DEFICIT) AT END OF YEAR	\$ 0	\$ 481	\$ 0	\$ 17,100	\$ 545,071	\$ 19,933

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

COMBINING STATEMENT OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES) AND CHANGES IN FUND BALANCE
 NON-MAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2007

	Special Revenue Funds					
	Historical and Vital Records	Municipal Planning	Revaluation Fund	Reserve for Employee Severance Benefits	Comprehensive Planning Grant	Neighborhood Crime Prevention
REVENUES:						
Intergovernmental	\$ 1,200		\$ 6,996			\$ 1,863
Investment income						
Other	19,441					
TOTAL REVENUES	20,641	0	6,996	0	0	1,863
EXPENDITURES:						
Current:						
General government	655	8,770	8,010	66,348	5,630	2,283
Public safety						
Public works						
Parks and recreation						
Community development						
Public health and assistance						
Debt Service:						
Principal						
Interest						
Capital:						
Capital outlay	655	8,770	8,010	66,348	5,630	2,283
TOTAL EXPENDITURES	19,986	(8,770)	(1,014)	(66,348)	(5,630)	(420)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)						
	0	25,000	15,000	75,000	0	0
OTHER FINANCING SOURCES (USES):						
Proceeds from capital leases						
Transfers in		25,000	15,000	75,000	0	0
Transfers out						
NET OTHER FINANCING SOURCES (USES)						
	19,986	16,230	13,986	8,652	(5,630)	(420)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) EXPENDITURES						
	31,813	84,581	102,898	96,629	18,475	1,000
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR						
	\$ 51,799	\$ 100,811	\$ 116,884	\$ 105,281	\$ 12,845	\$ 580
FUND BALANCE (DEFICIT) AT END OF YEAR						

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

COMBINING STATEMENT OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES) AND CHANGES IN FUND BALANCE
 NON-MAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2007

	Special Revenue Funds					Washington County Regional Planning	Facilities Maintenance
	RI Economic Development Grant	Recreation Donations	Ninigret Park Fund	Bicentennial Fund			
REVENUES:							
Intergovernmental					\$	94,755	
Investment income			\$ 6,605	\$	97		
Other			28,540				
TOTAL REVENUES	\$ 0	\$ 0	\$ 35,145	97	94,755	\$ 0	0
EXPENDITURES:							
Current:							
General government						94,755	
Public safety							
Public works							
Parks and recreation			5,809				
Community development							
Public health and assistance							
Debt Service:							
Principal							
Interest							
Capital:							
Capital outlay							
TOTAL EXPENDITURES	0	0	5,809	0	94,755	0	0
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	0	0	29,336	97	0	0	0
OTHER FINANCING SOURCES (USES):							
Proceeds from capital leases	2,970						12,000
Transfers in							
Transfers out			(37,313)				
NET OTHER FINANCING SOURCES (USES)	2,970	0	(37,313)	0	0	0	12,000
EXCESS OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) EXPENDITURES	2,970	0	(7,977)	97	0	0	12,000
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	(2,970)	1,159	98,539	1,972	0	0	18,025
FUND BALANCE (DEFICIT) AT END OF YEAR	\$ 0	\$ 1,159	\$ 90,562	\$ 2,069	\$ 0	\$ 0	\$ 30,025

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

COMBINING STATEMENT OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES) AND CHANGES IN FUND BALANCE
 NON-MAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2007

	Special Revenue Funds					
	Developer Bond Deposits	Open Space Fees	DARE Program	Naval Airfield Memorial	Police Forfeiture	Employee Vending
REVENUES:						
Intergovernmental		\$ 1,383		\$ 232	\$ 7,754	3
Investment income		4,001				436
Other			\$ 200			
TOTAL REVENUES	\$0	5,384	200	232	7,757	439
EXPENDITURES:						
Current:						
General government						496
Public safety					1,230	
Public works						
Parks and recreation						
Community development						
Public health and assistance						
Debt Service:						
Principal						
Interest						
Capital:						
Capital outlay						496
TOTAL EXPENDITURES	0	0	0	0	1,230	496
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	0	5,384	200	232	6,527	(57)
BEFORE OTHER FINANCING SOURCES (USES)						
OTHER FINANCING SOURCES (USES):						
Proceeds from capital leases						
Transfers in						
Transfers out						
NET OTHER FINANCING SOURCES (USES)	0	0	0	0	0	0
EXCESS OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) EXPENDITURES	0	5,384	200	232	6,527	(57)
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	0	25,838	30	4,601	412	831
FUND BALANCE (DEFICIT) AT END OF YEAR	\$0	\$ 31,222	\$ 230	\$ 4,833	\$ 6,939	\$ 774

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

COMBINING STATEMENT OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES) AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007

	Special Revenue Funds						Public Assistance Special Account
	Police Bike Unit Training	Birthday Committee	Homeland Security Grant	Town Hall Building Upgrade	Health Care Reserve Fund		
REVENUES:							
Intergovernmental			\$ 21,561				
Investment income		\$ 87			\$ 2,311		
Other							
TOTAL REVENUES	\$ 0	87	21,561	0	2,311	0	0
EXPENDITURES:							
Current:							
General government							
Public safety			21,561				
Public works							
Parks and recreation							
Community development							
Public health and assistance							1,417
Debt Service:							
Principal							
Interest							
Capital:							
Capital outlay	0	0	21,561	0	0	0	1,417
TOTAL EXPENDITURES	0	87	0	0	2,311	0	(1,417)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	0	87	0	0	2,311	0	(1,417)
OTHER FINANCING SOURCES (USES):							
Proceeds from capital leases							
Transfers in							
Transfers out							
NET OTHER FINANCING SOURCES (USES)	0	0	0	0	0	0	0
EXCESS OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) EXPENDITURES	0	87	0	0	2,311	0	(1,417)
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	294	1,727	0	70,000	50,000	0	3,439
FUND BALANCE (DEFICIT) AT END OF YEAR	\$ 294	\$ 1,814	\$ 0	\$ 70,000	\$ 52,311	\$ 0	\$ 2,022

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

COMBINING STATEMENT OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES) AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007

	Special Revenue Funds					
	Homeland Security Grant - Police Dept	Ninigret Park Master Plan	Wastewater Management	Community Development Block Grant	Senior Community Activities	Housing Preservation Grants Program
REVENUES:						
Intergovernmental	\$ 4,602		\$ 8,823	\$ 136,407		
Investment income						
Other				10,000		
TOTAL REVENUES	4,602	0	8,823	146,407	0	\$0
EXPENDITURES:						
Current:						
General government						
Public safety	4,602					
Public works			8,823			
Parks and recreation		354				
Community development				146,389		
Public health and assistance						
Debt Service:						
Principal						
Interest						
Capital:						
Capital outlay						
TOTAL EXPENDITURES	4,602	354	8,823	146,389	0	0
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	0	(354)	0	18	0	0
OTHER FINANCING SOURCES (USES):						
Proceeds from capital leases						
Transfers in						
Transfers out						
NET OTHER FINANCING SOURCES (USES)	0	0	0	0	0	0
EXCESS OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) EXPENDITURES	0	(354)	0	18	0	0
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	0	35,000	0	0	(1,169)	0
FUND BALANCE (DEFICIT) AT END OF YEAR	\$ 0	\$ 34,646	\$ 0	\$ 18	\$ (1,169)	\$0

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

COMBINING STATEMENT OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES) AND CHANGES IN FUND BALANCE
 NON-MAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2007

	Special Revenue Funds					
	GIS Project	Dept of Justice - COPS Technology Grant	Special Donations	Stormwater Management Grant	Accounting Software Fund	EPA Grant
REVENUES:						
Intergovernmental		\$ 25,475		\$ 9,019		\$ 91,715
Investment income			\$ 206			
Other			274			
TOTAL REVENUES	\$ 0	25,475	480	9,019	0	91,715
EXPENDITURES:						
Current:						
General government						
Public safety		5,696				
Public works				9,019		91,715
Parks and recreation						
Community development						
Public health and assistance						
Debt Service:						
Principal						
Interest						
Capital:						
Capital outlay	0	5,696	0	9,019	0	91,715
TOTAL EXPENDITURES	0	5,696	0	9,019	0	91,715
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES						
BEFORE OTHER FINANCING SOURCES (USES)	0	19,779	480	0	0	0
OTHER FINANCING SOURCES (USES):						
Proceeds from capital leases					21,875	
Transfers in	42,000					
Transfers out		(19,779)				
NET OTHER FINANCING SOURCES (USES)	42,000	(19,779)	0	0	21,875	0
EXCESS OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) EXPENDITURES	42,000	0	480	0	21,875	0
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	0	0	4,050	0	0	0
FUND BALANCE (DEFICIT) AT END OF YEAR	\$ 42,000	\$ 0	\$ 4,530	\$ 0	\$ 21,875	\$ 0

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

COMBINING STATEMENT OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES) AND CHANGES IN FUND BALANCE
 NON-MAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2007

	Special Revenue Funds				Capital Project Funds			
	Columbia Heights Streetscapes Enhancement	Homeland Security Grant - EMA Citizens	Trail Improvement Grant - Mud Cove	DPW - Old Coach Road Reconstruction Phase I	Tennis Court Construction	Town Capital Maintenance Fund	Police Building Fund	
REVENUES:								
Intergovernmental	\$	3,600	\$	582	\$	53,710		\$
Investment income								605
Other								
TOTAL REVENUES	\$0	3,600	582	\$	53,710	\$	0	605
EXPENDITURES:								
Current:								
General government								
Public safety		3,600						
Public works								
Parks and recreation			582					
Community development								
Public health and assistance								
Debt Service:								
Principal								
Interest								
Capital:								
Capital outlay					174,786		1,776	211,060
TOTAL EXPENDITURES	0	3,600	582	0	174,786	1,776	1,776	211,060
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	0	0	0	0	(121,076)	(1,776)	(1,776)	(210,455)
OTHER FINANCING SOURCES (USES):								
Proceeds from capital leases								235,368
Transfers in					71,838			22,529
Transfers out								
NET OTHER FINANCING SOURCES (USES)	0	0	0	0	71,838	0	0	257,897
EXCESS OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) EXPENDITURES	0	0	0	0	(49,238)	(1,776)	(1,776)	47,442
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	0	0	0	0	0	247,700	0	15,163
FUND BALANCE (DEFICIT) AT END OF YEAR	\$0	\$	0	\$	59,220	\$	245,924	\$
					(49,238)			62,605

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES) AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007**

	Capital Project Funds			Debt Service Funds		Permanent Funds		Total Non-Major Governmental Funds
	DPW Road Engineering	Open Space Acquisitions	Landfill Closure	Ocean Ridge Road	Zenis Ellis Trust	Cemetery Fund		
REVENUES:								
Intergovernmental		\$ 21,701						\$ 490,303
Investment income		5,948		\$ 51		\$ 4		43,197
Other								90,005
TOTAL REVENUES	\$ 0	27,649	\$ 0	51	\$ 0	4		623,505
EXPENDITURES:								
Current:								
General government								184,664
Public safety								39,718
Public works								109,557
Parks and recreation								6,745
Community development								146,389
Public health and assistance								1,417
Debt Service:								
Principal								4,322
Interest								3,478
Capital:								
Capital outlay	8,821	50,894	2,533					449,870
TOTAL EXPENDITURES	8,821	50,894	2,533	0	0	0		946,160
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	(8,821)	(23,245)	(2,533)	51	0	4		(322,655)
OTHER FINANCING SOURCES (USES):								
Proceeds from capital leases								235,368
Transfers in	20,000		79,000					446,432
Transfers out		(34,525)						(91,617)
NET OTHER FINANCING SOURCES (USES)	20,000	(34,525)	79,000	0	0	0		590,183
EXCESS OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) EXPENDITURES	11,179	(57,770)	76,467	51	0	4		267,528
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	102,446	246,131	(17,467)	12,731	950	549		1,793,193
FUND BALANCE (DEFICIT) AT END OF YEAR	\$ 113,625	\$ 188,361	\$ 59,000	\$ 12,782	\$ 950	\$ 553		\$ 2,060,721

(CONCLUDED)

TOWN OF CHARLESTOWN

SINGLE AUDIT SECTION

TOWN OF CHARLESTOWN, RHODE ISLAND

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007**

Federal Grantor Pass-Through Grantor <u>Program title</u>	Federal CFDA Number	Federal Expenditures
U.S. Department of Housing and Urban Development		
Governor's Office of Housing & Energy & Intergovernmental Relations		
Community Development Block Grants - Small Cities Program	14.219	\$ 146,389
Total U.S. Department of Housing and Urban Development		<u>146,389</u>
U.S. Department of Justice		
RI Governor's Justice Commission		
Public Safety Partnership and Community Policing Grants (COPS)	16.710	27,758
Byrne Grant	16.579	7,672
Bureau of Justice Assistance		
Local Law Enforcement and Block Grants Program	16.592	206
Total U.S. Department of Justice		<u>35,636</u>
U.S. Department of Agriculture		
Community Facilities Loans and Grants	10.766	* 3,000,000
Total U.S. Department of Agriculture		<u>3,000,000</u>
U.S. Environmental Protection Agency		
EPA Grant	66.606	91,715
Total U.S. Environmental Protection Agency		<u>91,715</u>
Federal Emergency Management Agency		
RI Emergency Management Agency		
Homeland Security Grant - 2005 - State Homeland Security Program	97.067	21,561
Homeland Security Grant - 2004	16.007	4,602
Citizens Corps Program	97.053	3,600
Total Federal Emergency Management Agency		<u>29,763</u>
U.S. Department of Transportation		
RI Department of Transportation		
Planning Grant: Washington County Regional Planning Council Route 1 Corridor Study	20.205	94,755
Total U.S. Department of Transportation		<u>94,755</u>
U.S. Centers for Disease Control and Prevention		
Medical Emergency Distribution System (MEDS) Program Municipal Deliverables	96.069	218
Total U.S. Centers for Disease Control and Prevention		<u>218</u>
Total Expenditures of Federal Awards		<u>\$ 3,398,476</u>

* Denotes a major program

SEE NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2007**

1. GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the Town of Charlestown. All federal awards received from federal agencies are included on the Schedule.

2. BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting.

3. DETERMINATION OF MAJOR PROGRAMS

The determination of major federal financial assistance programs was based upon the overall level of expenditures for all federal programs for the Town of Charlestown. As such, the threshold for determining Type A and Type B programs is defined as those with program expenditures greater than \$300,000 or 3 percent of total expenditures when the total expenditures are over \$10,000,000. There was one program with expenditures exceeding \$300,000 for the fiscal year ended June 30, 2007. For the fiscal year ended June 30, 2007, the following programs were considered major programs:

Community Facilities Loans and Grants#10.766

CAYER CACCIA LLP

Certified Public Accountants and Business Consultants

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

To the Honorable Town Council,
Charlestown, Rhode Island

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Charlestown, Rhode Island, as of and for the year ended June 30, 2007, which collectively comprise the Town of Charlestown, Rhode Island's basic financial statements and have issued our report thereon dated December 24, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town of Charlestown, Rhode Island's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town of Charlestown, Rhode Island's financial statements that is more than inconsequential will not be prevented or detected by the Town of Charlestown, Rhode Island's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town of Charlestown, Rhode Island's internal control.

405 Promenade Street, Providence, RI 02908 (401) 421-7700 FAX (401) 421-5252
100 Plaza Center 68 Cumberland Street, Woonsocket, RI 02895 (401) 766-8100

Internal Control Over Financial Reporting (Continued)

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

Compliance and Other Matters

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

We noted certain other matters that we reported to management of the Town of Charlestown, Rhode Island, in a separate letter dated December 24, 2007.

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

December 24, 2007

Cayer Caccia, LLP.

CAYER CACCIA LLP

Certified Public Accountants and Business Consultants

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Honorable Town Council
Charlestown, Rhode Island

Compliance

We have audited the compliance of the Town of Charlestown, Rhode Island with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The Town of Charlestown, Rhode Island's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Town of Charlestown, Rhode Island's management. Our responsibility is to express an opinion on the Town of Charlestown, Rhode Island's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Charlestown, Rhode Island's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town of Charlestown, Rhode Island's compliance with those requirements.

In our opinion, the Town of Charlestown, Rhode Island complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of the Town of Charlestown, Rhode Island is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Charlestown, Rhode Island's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Charlestown, Rhode Island's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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

Cayan Caccia, LLP.

December 24, 2007

TOWN OF CHARLESTOWN, RHODE ISLAND

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007**

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expressed an unqualified opinion on the financial statements of the Town of Charlestown.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditor's Report.
3. No instances of noncompliance material to the financial statements of the Town of Charlestown were disclosed during the audit.
4. No significant deficiencies relating to the audit of major federal award programs were reported.
5. The auditor's report on compliance for the major federal award programs for the Town of Charlestown expresses an unqualified opinion.
6. There were no audit findings relative to the major federal award programs for the Town of Charlestown.
7. The programs tested as major programs include:

Community Facilities Loans and Grants #10.766
8. The threshold for distinguishing Type A and B programs is described in Note 3 to the Schedule of Expenditures of Federal Awards.
9. The Town did not qualify as a low risk auditee.

B. FINDINGS RELATED TO AUDIT OF FINANCIAL STATEMENTS

None

C. FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS

Current year findings:

None

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2007**

A. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

DEPARTMENT OF JUSTICE

Public Safety Partnership and Community Policing Grants (COPS) – CFDA No. 16.710

06-1 Condition and Criteria: The Town of Charlestown is required to submit SF-269 "Financial Status Report" for every calendar quarter. The Report is due 45 days after the end of each quarter. During the 2006 fiscal year, no reports were filed.

Auditor's Recommendation: Procedures should be implemented requiring the timely filing of all SF-269 "Financial Status Reports".

Current Status: The required reports were filed. The Treasurer's Department implemented procedures to ensure the timely filing of reports - report due dates are placed on an internal calendar one month in advance of the due date.

DEPARTMENT OF HOMELAND SECURITY

Homeland Security Cluster—CFDA No. 97.067, No. 16.007. and No. 97.053

06-2 Condition and Criteria: The Town of Charlestown is required to submit SF-269 "Financial Status Report" for every calendar quarter. The Report is due 45 days after the end of each quarter. During the 2006 fiscal year, of the 20 reports that were required to be filed, 7 reports were filed, of which one was filed late.

Auditor's Recommendation: Procedures should be implemented requiring the timely filing of all SF-269 "Financial Status Reports".

Current Status: The required reports were filed. The Treasurer's Department implemented procedures to ensure the timely filing of reports - report due dates are placed on an internal calendar one month in advance of the due date.

(CONCLUDED)