

TOWN OF
CHARLESTOWN, RHODE ISLAND

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

FOR THE YEAR ENDED
JUNE 30, 2008

Prepared by:

Karen M. Hagan

Town Treasurer

TOWN OF CHARLESTOWN, RHODE ISLAND
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2008

TABLE OF CONTENTS

	<u>Schedule</u>	<u>Page(s)</u>
INTRODUCTORY SECTION:		
Letter of Transmittal		i - v
Municipal Officers Listing		vi
Organization Chart		vii
FINANCIAL SECTION:		
Independent Auditor's Report		1 - 2
Management's Discussion and Analysis		3 - 16
Basic Financial Statements:		
Government-Wide Financial Statements:		
Statement of Net Assets	A-1	17 - 18
Statement of Activities	A-2	19
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	B-1	20
Reconciliation of the Governmental Funds Balance Sheet (B-1) to the Government-Wide Statement of Net Assets (A-1)	B-1	21
Statement of Revenues, Expenditures, Other Financing Sources (Uses), and Changes in Fund Balance	B-2	22
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, Other Financing Sources (Uses) and Changes in Fund Balance (B-2) to the Government- Wide Statement of Activities (A-2)	B-3	23
Proprietary Funds:		
Statement of Net Assets	C-1	24
Statement of Revenues, Expenses and Changes in Net Assets	C-2	25
Statement of Cash Flows	C-3	26
Fiduciary Funds:		
Statement of Fiduciary Net Assets	D-1	27
Notes to Basic Financial Statements		28 - 50
Required Supplementary Information:		
Schedule of Funding Progress for Pension Plans	E-1	51 - 52
Schedule of Revenues, Expenditures, Other Financing Sources (Uses), and Changes in Fund Balance (Non-GAAP Budgetary Basis) - Budget And Actual – General Fund	E-2	53
Schedule of Budget Estimates and Actual Revenues – General Fund	E-3	54
Schedule of Appropriations and Actual Expenditures – Budgetary Basis – General Fund	E-4	55 - 58
Note to Required Supplementary Information		59
Other Supplementary Information:		
Combining Financial Statements:		
Non-Major Governmental Funds:		
Combining Balance Sheet	F-1	60 - 68
Combining Statement of Revenues, Expenditures, Other Financing Sources (Uses), and Changes in Fund Balance	F-2	69 - 77

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2008

TABLE OF CONTENTS

	<u>Schedule</u>	<u>Page(s)</u>
REPORT IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS:		
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government</u> <u>Auditing Standards</u>		78 - 79

TOWN OF CHARLESTOWN

INTRODUCTORY SECTION

KAREN M. HAGAN

Treasurer

Treasurer@charlestownri.org



TOWN OF CHARLESTOWN

4540 SOUTH COUNTY TRAIL
CHARLESTOWN
RHODE ISLAND 02813
Tel (401) 364-1235
Fax (401) 364-1238

Hearing/Speech Impaired
Dial 711-364-1235

December 19, 2008

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, 2008, 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, 2008. The Comprehensive Annual Financial Report is a joint effort between Town Management and our auditing firm, Cayer Caccia, LLP Certified Public Accountants.

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

A single audit was not required for the 2008 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.

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 2007-2008 fiscal year:

During 2008, the Town continued its computerization of land evidence records as an on-going project. The Town is also 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 2008 budget.

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

The Town continued to maintain an excellent working relationship with all units representing employees within the structure of government for the Town. Bargaining agreements with two of the Town's' unions and the professional management group expired as of June 30, 2008. The Town and professional management group reached an agreement for a one-year contract. Negotiations with the other two bargaining units are on-going with the expired contracts remaining in full force and effect. The current police contract was re-negotiated and put into effect for July 1, 2006 through June 30, 2009.

The electors of the Town as well as the Rhode Island General Assembly have authorized the Town to issue not more than \$1,000,000 in bonds or other debt to finance Affordable Housing initiatives.

A statistical revaluation was completed for December 2007. The property values established as of that date were reflected on the July 2008 tax bills. Segments of this revaluation included but are not limited to, establishing neighborhood valuation areas, analyzing all current sales, establishing and testing valuation schedules for land and building values, generating preliminary property values, mailing valuation notices to property owners, and conducting informal valuation hearings.

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. Wicklund and Columbia Parks

- g. Cross Mills Library
- h. School House Pond
- i. South Farm

Community Development

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

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

Financial Management

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

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

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

Risk Management

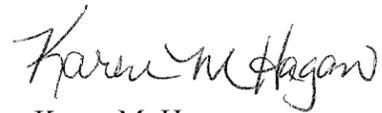
During 2008 the Town experienced minimal losses on insurance claims and anticipates a similar situation in 2009. The Town has taken steps to maintain adequate and cost effective insurance coverage for all related municipal services and facilities. Our insurance carrier reviews all Town facilities each year so that we minimize exposure to any risk of liability. In addition, the Town is subject to an annual review by the Occupational Safety and Health Administration (OSHA) to detect any existing or potential hazards to municipal employees or citizens while on Town property.

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

Independent Audit

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

Sincerely,



Karen M. Hagan
Treasurer

MUNICIPAL OFFICERS

Town Council

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

Town Officials

Co-Acting Town Administrators:

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

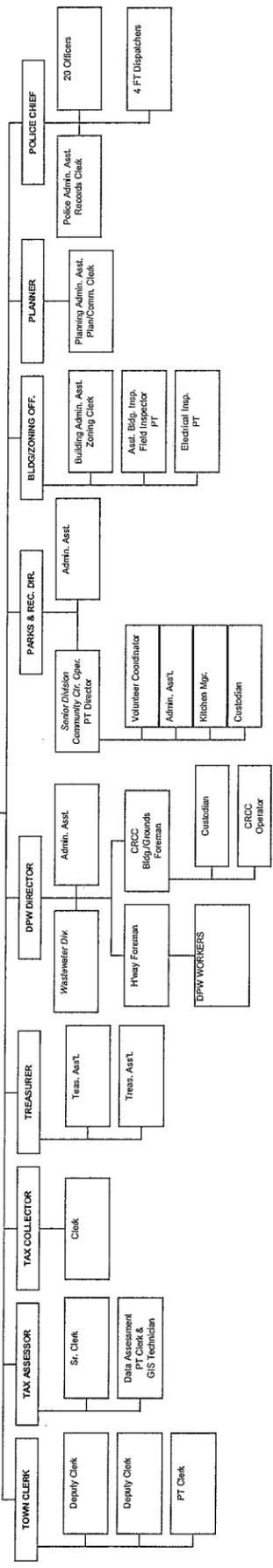
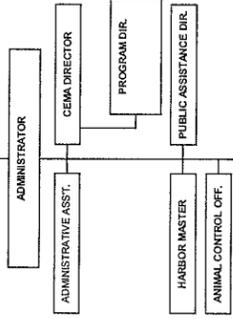
Kenneth J. Swain
Jodi LaCroix
Thomas J. Sharkey
Jodi LaCroix, CMC
Karen Hagan
Kenneth J. Swain
Jo-Anne Santos
John J. Matuza
Alan A. Arsenault
Lisa A. DiBello
Ashley Hahn-Morris
Kathy M. McA'Nulty
Michael Roy
Peter Ruggiero
Robert Craven
Joseph Larisa, Jr.
Kevin Gallup
Henry Walsh
Bernard Augustine
Francis Fenner

Town of Charlestown, RI

CITIZENS OF CHARLESTOWN

TOWN COUNCIL

BOARDS AND COMMISSIONS



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, 2008, 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, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2008, 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 51 through 59, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Charlestown, Rhode Island's basic financial statements. The introductory section and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

December 19, 2008

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 sixth year that the Town has presented its financial statements under the new reporting model required by the Governmental Accounting Standards Board (GASB) Statement Number 34. Since the Management Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts it should be read in conjunction with the Transmittal Letter and the Financial Statements (beginning on page 17).

Highlights

Financial Highlights

The Town's net assets increased by \$363,601 (or 1.6%). Governmental net assets increased by \$343,167, (or 1.5%) while the business type activities net assets increased by \$20,434 (or 6.6%). In 2007, governmental net assets increased by \$98,303 (or 0.4%) while the business-type activities net assets increased by \$10,258 (or 0.1%).

Governmental fund revenues for the year ending June 30, 2008 totaled \$23,925,292 including charges for services at \$975,919, operating grants and contributions \$2,283,801, capital grants and contributions \$105,500 with the balance of revenue from property taxes, revenue sharing, investment interest, and contributions not restricted to specific programs of \$20,560,072.

Business-type activities revenues for the year ending June 30, 2008 totaled \$263,695 including charges for services of \$198,103, investment income of \$5,592, and transfers of \$60,000.

Governmental fund expenditures and transfers for the fiscal year totaled \$23,522,125 and \$60,000, respectively. Business type activities expenses for the fiscal year totaled \$243,261.

On the GAAP basis, expenditures and other financing uses were \$22,718,853 for the general fund; \$1,492,899 for the non-major governmental funds; and \$243,261 for business-type funds.

Town Highlights:

A Master Plan for Ninigret Park was prepared by a consultant and presented to the Town Council. The Treasurer's department implemented a new accounting software system. A statistical revaluation was completed as of December 31, 2007 by the Tax Assessor's office. The Department of Public Works began work on the Old Coach Road Reconstruction Project and improvements to Buckeye Brook Road. Major repairs and renovations were made to the Town Hall including a new roof, fire alarm, carpeting and painting. The Town Hall Annex, (the old Police Station), was renovated and several departments were relocated there including the Building Inspector, Planning and Wastewater Management.

Use of the Annual Report

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

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

Reporting the Town as a whole:

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

Reporting the Town as a whole (Continued):

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

Significant Funds

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

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

The Town may be a trustee for certain types of funds or a fiduciary for certain activities. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purpose. At the present time the Town has only one fiduciary fund for 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>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Current and Other Assets	\$ 9,157,852	\$9,550,215	\$158,264	\$ 162,493	\$ 9,316,116	\$9,712,708
Capital Assets	23,898,080	23,784,714	212,085	192,115	24,110,165	23,976,829
Total Assets	33,055,932	33,334,929	370,349	354,608	33,426,281	33,689,537
Current Liabilities	2,245,919	2,506,217	16,914	39,807	2,262,833	2,546,024
Long Term Liabilities	8,165,856	8,527,722	24,608	6,408	8,190,464	8,534,130
Total Liabilities	10,411,775	11,033,939	41,522	46,215	10,453,297	11,080,154
Invested in Capital Assets						
Net of Related Debt	17,472,216	17,025,887	188,308	192,115	17,660,524	17,218,002
Restricted for Other Purpose	2,002,159	2,116,871	10,000	10,000	2,012,159	2,126,871
Unrestricted	3,169,782	3,158,232	130,519	106,278	3,300,301	3,264,510
Total Net Assets	\$22,644,157	\$22,300,990	\$328,827	\$308,393	\$22,972,984	\$22,609,383

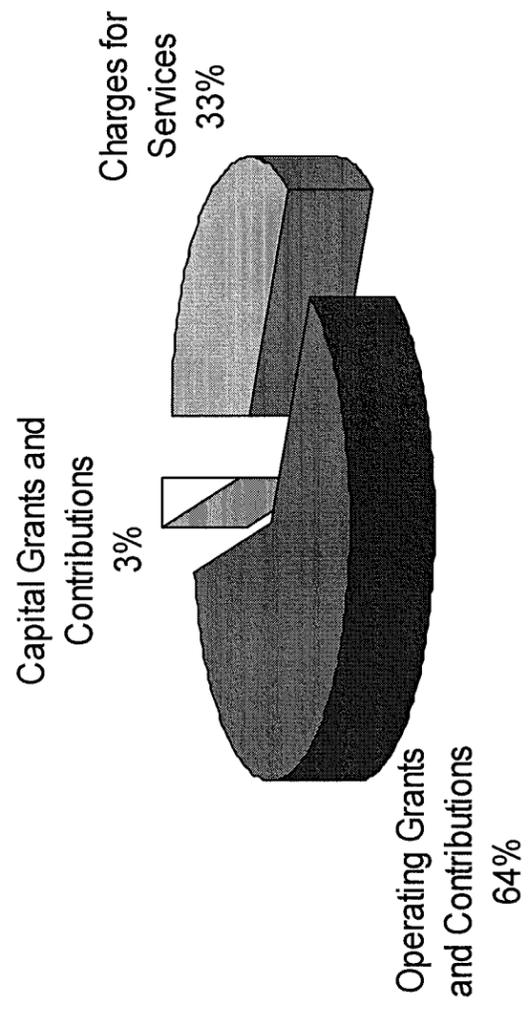
Net Assets equals Total Assets less Total Liabilities

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

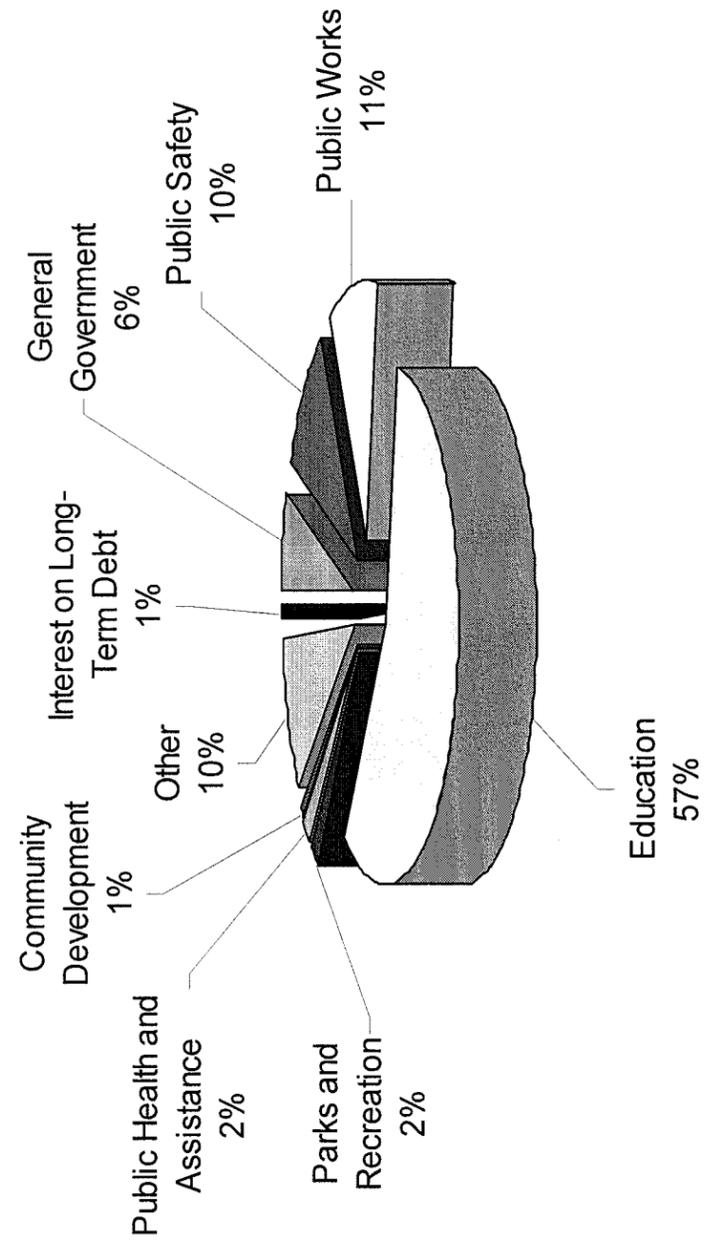
	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenue:						
Program Revenue:						
Charges for services	\$ 975,919	\$ 1,197,174	\$198,103	\$197,117	\$ 1,174,022	\$ 1,394,291
Operating Grants & Contributions	2,283,801	2,242,927			2,283,801	2,242,927
Capital Grants & contributions	105,500	160,277		17,140	105,500	177,417
Total Revenue	3,365,220	3,600,378	198,103	214,257	3,563,323	3,814,635
General Revenues:						
Property Taxes	19,399,179	18,228,278			19,399,179	18,228,278
State Revenue Sharing	345,546	411,097			345,546	411,097
Unrestricted Investment Earnings	281,538	350,976	5,592	16,328	287,130	367,304
Contributions not restricted to specific programs	533,809				533,809	
Total General Revenues	20,560,072	18,990,351	5,592	16,328	20,565,664	19,006,679
Total Revenues	23,925,292	22,590,729	203,695	230,585	24,128,987	22,821,314
Expenses:						
General Government	1,445,507	2,620,408			1,445,507	2,620,408
Public Safety	2,478,120	2,325,821			2,478,120	2,325,821
Public Works	2,533,478	1,302,925			2,533,478	1,302,925
Education	13,653,253	13,180,668			13,653,253	13,180,668
Parks & Recreation	462,543	382,074			462,543	382,074
Public Health & Asst	409,719	355,695			409,719	355,695
Community Development	222,285	146,389			222,285	146,389
Other	2,089,096	1,879,401	243,261	265,327	2,332,357	2,144,728
Interest on Long Term Debt	228,124	254,045			228,124	254,045
Total Expenses	23,522,125	22,447,426	243,261	265,327	23,765,386	22,712,753
Excess (deficiency) of Revenues Over Expenditures Before Transfers	403,167	143,303	(39,566)	(34,742)	363,601	108,561
Transfers	(60,000)	(45,000)	60,000	45,000	0	0
Change in Net Assets	343,167	98,303	20,434	10,258	363,601	108,561
Net Assets Beginning	22,300,990	22,202,687	308,393	298,135	22,609,383	22,500,822
Net Assets Ending	\$22,644,157	\$22,300,990	\$328,827	\$308,393	\$22,972,984	\$22,609,383

This is the sixth 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 beginning in 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.

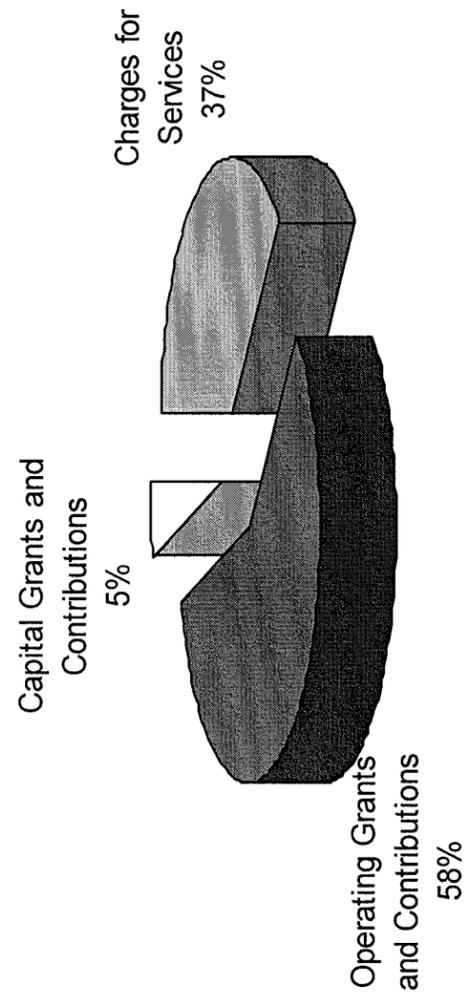
2008 Program Revenues



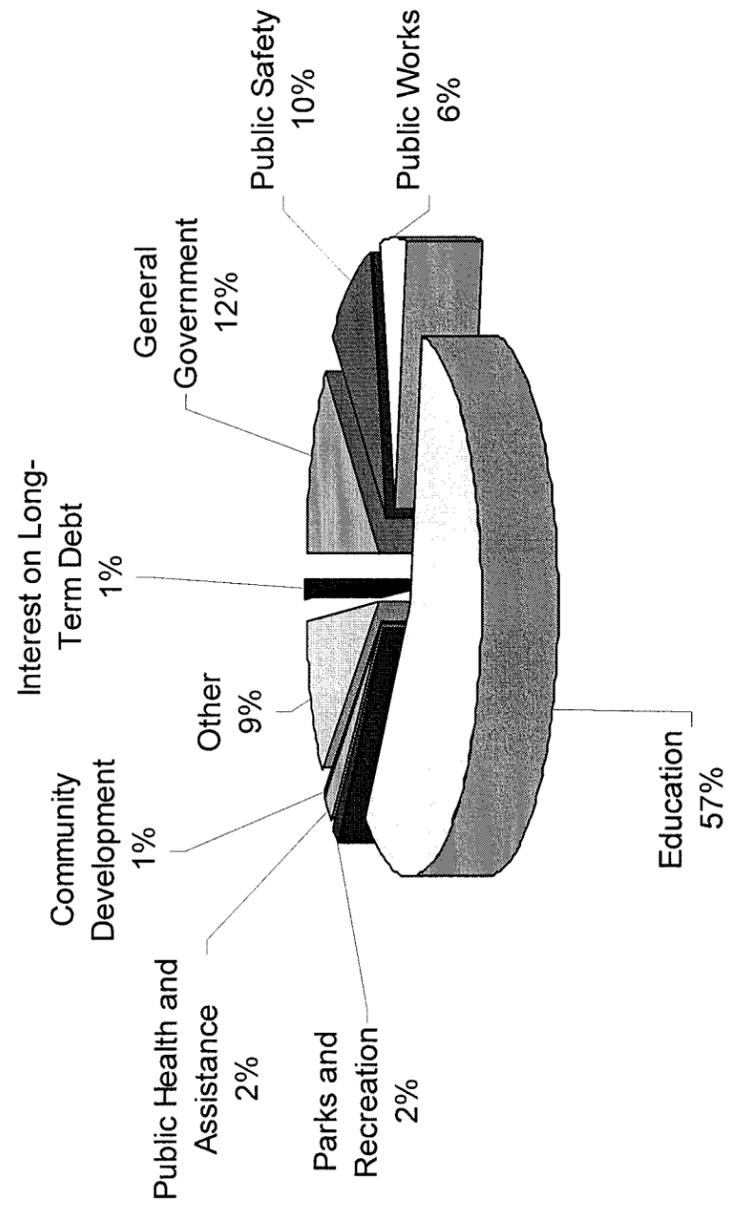
2008 Expenses



2007 Program Revenues



2007 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 \$363,601 and \$108,561 for fiscal year 2008 and 2007, respectively, resulting from the difference between expenses and revenues. For fiscal year 2008, expenses net of their pertinent revenues were \$20,202,063, while revenue not attributed to any activity in the government were \$20,565,664, therefore netting an increase of \$363,601 in net assets. 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.

Business type Activities:

The change in net assets for the business type activities for fiscal year 2008 and 2007 was \$20,434 and \$10,258, respectively.

Town's Funds:

General Fund & Other Governmental Funds:

At the end of June 2008, the general fund balance sheet showed a fund balance of \$6,211,233. This figure results from all assets allocated to the fund less its liabilities, as presented on page 20. Of this total, \$957,845 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 2008 was the Buckeye Brook Road project. At the end of June 2008, the Buckeye Brook Road Fund showed a fund deficit of \$(576,208). Other governmental funds had a fund balance of \$1,540,788. The total fund balance for the aforementioned funds is \$7,175,813. See Schedule B-1.

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 this fund less its liabilities. Of this total, \$668,426 was reserved for encumbrances, prepaids, and other. 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.

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 \$328,827 at June 30, 2008, of which \$188,308 is invested in capital assets, net of related debt, \$10,000 is restricted and \$130,519 is unrestricted. At June 30, 2007, these two entities combined had total net assets of \$308,393 of which \$192,115 was invested in capital assets, net of related debt \$10,000 was restricted and \$106,278 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 53. 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, 2008, the general fund revenues exceeded budget projections by \$286,512 or 1.3%. The general fund expenditures were more than the budget by \$15,555 or .07%. This resulted in a \$270,957 budgetary surplus in the General Fund for the year ending June 30, 2008.

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.

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, 2008 and 2007 amounted to \$24.1 and \$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 fiscal year ending June 30, 2007.

Capital Assets at June 30:
(In Millions)

	Governmental Activities		Business-Type Activities		Totals	
	2008	2007	2008	2007	2008	2007
Motor Vehicles	\$ 2.6	\$ 2.3			\$ 2.6	\$ 2.3
Equipment	0.9	0.7	\$0.4	\$0.3	1.3	1.0
Infrastructure	42.3	40.5			42.3	40.5
Buildings and Improvements	6.8	6.4			6.8	6.4
Land and Land Improvements	7.2	7.2	0.1	0.1	7.3	7.3
Construction-in-progress	.2	1.1			.2	1.1
Total Assets	60.0	58.2	0.5	0.4	60.5	58.6
Less: Accumulated Depreciation	(36.1)	(34.5)	(0.3)	(0.2)	(36.4)	(34.7)
Net Capital Assets	\$23.9	\$23.7	\$0.2	\$0.2	\$24.1	\$23.9

The Town's investment in capital assets for its governmental and business type activities as of June 30, 2008 was \$60.0 million less accumulated depreciation of \$36.1 million for a net investment in capital assets of \$23.9 million.

The Town's investment in capital assets for its governmental and business type activities as of June 30, 2007 was \$58.2 million less accumulated depreciation of \$34.5 million for a net investment in capital assets of \$23.7 million.

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

- \$1,722,000 for Infrastructure
- \$93,000 for Public Safety vehicles
- \$181,000 for Public Works vehicles
- \$97,000 for Public Safety equipment
- \$77,000 for financial accounting system
- \$434,000 for buildings and grounds

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

Long Term Debt

As of June 30, 2008, the Town had total long-term liabilities of \$8.8 million. Of that, \$5.8 million related to bonded debt guaranteed by the Town's assets, \$1.7 related to landfill monitoring costs; \$0.7 million related to compensated absences; and \$0.6 million related to leases payable.

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 related to landfill monitoring costs; \$0.7 million related to compensated absences; and \$0.6 million related to leases payable.

The business type activities had long-term liabilities of \$31,234 at June 30, 2008. Of that, \$23,777 related to leases payable and \$7,457 related to compensated absences.

The business-type activities had long-term liabilities of \$6,408 at June 30, 2007, of which the entire amount related to compensated absences.

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, 2008

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 7,248,592	\$ 170,259	\$ 7,418,851
Restricted cash and cash equivalents		15,670	15,670
Investments	500		500
Receivables:			
Taxes, net	653,648		653,648
Other receivables	23,518	4,375	27,893
Internal balances	32,040	(32,040)	
Due from other governments	1,056,154		1,056,154
Tax sale property	79,639		79,639
Total current assets	9,094,091	158,264	9,252,355
Noncurrent assets:			
Capital assets:			
Non-depreciable	7,437,519	99,500	7,537,019
Depreciable, net	16,460,561	112,585	16,573,146
Bond issuance costs	63,761		63,761
Total noncurrent assets	23,961,841	212,085	24,173,926
TOTAL ASSETS	33,055,932	370,349	33,426,281
LIABILITIES:			
Current liabilities:			
Accounts payable	299,520	10,288	309,808
Accrued interest	185,618		185,618
Retainage payable	23,871		23,871
Due to other governments	7,029		7,029
Current portion of long-term debt	718,670	6,626	725,296
Unearned revenue	895,384		895,384
Other liabilities	115,827		115,827
Total current liabilities	2,245,919	16,914	2,262,833
Noncurrent liabilities:			
Long-term debt, net	8,165,856	24,608	8,190,464
Total noncurrent liabilities	8,165,856	24,608	8,190,464
TOTAL LIABILITIES	10,411,775	41,522	10,453,297

(CONTINUED)

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF CHARLESTOWN, RHODE ISLANDSTATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities	Business-type Activities	Total
NET ASSETS:			
Invested in capital assets, net of related debt	17,472,216	188,308	17,660,524
Restricted for:			
Capital projects	579,338		579,338
Specific projects and programs	1,422,821	10,000	1,432,821
Unrestricted	3,169,782	130,519	3,300,301
TOTAL NET ASSETS	\$ 22,644,157	\$ 328,827	\$ 22,972,984

(CONCLUDED)

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF CHARLESTOWN, RHODE ISLAND

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

Functions/Programs:	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 1,445,507	\$ 530,743	\$ 308,782		\$ (605,982)		\$ (605,982)
Public safety	2,478,120	56,196	7,768	\$ 105,287	(2,308,869)		(2,308,869)
Public works	2,533,478		92,566		(2,440,912)		(2,440,912)
Education	13,653,253		1,624,508		(12,028,745)		(12,028,745)
Parks and recreation	462,543	388,980	27,928	213	(45,422)		(45,422)
Public health and assistance	409,719				(409,719)		(409,719)
Community development	222,285		222,249		(36)		(36)
Other	2,089,096				(2,089,096)		(2,089,096)
Interest on long-term debt	228,124				(228,124)		(228,124)
Total governmental activities	23,522,125	975,919	2,283,801	105,500	(20,156,905)		(20,156,905)
Business-type activities:							
Residential Collection Center	197,249	156,018				\$ (41,231)	(41,231)
Coastal Pond Management	46,012	42,085				(3,927)	(3,927)
Total business-type activities	243,261	198,103	0	0	0	(45,158)	(45,158)
Total	\$ 23,765,386	\$ 1,174,022	\$ 2,283,801	\$ 105,500	(20,156,905)	(45,158)	(20,202,063)
General revenues:							
Property taxes					19,399,179		19,399,179
State revenue sharing					345,546		345,546
Unrestricted investment earnings					281,538	5,592	287,130
Contributions not restricted to specific programs					533,809		533,809
Transfers					(60,000)	60,000	
Total general revenues and transfers					20,500,072	65,592	20,565,664
Change in net assets					343,167	20,434	363,601
Net Assets - beginning					22,300,990	308,393	22,609,383
Net Assets - ending					\$ 22,644,157	\$ 328,827	\$ 22,972,984

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF CHARLESTOWN, RHODE ISLAND

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	General Fund	Buckeye Brook Road	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash and cash equivalents	\$ 6,268,555		\$ 980,037	\$ 7,248,592
Investments			500	500
Receivables:				
Taxes, net	653,648			653,648
Other	22,626		892	23,518
Due from:				
Other funds	1,167,796		1,254,866	2,422,662
Other governments	82,514		973,640	1,056,154
Tax sale property	79,639			79,639
TOTAL ASSETS	\$ 8,274,778	\$ 0	\$ 3,209,935	\$ 11,484,713
LIABILITIES AND FUND BALANCE:				
LIABILITIES:				
Accounts payable	\$ 180,265		\$ 119,255	\$ 299,520
Retainage payable			23,871	23,871
Due to:				
Other funds	1,199,418	\$ 576,208	614,996	2,390,622
Other governments	7,029			7,029
Deferred revenues	598,763		873,268	1,472,031
Other liabilities	78,070		37,757	115,827
TOTAL LIABILITIES	2,063,545	576,208	1,669,147	4,308,900
FUND BALANCE:				
Reserved for tax sale property	79,639			79,639
Reserved for perpetual care			1,506	1,506
Reserved for encumbrances	2,634		552,491	555,125
Reserved for amounts not due within one year	875,572			875,572
Unreserved: designated for subsequent years	450,000			450,000
Unreserved, reported in:				
General fund	4,803,388			4,803,388
Special revenue funds			1,376,837	1,376,837
Capital project funds		(576,208)	(402,869)	(979,077)
Debt service funds			12,823	12,823
TOTAL FUND BALANCE (DEFICIT)	6,211,233	(576,208)	1,540,788	7,175,813
TOTAL LIABILITIES AND FUND BALANCE	\$ 8,274,778	\$ 0	\$ 3,209,935	\$ 11,484,713

(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, 2008

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

Total Fund Balance (B-1)	\$ 7,175,813
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	23,898,080
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(8,884,526)
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.	576,647
Accrued interest payable is recorded in governmental activities, but is not recorded in the funds.	(185,618)
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>63,761</u>
Total Net Assets (A-1)	<u><u>\$ 22,644,157</u></u>

(CONCLUDED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**STATEMENT OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES),
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008**

	General Fund	Buckeye Brook Road	Other Governmental Funds	Total Governmental Funds
REVENUES:				
General property taxes	\$ 18,777,475			\$ 18,777,475
Intergovernmental	2,722,462		\$ 467,211	3,189,673
Departmental	984,836			984,836
Investment income	246,748		34,790	281,538
Other			57,687	57,687
TOTAL REVENUES	<u>22,731,521</u>	<u>\$ 0</u>	<u>559,688</u>	<u>23,291,209</u>
EXPENDITURES:				
Current:				
General government	1,213,619		200,680	1,414,299
Public safety	2,148,606		32,257	2,180,863
Public works	1,089,353		134,226	1,223,579
Education	13,631,253			13,631,253
Parks and recreation	360,411		60,029	420,440
Public health and assistance	407,697		2,022	409,719
Community development			222,285	222,285
Other	2,089,096			2,089,096
Debt Service:				
Principal	347,310		4,563	351,873
Interest and other costs	446,132		2,637	448,769
Capital:				
Capital outlay	460,252		792,422	1,252,674
TOTAL EXPENDITURES	<u>22,193,729</u>	<u>0</u>	<u>1,451,121</u>	<u>23,644,850</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	<u>537,792</u>	<u>0</u>	<u>(891,433)</u>	<u>(353,641)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in			413,278	413,278
Transfers out	(431,500)		(41,778)	(473,278)
Proceeds from capital leases	243,379			243,379
Landfill monitoring	(93,624)			(93,624)
NET OTHER FINANCING SOURCES (USES)	<u>(281,745)</u>	<u>0</u>	<u>371,500</u>	<u>89,755</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>256,047</u>	<u>0</u>	<u>(519,933)</u>	<u>(263,886)</u>
FUND BALANCE AT BEGINNING OF YEAR	<u>5,955,186</u>	<u>(576,208)</u>	<u>2,060,721</u>	<u>7,439,699</u>
FUND BALANCE (DEFICIT) AT END OF YEAR	<u>\$ 6,211,233</u>	<u>\$ (576,208)</u>	<u>\$ 1,540,788</u>	<u>\$ 7,175,813</u>

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, 2008**

Net Change in Fund Balances - Total Governmental Funds (B-2):	\$ (263,886)
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.	113,366
Adjustment to accrued claims and judgments which is required to be recorded for Government-wide financial statement presentation.	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.	347,237
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in governmental funds.	100,274
Adjustment to accrued interest payable related to long-term liabilities which is required to be recorded for government-wide financial statement presentation.	3,234
Bond issuance costs are reported as expenditures in the Governmental Funds financial statements. The cost and related accumulated amortization is reflected as an other asset on the Government-wide financial statements.	<u>(7,058)</u>
Change in Net Assets of Governmental Activities in the Statement of Activities (A-2)	<u><u>\$ 343,167</u></u>

TOWN OF CHARLESTOWN, RHODE ISLANDSTATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2008

	Residential Collection Center	Coastal Pond Management	Totals
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 94,022	\$ 76,237	\$ 170,259
Restricted cash and cash equivalents		15,670	15,670
Receivables, net	4,375		4,375
Total Current Assets	98,397	91,907	190,304
Noncurrent Assets:			
Net capital assets	209,678	2,407	212,085
Total Noncurrent Assets	209,678	2,407	212,085
TOTAL ASSETS	308,075	94,314	402,389
LIABILITIES:			
Current Liabilities:			
Accounts payable	10,288		10,288
Due to other funds	18,104	13,936	32,040
Capital leases payable	6,626		6,626
Total Current Liabilities	35,018	13,936	48,954
Noncurrent Liabilities:			
Capital leases payable, net	17,151		17,151
Accrued compensated absences	7,457		7,457
Total Noncurrent Liabilities	24,608	0	24,608
TOTAL LIABILITIES	59,626	13,936	73,562
NET ASSETS:			
Invested in capital assets, net of related debt	185,901	2,407	188,308
Restricted for endowment		10,000	10,000
Unrestricted	62,548	67,971	130,519
TOTAL NET ASSETS	\$ 248,449	\$ 80,378	\$ 328,827

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, 2008**

	Residential Collection Center	Coastal Pond Management	Totals
OPERATING REVENUES:			
Charges for usage and service	\$ 156,018	\$ 42,085	\$ 198,103
Total Operating Revenues	<u>156,018</u>	<u>42,085</u>	<u>198,103</u>
OPERATING EXPENSES:			
Operations	92,311	10,350	102,661
Personnel	90,455	34,699	125,154
Depreciation	14,483	963	15,446
Total Operating Expenses	<u>197,249</u>	<u>46,012</u>	<u>243,261</u>
OPERATING LOSS	<u>(41,231)</u>	<u>(3,927)</u>	<u>(45,158)</u>
NONOPERATING REVENUES:			
Investment income	2,481	3,111	5,592
Total Nonoperating Revenues	<u>2,481</u>	<u>3,111</u>	<u>5,592</u>
LOSS BEFORE TRANSFERS	<u>(38,750)</u>	<u>(816)</u>	<u>(39,566)</u>
TRANSFERS IN	<u>60,000</u>	<u>0</u>	<u>60,000</u>
CHANGE IN NET ASSETS	21,250	(816)	20,434
TOTAL NET ASSETS - BEGINNING	<u>227,199</u>	<u>81,194</u>	<u>308,393</u>
TOTAL NET ASSETS - ENDING	<u>\$ 248,449</u>	<u>\$ 80,378</u>	<u>\$ 328,827</u>

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF CHARLESTOWN, RHODE ISLAND

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2008

	Residential Collection Center	Coastal Pond Management	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 156,458	\$ 42,085	\$ 198,543
Cash paid to suppliers	(120,095)	(10,775)	(130,870)
Cash paid to employees	(89,406)	(34,699)	(124,105)
Net cash used for operating activities	(53,043)	(3,389)	(56,432)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers from General Fund	60,000		60,000
Increase (decrease) in due to other funds	(22,298)	533	(21,765)
Net cash provided by noncapital financing activities	37,702	533	38,235
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets	(4,392)		(4,392)
Principal payment on capital lease payable	(7,248)		(7,248)
Net cash used for capital and related financing activities	(11,640)	0	(11,640)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest on investments	2,481	3,111	5,592
Net cash provided by investing activities	2,481	3,111	5,592
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(24,500)	255	(24,245)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	118,522	91,652	210,174
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 94,022	\$ 91,907	\$ 185,929
Reconciliation of operating loss to net cash used for operating activities:			
Operating loss	\$ (41,231)	\$ (3,927)	\$ (45,158)
Adjustments to reconcile:			
Depreciation	14,483	963	15,446
Decrease in receivables, net	1,750		1,750
Decrease in accounts payable	(27,784)	(425)	(28,209)
Decrease in deferred revenue	(1,310)		(1,310)
Increase in accrued compensated absences	1,049		1,049
Net cash used for operating activities	\$ (53,043)	\$ (3,389)	\$ (56,432)

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF CHARLESTOWN, RHODE ISLAND

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008

	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, 2008

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, 2008**

1. REPORTING ENTITY (Continued)

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Recently Issued Accounting Standards

The Town implemented GASB Statement No. 50 - Pension Disclosures - an amendment for GASB Statements No. 25 and No. 27, for the year ended June 30, 2008. The adoption of this Statement did not have an impact on the Town's financial position or results of operations.

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. 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, 2008**

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, 2008**

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>
Major:	
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, 2008

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

Major and Non-Major Funds (Continued)

<u>Fund</u>	<u>Brief Description</u>
Non-Major:	
Special Revenue:	Ad Hoc Withdrawal Committee, Police Grants – Byrne, MEDS Grant - R.I. Dept. of Health, MEDS Grant, Police Grant - NCHIP, School Impact Fees, Educational Planning, Historical and Vital Records, Green Hill/Beach Road Infiltration Grant, Municipal Planning, Revaluation Fund, Reserve for Employee Severance Benefits, Comprehensive Planning Grant, Neighborhood Crime Prevention, Mud Cove Recreation Development, 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, Trail Improvement Grant - Mud Cove, 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, Homeland Security Grant – EMA Citizens, EPA Grant, and Columbia Heights Streetscapes Enhancement.
Capital Projects:	Buckeye Brook Road Phase #2, DPW Salt/Sand Equipment Shed, 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, 2008

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 \$250,200 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, 2008

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. The Town's cash and cash equivalents consist of cash on hand, demand deposits, money market accounts, and short-term investments with original maturities of three months or less from the date of acquisition. Substantially all of the Town's cash and cash equivalents are held in public deposit institutions or collateralized government investment pools, which are available on a daily basis.

Short-term Interfund Receivables/Payables

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

Advances to Other Funds

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

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 2008, the General Fund made several transfers totaling \$431,500 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, 2008 were \$35,075, while the accumulated amortization was \$8,506. The total bond issuance costs at June 30, 2008 were \$94,528, while the accumulated amortization was \$30,767.

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008**

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	5 - 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, 2008

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, 2008 amounted to \$733,662. 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, 2008.

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)...	\$22,974,900	\$22,703,943
Current year encumbrances.....		(2,634)
Prior year encumbrances.....		17,544
Statement of Revenues, Expenditures and Changes in Fund		
Balance (B-2)	<u>\$22,974,900</u>	<u>\$22,718,853</u>

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008**

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 \$113,366 difference are as follows:

Capital outlays	\$1,735,717
Depreciation expense	<u>(1,622,351)</u>
Net adjustment	<u>\$ 113,366</u>

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

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 \$347,237 difference are as follows:

Bonds payable.....	\$ 347,310
Less: deferred charge on refunding	(7,809)
Add: issuance premium.....	1,926
Capital leases payable.....	(8,464)
Compensated absences.....	(60,726)
Landfill monitoring	<u>75,000</u>
Net adjustment	<u>\$ 347,237</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 \$247,368 while the bank balance was \$389,283 of which \$117,892 was covered by federal depository insurance and \$271,391 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, 2008.

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	\$ 247,368
Petty cash.....	3,075
Investments classified as cash equivalents.....	7,105,111
Investments classified as restricted cash equivalents.....	78,976
Less: Fiduciary funds cash (not included in the government-wide statement)....	(9)
Total cash and cash equivalents – (A-1)	<u>\$ 7,434,521</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.

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

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

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008**

3. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Concentration of Credit Risk - At June 30, 2008, the Town had 58% of its investments concentrated in collateralized local government investment pools, and 42% concentrated in uncollateralized institutional money market funds (Government Portfolio). The Collateralized Local Government Investment Pool (LGIP) invests public-sector funds only in U.S. Treasury and other U.S. Government securities permitted under Rhode Island law. The LGIP's provides collateral at a 102% minimum. The LGIP is fully compliant with all Rhode Island laws, investment guidelines and collateral requirements, and is managed within the guidelines of a registered SEC 2-a7-type fund.

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, 2008, 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	2,996,481	Varies Daily (1)	Daily	Aaa/AAAm
Local Government Investment Pool	4,187,606	Varies Daily (2)	Daily	(not rated)
Subtotal	<u>\$7,184,587</u>			

(1) Current yield of 1.9% for June 30, 2008.

(2) Average daily rate of 2.04% on June 30, 2008.

Reconciliation to Government-wide Statement of Net Assets:

Investments	\$7,184,587
Less: investments classified as cash equivalents	(7,184,087)
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.

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

4. TAXES RECEIVABLE AND DEFERRED REVENUE (Continued)

Unpaid property taxes at June 30, 2008 include delinquent installments of the current and prior years. The Town does not record interest earned on delinquent taxes until payment is received. Delinquent installments which are not received within sixty days after the close of the fiscal year are recorded as deferred revenue.

Net property taxes levied for the fiscal year 2008 were based on an assessed value of approximately \$2,476,238,547 at December 31, 2006 and amounted to \$18,780,800. Collections through June 30, 2008 amounted to \$18,415,573, 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, 2008 of \$903,848 are recorded as a receivable, net of an allowance for uncollectible property taxes of \$250,200. Those net property taxes receivable which were not collected within the 60 days immediately following June 30, 2008 are recorded as deferred revenue and amounted to \$576,647 at June 30, 2008. Property taxes recognized as revenue for the fiscal year ended June 30, 2008 (due to their collection within the 60 days immediately following June 30, 2008) amounted to \$77,001.

5. INTERGOVERNMENTAL RECEIVABLES/PAYABLES

Intergovernmental receivables and payables consisted of the following at June 30, 2008:

	<u>Due From</u>	<u>Due To</u>
Governmental activities:		
State of Rhode Island:		
Major funds:		
General Fund	\$ 82,514	\$7,029
Non-major funds	<u>355,430</u>	
Total	<u>437,944</u>	<u>7,029</u>
Federal government:		
Non-major funds	<u>618,210</u>	
Total governmental activities	<u>\$1,056,154</u>	<u>\$7,029</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. The payroll for employees covered by the System for the year ended June 30, 2008 was approximately \$1,644,552, and the Town wide payroll was approximately \$3,841,081.

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2008

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 8.68% 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 2008, the Town's annual pension cost of \$142,747 for MERS was equal to the Town's required and actual contributions. The required contribution was determined as part of the June 30, 2005 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 five-year period. MERS unfunded actuarial accrued liability is being amortized as a level percentage of salary funding over a closed 30 year period. The remaining amortization period at June 30, 2008 was 1 year.

(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). The payroll for employees covered by the System for the year ended June 30, 2008 was approximately \$1,191,673, and the Town wide payroll was approximately \$3,841,081.

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 30.0% 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 2008, the Town's annual pension cost of \$357,490 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, 2005 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 five-year period. MERS unfunded actuarial accrued liability is being amortized as a level percentage of salary funding over a closed 30 year period. The remaining amortization period at June 30, 2008 was 4 years.

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

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 2007 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 2008, the Town provided retirement benefits to three 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, 2008, the total cost to the Town for providing retirement benefits to these three retirees amounted to \$13,865.

7. INTERFUND BALANCES

Interfund receivable and payable balances at June 30, 2008 are as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Governmental activities:		
Major funds:		
General Fund	\$1,167,796	\$1,199,418
Buckeye Brook Road		576,208
Non-major funds	<u>1,254,866</u>	<u>614,996</u>
Total governmental activities	<u>\$2,422,662</u>	<u>\$2,390,622</u>
Business-type activities:		
Major funds:		
Residential Collection Center		\$ 18,104
Coastal Pond Management		13,936
Total business-type activities	<u>\$ 0</u>	<u>\$ 32,040</u>

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008**

8. LONG-TERM LIABILITIES

(a) Long-Term Liability Activity

Long-term liability activity for the year ended June 30, 2008 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	\$6,190,000		\$347,310	\$5,842,690	\$344,312
Leases payable	568,314	\$243,379	234,915	576,778	211,758
Subtotal	6,758,314	243,379	582,225	6,419,468	556,070
Plus: bond premium, net of amortization	28,495		1,926	26,569	
Less: amount deferred on refunding	(27,982)		(7,809)	(20,173)	
Total long-term debt	<u>6,758,827</u>	<u>243,379</u>	<u>576,342</u>	<u>6,425,864</u>	<u>556,070</u>
Other long-term liabilities:					
Compensated absences	672,936	60,726		733,662	87,600
Landfill monitoring costs	1,800,000	18,624	93,624	1,725,000	75,000
Total other long-term liabilities	<u>2,472,936</u>	<u>79,350</u>	<u>93,624</u>	<u>2,458,662</u>	<u>162,600</u>
Governmental activities:					
Long-term liabilities	<u>\$9,231,763</u>	<u>\$322,729</u>	<u>\$669,966</u>	<u>\$8,884,526</u>	<u>\$718,670</u>
Business-type Activities:					
Long-term debt:					
Leases payable	\$ 0	\$ 31,025	\$ 7,248	\$ 23,777	\$ 6,626
Other long-term liabilities:					
Compensated absences	6,408	1,049	0	7,457	0
Business-type activities					
Long-term liabilities	<u>\$ 6,408</u>	<u>\$ 32,074</u>	<u>\$ 7,248</u>	<u>\$ 31,234</u>	<u>\$ 6,626</u>

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

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008**

8. LONG-TERM LIABILITIES (Continued)

(b) Debt Maturity

At June 30, 2008, the Town had \$4,882,800 of remaining authorized unissued bond authority.

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

<u>Year ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	184,955	198,483	383,438
2014 - 2018	949,836	886,352	1,836,188
2019 - 2023	999,032	692,408	1,691,440
2024 - 2028	460,339	511,361	971,700
2029 - 2033	386,739	428,511	815,250
2034 - 2038	481,947	333,303	815,250
2039 - 2043	600,595	214,655	815,250
2044 - 2047	583,844	66,900	650,744
Totals.....	\$5,842,690	\$4,209,908	\$10,052,598

At June 30, 2008, 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, 2008 consisted of the following:

	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Original Issue</u>	<u>Balance June 30, 2008</u>
General obligation serial bonds:					
Open Space bond	2.25% - 4.30%	2/12/04	2/1/24	\$3,000,000	\$2,400,000
Refunding bond	1.0% - 2.75%	2/12/04	2/1/11	\$1,230,000	470,000
USDA bond	4.50%	7/28/06	7/28/46	\$3,000,000	<u>2,972,690</u>
Total general obligation bonds.....					<u>\$5,842,690</u>

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008**

8. LONG-TERM LIABILITIES (Continued)

(d) Capital Leases

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

The assets acquired through capital leases are as follows:

Governmental Activities

	<u>Public Safety</u>	<u>Public Works</u>
Assets:		
Vehicles and equipment.....	\$578,230	\$736,375
Less: accumulated depreciation.....	<u>(142,878)</u>	<u>(336,342)</u>
Total	<u>\$435,352</u>	<u>\$400,033</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, 2008:

Fiscal year ending <u>June 30:</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2009	\$239,839	\$ 7,248
2010	197,409	7,248
2011	152,713	7,248
2012	<u>45,155</u>	<u>4,092</u>
Total minimum lease payments	635,116	25,836
Less: amount representing interest.....	<u>(58,338)</u>	<u>(2,059)</u>
Present value of future minimum lease payments	<u>\$576,778</u>	<u>\$23,777</u>

9. CONTINGENT LIABILITIES

Grants

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

Litigation

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

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008**

10. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

In addition to providing pension benefits, the Town provides 14 former employees/spouses 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, 2008, the total cost to the Town for providing retirement benefits to these 14 former employees/spouses amounted to \$127,188.

11. LANDFILL ENTERPRISE FUND - CLOSURE AND POSTCLOSURE CARE COSTS

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

State and federal laws and regulations require the Town to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the Town reported a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The Town closed the Landfill effective June 30, 2000. General Fund postclosure costs incurred during the fiscal year ended June 30, 2008 totaled \$93,624. In addition, \$34,979 of closure costs were expended in the Landfill Closure Capital Project Fund. Postclosure monitoring costs were originally estimated at \$50,000 per year for 30 years. Based upon revised estimates from an independent consultant, the costs should approximate \$75,000 annually for the remaining 23 years.

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, 2008 were as follows:

General Fund:

Reserved for tax sale property	\$ 79,639
Reserved for encumbrances	2,634
Reserved for amounts not due within one year	<u>875,572</u>
Total	<u>\$957,845</u>

Special Revenue Funds:

Reserved for encumbrances	<u>\$ 10,191</u>
---------------------------------	------------------

Capital Projects Funds:

Reserved for encumbrances	<u>\$542,300</u>
---------------------------------	------------------

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

12. FUND EQUITY (Continued)

(a) Reservations (Continued)

Permanent Funds:

Reserved for perpetual care..... \$ 1,506

Designations of unreserved fund balances at June 30, 2008 were are follows:

General Fund:

Designated for fiscal 2009 operations..... \$450,000

(b) Net Assets

Restriction of net assets at June 30, 2008 were as follows:

Enterprise Funds:

Restriction for endowment \$ 10,000

(c) Fund Deficits

The following funds had cumulative deficits at June 30, 2008:

Major Governmental Funds:

Buckeye Brook Road..... \$576,208

Non-major Governmental Funds:

Ad Hoc Withdrawal Committee	\$ 5,000
Green Hill/Beach Road Infiltration Grant.....	\$ 6,681
Community Development Block Grant.....	\$ 18
Senior Community Activities.....	\$ 1,169
Accounting Software Fund	\$ 8,596
Buckeye Brook Road Phase #2	\$153,793
DPW - Old Coach Road Reconstruction Phase 1.....	\$257,800
Tennis Court Construction	\$ 28,314

The deficit in the Buckeye Brook Road fund will be funded by General Fund contributions. At its discretion, the Town Council determined in fiscal year 2009 to fund the project with General Fund contributions rather than a general obligation bond. The deficit in the Ad Hoc Withdrawal Committee, Community Development Block Grant, Senior Community Activities and Accounting Software funds will be funded by General Fund contributions. The Green Hill/Beach Road Infiltration Grant fund will be funded by a DEM grant award or by General Fund contributions. The deficit in the Buckeye Brook Road Phase #2 and the DPW - Old Coach Road Reconstruction Phase 1 funds will be funded by proceeds from general obligation bonds. The deficit in the Tennis Court Construction fund will be funded by contributions from other special revenue funds.

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008**

13. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 7,241,614			\$ 7,241,614
Construction-in-progress	1,064,040	\$ 477,313	\$(1,345,448)	195,905
Total capital assets not being depreciated..	<u>8,305,654</u>	<u>477,313</u>	<u>\$(1,345,448)</u>	<u>7,437,519</u>
Other capital assets:				
Buildings and improvements	6,375,210	433,526		6,808,736
Equipment	728,936	174,189		903,125
Vehicles	2,299,797	274,246		2,574,043
Infrastructure	40,535,029	1,721,891		42,256,920
Total other capital assets	<u>49,938,972</u>	<u>2,603,852</u>	<u>0</u>	<u>52,542,824</u>
Less: accumulated depreciation for:				
Buildings and improvements	(1,278,922)	(147,387)		(1,426,309)
Equipment	(272,374)	(102,663)		(375,037)
Vehicles	(1,365,177)	(273,910)		(1,639,087)
Infrastructure	(31,543,439)	(1,098,391)		(32,641,830)
Total accumulated depreciation	<u>(34,459,912)</u>	<u>(1,622,351)</u>	<u>0</u>	<u>(36,082,263)</u>
Other capital assets, net.....	<u>15,479,060</u>	<u>981,501</u>	<u>0</u>	<u>16,460,561</u>
Governmental activities capital assets, net.....	<u>\$23,784,714</u>	<u>\$1,458,814</u>	<u>\$(1,345,448)</u>	<u>\$23,898,080</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	194,152	35,416	(3,250)	226,318
Total other capital assets	<u>326,386</u>	<u>35,416</u>	<u>(3,250)</u>	<u>358,552</u>
Less: accumulated depreciation for:				
Buildings	(18,548)			(18,548)
Land improvements	(53,053)	(7,579)		(60,632)
Machinery and equipment	(162,170)	(7,867)	3,250	(166,787)
Total accumulated depreciation	<u>(233,771)</u>	<u>(15,446)</u>	<u>3,250</u>	<u>(245,967)</u>
Other capital assets, net.....	<u>92,615</u>	<u>19,970</u>	<u>0</u>	<u>112,585</u>
Business-type activities capital assets, net	<u>\$192,115</u>	<u>\$19,970</u>	<u>\$ 0</u>	<u>\$212,085</u>

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008**

13. CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 35,749
Public safety	284,383
Recreation	30,365
Public works	1,249,854
Education	<u>22,000</u>
Total governmental activities depreciation expense.....	<u>\$1,622,351</u>
Business-type activities:	
Residential Collection Center	\$14,483
Coastal Pond Management	<u>963</u>
Total business type activities	<u>\$15,446</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, 2008.

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 fourteen fiscal years.

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008**

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, 2008, approximately \$356,910 of loans have been disbursed under this program.

17. INTERFUND TRANSFERS

Interfund transfers for fiscal year ended June 30, 2008 are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental activities:		
Major funds:		
General Fund		\$431,500
Non-major funds	\$413,278	41,778
Total governmental activities	<u>\$413,278</u>	<u>\$473,278</u>
Business-type activities:		
Major funds:		
Residential Collection Center	\$ 60,000	
Total business-type activities	<u>\$ 60,000</u>	<u>\$ 0</u>

18. CONSTRUCTION COMMITMENTS

As of June 30, 2008, the Town had the following commitments with respect to unfinished capital projects:

Buckeye Brook Road Phase #2	\$533,219
Town Capital Maintenance Fund	9,081
Total	<u>\$542,300</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 June 30,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	(Overfunded) Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
<u>General Employees</u>						
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	96.2%
2007	\$3,496,090	\$4,722,506	\$1,226,416	74.0%	\$1,401,757	87.5%
<u>Police</u>						
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%
2007	\$4,902,698	\$6,943,458	\$2,040,760	70.6%	\$1,127,881	180.9%

SCHEDULE OF CONTRIBUTIONS FROM THE TOWN

Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
<u>General Employees</u>			
2006	\$ 99,114	100%	\$0
2007	\$117,034	100%	\$0
2008	\$142,747	100%	\$0
<u>Police</u>			
2006	\$293,965	100%	\$0
2007	\$319,816	100%	\$0
2008	\$357,490	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, 2007
Actuarial cost method	Entry Age
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, 2008**

	Originally Adopted Budget	Final Approved Budget	Actual (Budgetary Basis)	Variance Positive (Negative)
REVENUES:				
General property taxes	\$ 18,871,388	\$ 18,871,388	\$ 18,777,475	\$ (93,913)
Intergovernmental	2,721,720	2,721,720	2,722,462	742
Investment income	101,280	101,280	246,748	145,468
Departmental	994,000	994,000	984,836	(9,164)
Total revenues	<u>22,688,388</u>	<u>22,688,388</u>	<u>22,731,521</u>	<u>43,133</u>
EXPENDITURES:				
Current:				
General government	1,287,989	1,271,989	1,207,996	63,993
Public safety	2,154,137	2,156,137	2,148,860	7,277
Public works	1,100,830	1,100,830	1,085,769	15,061
Education	13,631,253	13,631,253	13,631,253	
Recreation	417,014	417,014	361,253	55,761
Public health and assistance	412,450	412,450	407,697	4,753
Miscellaneous	2,098,346	2,096,346	2,089,096	7,250
Debt service:				
Principal	348,050	348,050	347,310	740
Interest and other costs	512,894	512,894	446,132	66,762
Capital:				
Capital improvements	242,125	212,125	453,453	(241,328)
Total expenditures	<u>22,205,088</u>	<u>22,159,088</u>	<u>22,178,819</u>	<u>(19,731)</u>
Excess of revenues over expenditures	<u>483,300</u>	<u>529,300</u>	<u>552,702</u>	<u>23,402</u>
Other financing sources (uses):				
Proceeds from capital leases	0	0	243,379	243,379
Transfers out	(409,500)	(431,500)	(431,500)	
Landfill monitoring	(73,800)	(97,800)	(93,624)	4,176
Net other financing sources (uses)	<u>(483,300)</u>	<u>(529,300)</u>	<u>(281,745)</u>	<u>247,555</u>
Excess of revenues and other sources over expenditures and other uses	<u>\$ 0</u>	<u>\$ 0</u>	<u>270,957</u>	<u>\$ 270,957</u>
Less: prior year encumbrances			(17,544)	
Add: current year encumbrances			2,634	
Fund balance, beginning of year			<u>5,955,186</u>	
Fund balance, end of year			<u>\$ 6,211,233</u>	

TOWN OF CHARLESTOWN, RHODE ISLANDGENERAL FUNDSCHEDULE OF BUDGET ESTIMATES AND ACTUAL REVENUES
YEAR ENDED JUNE 30, 2008

	Original and Final Budget	Actual Revenues	Variance Positive (Negative)
Property taxes:			
Current and prior years	\$ 18,760,943	\$ 18,654,254	\$ (106,689)
Interest on delinquent taxes	110,445	123,221	12,776
Total property taxes	18,871,388	18,777,475	(93,913)
Intergovernmental revenues:			
State of Rhode Island including:			
Beach parking fees	20,000	27,928	7,928
School aid	1,532,347	1,624,508	92,161
General revenue sharing	407,811	345,546	(62,265)
Beverage/meals tax	114,720	104,891	(9,829)
Hotel tax	15,216	20,954	5,738
Public service corporation tax	77,318	69,005	(8,313)
Motor vehicle phaseout	545,588	521,430	(24,158)
Emergency Management grant	8,720	8,200	(520)
Total intergovernmental revenues	2,721,720	2,722,462	742
Departmental revenues:			
Town Clerk:			
Business licenses and fees	17,000	16,880	(120)
Non-business licenses and fees	1,000	4,998	3,998
Transfer stamps	225,000	181,565	(43,435)
Probate fees	14,000	7,740	(6,260)
Tax certificates	13,000	9,905	(3,095)
Recording fees	145,000	121,255	(23,745)
Building inspector	150,000	134,331	(15,669)
Police department	65,000	115,869	50,869
Recreation	15,000	24,917	9,917
Town beach parking and concessions	65,000	80,993	15,993
Beach passes	80,000	86,000	6,000
Blue Shutters parking and concessions	106,550	135,268	28,718
Driving range	28,000	18,259	(9,741)
Animal control	6,550	6,921	371
Ninigret Park	5,000	5,588	588
Planning Board	9,000	8,240	(760)
Zoning Board and Review	8,000	6,125	(1,875)
Senior/Community Center	10,900	9,415	(1,485)
Other revenues	30,000	10,567	(19,433)
Total departmental revenues	994,000	984,836	(9,164)
Investment income	101,280	246,748	145,468
Other financing sources:			
Proceeds from capital leases	0	243,379	243,379
Total other financing sources	0	243,379	243,379
Total revenues and other financing sources	\$ 22,688,388	\$ 22,974,900	\$ 286,512

TOWN OF CHARLESTOWN, RHODE ISLAND

GENERAL FUND

SCHEDULE OF APPROPRIATIONS AND ACTUAL EXPENDITURES - BUDGETARY BASIS
YEAR ENDED JUNE 30, 2008

	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	\$ 177,500	\$ (5,000)	\$ 172,500	\$ 165,651	\$ (1,002)	\$ 164,649	\$ 7,851
Town clerk	193,081	(6,000)	187,081	177,226		177,226	9,855
Treasurer	164,550	(3,000)	161,550	155,587	(161)	155,426	6,124
Town administrator	128,814		128,814	126,104		126,104	2,710
Tax assessor	200,743		200,743	200,546	(4,442)	196,104	4,639
Building inspector	151,288	(2,000)	149,288	147,543		147,543	1,745
Tax collector	94,558		94,558	94,255		94,255	303
Town planner	101,355		101,355	96,266	(18)	96,248	5,107
Town council	27,600		27,600	16,143		16,143	11,457
Elections unit	15,100		15,100	10,481		10,481	4,619
Boards, agencies, and committees	33,400		33,400	23,817		23,817	9,583
Total general government	1,287,989	(16,000)	1,271,989	1,213,619	(5,623)	1,207,996	63,993
Public Safety:							
Police department	2,055,777	10,000	2,065,777	2,062,686	(138)	2,062,548	3,229
Animal control	73,820	(8,000)	65,820	64,015		64,015	1,805
Civil preparedness	24,540		24,540	21,905	392	22,297	2,243
Total public safety	2,154,137	2,000	2,156,137	2,148,606	254	2,148,860	7,277
Public Works:							
Highway department	706,103	(10,000)	696,103	694,046	(3,355)	690,691	5,412
Public buildings and grounds	207,769	30,000	237,769	233,855	(229)	233,626	4,143
Administration	121,468		121,468	120,126		120,126	1,342
Wastewater management	65,490	(20,000)	45,490	41,326		41,326	4,164
Total public works	1,100,830	0	1,100,830	1,089,353	(3,584)	1,085,769	15,061

TOWN OF CHARLESTOWN, RHODE ISLAND

GENERAL FUND

SCHEDULE OF APPROPRIATIONS AND ACTUAL EXPENDITURES - BUDGETARY BASIS
YEAR ENDED JUNE 30, 2008

	Original Budget	Budget Amendments	Final Budget	Actual Expenditures and Transfers	Adjustments to Budgetary Basis	Expenditures and Transfers on Budgetary Basis	Variance Positive (Negative)
Recreation:							
Participation recreation	137,779		137,779	123,597	432	124,029	13,750
Senior/Community Center	76,134		76,134	72,519		72,519	3,615
Blue Shutters Beach	69,328		69,328	57,136		57,136	12,192
Town Beach	81,513		81,513	68,149		68,149	13,364
Driving Range	26,036		26,036	13,879	41	13,920	12,116
Ninigret Park	26,224		26,224	25,131	369	25,500	724
Total recreation	417,014	0	417,014	360,411	842	361,253	55,761
Public Health and Assistance:							
Cross Mills Library	201,900		201,900	201,900		201,900	0
Ambulance services	170,000		170,000	170,000		170,000	0
VNS Home Health Services	4,000		4,000	4,000		4,000	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	14,200		14,200	9,447		9,447	4,753
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	1,250		1,250	1,250		1,250	0
Community Action South County	1,500		1,500	1,500		1,500	0
The Samaritans	500		500	500		500	0
Hospice Care of RI	750		750	750		750	0
St. James Food Pantry	3,000		3,000	3,000		3,000	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
Washington County Coalition Children	200		200	200		200	0
Education Exchange	200		200	200		200	0
Chamber of Commerce	3,100		3,100	3,100		3,100	0
Total public health and assistance	412,450	0	412,450	407,697	0	407,697	4,753

TOWN OF CHARLESTOWN, RHODE ISLAND

GENERAL FUND

SCHEDULE OF APPROPRIATIONS AND ACTUAL EXPENDITURES - BUDGETARY BASIS
YEAR ENDED JUNE 30, 2008

	Original Budget	Budget Amendments	Final Budget	Actual Expenditures and Transfers	Adjustments to Budgetary Basis	Expenditures and Transfers on Budgetary Basis	Variance Positive (Negative)
Education:	13,631,253	0	13,631,253	13,631,253	0	13,631,253	0
Charlho Regional High School							
Debt Service:							
General Obligation Bond:							
Principal	348,050		348,050	347,310		347,310	740
Interest	241,726		241,726	242,465		242,465	(739)
Tax anticipation note - interest	7,500		7,500	0		0	7,500
Open Space BAN - interest	45,000		45,000	0		0	45,000
Capital leases	202,968		202,968	202,967		202,967	1
Bond issuance costs	15,000		15,000	0		0	15,000
Fiscal agent fees	700		700	700		700	0
Total debt service	860,944	0	860,944	793,442	0	793,442	67,502
Miscellaneous:							
Employee insurance and benefits	1,639,546	(20,000)	1,619,546	1,600,550		1,600,550	18,996
Council contingency	9,800		9,800	3,693		3,693	6,107
Town insurance	226,000	(2,000)	224,000	205,717		205,717	18,283
Auditing	34,600		34,600	38,902		38,902	(4,302)
Legal services	188,400	20,000	208,400	240,234		240,234	(31,834)
Total miscellaneous	2,098,346	(2,000)	2,096,346	2,089,096	0	2,089,096	7,250
Capital Improvements Program:							
Police	93,850		93,850	89,520		89,520	4,330
Public works	99,775	(20,000)	79,775	88,589	(8,199)	80,390	(615)
Recreation	10,000	(10,000)	0	0	1,400	1,400	(1,400)
Animal control	28,500		28,500	28,765		28,765	(265)
Geographical info system	10,000		10,000	9,999		9,999	1
Capital leases	0		0	243,379		243,379	(243,379)
Total capital improvements	242,125	(30,000)	212,125	460,252	(6,799)	453,453	(241,328)

TOWN OF CHARLESTOWN, RHODE ISLAND

GENERAL FUND

**SCHEDULE OF APPROPRIATIONS AND ACTUAL EXPENDITURES - BUDGETARY BASIS
YEAR ENDED JUNE 30, 2008**

	<u>Original Budget</u>	<u>Budget Amendments</u>	<u>Final Budget</u>	<u>Actual Expenditures and Transfers</u>	<u>Adjustments to Budgetary Basis</u>	<u>Expenditures and Transfers on Budgetary Basis</u>	<u>Variance Positive (Negative)</u>
Other financing uses:							
Transfers out:							
Enterprise funds	30,000		30,000	30,000	0	30,000	0
Special revenue funds - Revaluation	50,000		50,000	50,000	0	50,000	0
Special revenue funds - Reserve for Severance	75,000		75,000	75,000	0	75,000	0
Special revenue funds - Municipal Planning	25,000		25,000	25,000	0	25,000	0
Special revenue funds - Facilities Maintenance	2,500	22,000	24,500	24,500	0	24,500	0
Special revenue funds - Health Care Reserve	50,000		50,000	50,000	0	50,000	0
Special revenue funds - Treasurer financial software	22,000		22,000	22,000	0	22,000	0
Capital project funds - Landfill Closure	30,000		30,000	30,000	0	30,000	0
Capital project funds - Salt/Sand Equipment Shed	125,000		125,000	125,000	0	125,000	0
Total transfers out	409,500	22,000	431,500	431,500	0	431,500	0
Other:							
Landfill monitoring	73,800	24,000	97,800	93,624		93,624	4,176
Total other	73,800	24,000	97,800	93,624	0	93,624	4,176
Total expenditures	\$ 22,688,388	\$ 0	\$ 22,688,388	\$ 22,718,853	\$ (14,910)	\$ 22,703,943	\$ (15,555)

(CONCLUDED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2008**

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, 2008:

Excess of revenues and other sources over expenditures and other uses (Non-GAAP Budgetary Basis).....	\$270,957
Current year encumbrances.....	2,634
Prior year encumbrances.....	<u>(17,544)</u>
Excess of revenues and other sources over expenditures and other uses (GAAP)	<u>\$256,047</u>

Town Of Charlestown

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

Ad Hoc Withdrawal Committee

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

Police Grants - Byrne

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

MEDS Grant – RI Dept. of Health

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

MEDS Grant

The purpose of this fund is to account for funds received by the town from the Department of Health upon completion of a Medical Emergency Distribution System (MEDS) Point of Dispensing Plan and MEDS Point of Dispensing Exercise.

Police Grant - NCHIP

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

School Impact Fees

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

Educational Planning

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

(CONTINUED)

Town Of Charlestown

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS (CONTINUED)

Historical and Vital Records

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

Green Hill/Beach Road Infiltration Grant

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

Municipal Planning

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

Revaluation Fund

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

Reserve for Employee Severance Benefits

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

Comprehensive Planning Grant

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

Neighborhood Crime Prevention

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

Mud Cove Recreation Development

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

(CONTINUED)

Town Of Charlestown

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS (CONTINUED)

Recreation Donations

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

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.

(CONTINUED)

Town Of Charlestown

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS (CONTINUED)

Police Forfeiture

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

Employee Vending

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

Police Bike Unit Training

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

Birthday Committee

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

Trail Improvement Grant - Mud Cove

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

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.

(CONTINUED)

Town Of Charlestown

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS (CONTINUED)

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.

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.

(CONTINUED)

Town Of Charlestown

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS (CONTINUED)

Accounting Software Fund

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

Homeland Security Grant - EMA Citizens

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

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.

CAPITAL PROJECT FUNDS

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

Buckeye Brook Road Phase #2

This fund was created to reserve funds needed to reconstruct the remaining portion of Buckeye Brook Road (from the end of the 2006 reconstruction to Shumankanunc Hill Road), as approved at the Financial Town Meeting on June 4, 2007.

DPW - Salt/Sand Equipment Shed

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

DPW - Old Coach Road Reconstruction Phase 1

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

Tennis Court Construction

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

(CONTINUED)

Town Of Charlestown

NON-MAJOR GOVERNMENTAL FUNDS

CAPITAL PROJECT FUNDS (CONTINUED)

Town Capital Maintenance Fund

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

Police Building Fund

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

DPW Road Engineering

Accounts for costs related to road engineering.

Open Space Acquisition

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

Landfill Closure

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

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.

(CONTINUED)

Town Of Charlestown

NON-MAJOR GOVERNMENTAL FUNDS

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, 2008

	Special Revenue Funds						
	Ad Hoc Withdrawal Committee	Police Grants - Byrne	MEDS Grant - RI Dept of Health	MEDS Grant	Police Grant - NCHIP	School Impact Fees	Educational Planning
ASSETS:							
Cash and cash equivalents						\$ 578,138	
Investments							
Other receivables							
Due from:							
Other funds	\$	3,154	\$ 5,548	\$ 9,000	\$ 9,900		\$ 19,933
Other governments							
TOTAL ASSETS	\$ 0	\$ 3,154	\$ 5,548	\$ 9,000	\$ 9,900	\$ 578,138	\$ 19,933
LIABILITIES AND FUND BALANCES:							
LIABILITIES:							
Accounts payable	\$ 5,000						
Due to other funds							
Retainage payable							
Deferred revenues	\$	3,154	\$ 5,548	\$ 9,000			
Other liabilities							
TOTAL LIABILITIES	5,000	3,154	5,548	9,000	0	0	0
FUND BALANCES:							
Reserved for:							
Perpetual care							
Encumbrances							
Unreserved, reported in:							
Special revenue funds	(5,000)				9,900	578,138	19,933
Capital project funds							
Debt service funds							
TOTAL FUND BALANCES	(5,000)	0	0	0	9,900	578,138	19,933
TOTAL LIABILITIES AND FUND BALANCES	\$ 0	\$ 3,154	\$ 5,548	\$ 9,000	\$ 9,900	\$ 578,138	\$ 19,933

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2008**

	Special Revenue Funds						
	Historical and Vital Records	Green Hill/ Beach Rd Infiltration Grant	Municipal Planning	Revaluation Fund	Reserve for Employee Severance Benefits	Comprehensive Planning Grant	Neighborhood Crime Prevention
ASSETS:							
Cash and cash equivalents						\$ 777	
Investments							
Other receivables							
Due from:							
Other funds	\$ 66,090		\$ 124,925	\$ 151,073	\$ 131,939	12,068	\$ 580
Other governments		\$ 22,003					
TOTAL ASSETS	\$ 66,090	\$ 22,003	\$ 124,925	\$ 151,073	\$ 131,939	\$ 12,845	\$ 580
LIABILITIES AND FUND BALANCES:							
LIABILITIES:							
Accounts payable	\$ 1,990		\$ 4,464				
Due to other funds	26,694						
Retainage payable				13,035			
Deferred revenues							
Other liabilities							
TOTAL LIABILITIES	\$ 0	\$ 28,684	\$ 0	\$ 17,499	\$ 0	\$ 0	\$ 0
FUND BALANCES:							
Reserved for:							
Perpetual care							
Encumbrances		575					
Unreserved, reported in:							
Special revenue funds	66,090	(7,256)	124,925	133,574	131,939	12,845	580
Capital project funds							
Debt service funds							
TOTAL FUND BALANCES	66,090	(6,681)	124,925	133,574	131,939	12,845	580
TOTAL LIABILITIES AND FUND BALANCES	\$ 66,090	\$ 22,003	\$ 124,925	\$ 151,073	\$ 131,939	\$ 12,845	\$ 580

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2008

	Special Revenue Funds					
	Mud Cove Recreation Development	Recreation Donations	Ninigret Park Fund	Bicentennial Fund	Washington County Regional Planning	Facilities Maintenance
ASSETS:						
Cash and cash equivalents			\$ 178,191	\$ 2,154		
Investments						
Other receivables		\$ 1,159				\$ 54,525
Due from:						
Other funds	\$ 150,000					
Other governments						
TOTAL ASSETS	\$ 150,000	\$ 1,159	\$ 178,191	\$ 2,154	\$ 0	\$ 54,525
LIABILITIES AND FUND BALANCES:						
LIABILITIES:						
Accounts payable						
Due to other funds			\$ 99,288			
Retainage payable						
Deferred revenues	\$ 150,000					
Other liabilities						
TOTAL LIABILITIES	150,000	\$ 0	\$ 99,288	\$ 0	\$ 0	\$ 0
FUND BALANCES:						
Reserved for:						
Perpetual care						
Encumbrances						
Unreserved, reported in:						
Special revenue funds		1,159	78,903	2,154		54,525
Capital project funds						
Debt service funds						
TOTAL FUND BALANCES	0	1,159	78,903	2,154	0	54,525
TOTAL LIABILITIES AND FUND BALANCES	\$ 150,000	\$ 1,159	\$ 178,191	\$ 2,154	\$ 0	\$ 54,525

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2008**

Special Revenue Funds

	Developer Bond Deposits	Open Space Fees	DARE Program	Naval Airfield Memorial	Police Forfeiture	Employee Vending
\$	37,562	\$ 31,241	\$ 230	\$ 5,011	\$ 7,485	\$ 952
		1,091				
\$	37,562	\$ 32,332	\$ 230	\$ 5,011	\$ 7,485	\$ 952

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

\$	37,562	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
		32,332	230	5,011	7,485	952
0	32,332	230	5,011	7,485	952	
\$	37,562	\$ 32,332	\$ 230	\$ 5,011	\$ 7,485	\$ 952

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2008

	Special Revenue Funds					
	Police Bike Unit Training	Birthday Committee	Improvement Grant - Mud Cove	Town Hall Building Upgrade	Health Care Reserve Fund	Public Assistance Special Account
ASSETS:						
Cash and cash equivalents		\$ 1,881			\$ 104,527	
Investments						
Other receivables						
Due from:						
Other funds	\$ 294					
Other governments			\$ 50,000			
TOTAL ASSETS	\$ 294	\$ 1,881	\$ 50,000	\$ 0	\$ 104,527	\$ 0
LIABILITIES AND FUND BALANCES:						
LIABILITIES:						
Accounts payable						
Due to other funds			\$ 795			
Retainage payable						
Deferred revenues			49,205			
Other liabilities						
TOTAL LIABILITIES	\$ 0	\$ 0	\$ 50,000	\$ 0	\$ 0	\$ 0
FUND BALANCES:						
Reserved for:						
Perpetual care						
Encumbrances						
Unreserved, reported in:						
Special revenue funds	294	1,881			104,527	
Capital project funds						
Debt service funds						
TOTAL FUND BALANCES	294	1,881	0	0	104,527	0
TOTAL LIABILITIES AND FUND BALANCES	\$ 294	\$ 1,881	\$ 50,000	\$ 0	\$ 104,527	\$ 0

TOWN OF CHARLESTOWN, RHODE ISLAND

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2008

	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
ASSETS:						
Cash and cash equivalents				\$ 9,105		
Investments						
Other receivables						
Due from:						
Other funds	\$ 204		\$ 14,992	231,398		73
Other governments		\$ 0	\$ 14,992	\$ 240,503	\$ 0	\$ 73
TOTAL ASSETS	\$ 204	\$ 0	\$ 29,984	\$ 240,503	\$ 0	\$ 73
LIABILITIES AND FUND BALANCES:						
LIABILITIES:						
Accounts payable			\$ 5,059		\$ 1,169	\$ 73
Due to other funds						
Retainage payable						
Deferred revenues	\$ 204		9,933	\$ 240,521		
Other liabilities						
TOTAL LIABILITIES	204	\$ 0	14,992	240,521	1,169	73
FUND BALANCES:						
Reserved for:						
Perpetual care						
Encumbrances						
Unreserved, reported in:						
Special revenue funds			(18)		(1,169)	
Capital project funds						
Debt service funds						
TOTAL FUND BALANCES	0	0	0	(18)	(1,169)	0
TOTAL LIABILITIES AND FUND BALANCES	\$ 204	\$ 0	\$ 14,992	\$ 240,503	\$ 0	\$ 73

TOWN OF CHARLESTOWN, RHODE ISLAND

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2008

		Special Revenue Funds						
		Dept of						
		Justice - COPS	Stormwater	Accounting	Homeland	Accounting	Stormwater	Accounting
		Technology	Management	Software	Security Grant -	Software	Management	Software
		Grant	Grant	Fund	EMA Citizens	Fund	Grant	Fund
GIS	Special							
Project	Donations							
ASSETS:								
Cash and cash equivalents								
Investments								
Other receivables								
Due from:								
Other funds	\$ 4,707							
Other governments								
TOTAL ASSETS		\$ 9,233	\$ 24,319	\$ 2,117	\$ 2,117	\$ 0	\$ 2,117	\$ 0
		\$ 36,408	\$ 24,319	\$ 2,117	\$ 2,117	\$ 0	\$ 2,117	\$ 0
		\$ 36,408	\$ 24,319	\$ 2,117	\$ 2,117	\$ 0	\$ 2,117	\$ 0
LIABILITIES AND FUND BALANCES:								
LIABILITIES:								
Accounts payable								
Due to other funds			\$ 8,596	\$ 2,117	\$ 2,117			
Retainage payable								
Deferred revenues		\$ 9,233						
Other liabilities								
TOTAL LIABILITIES		\$ 9,233	\$ 8,596	\$ 2,117	\$ 2,117	\$ 0	\$ 2,117	\$ 0
		\$ 0	\$ 8,596	\$ 2,117	\$ 2,117	\$ 0	\$ 2,117	\$ 0
FUND BALANCES:								
Reserved for:								
Perpetual care				9,616				
Encumbrances								
Unreserved, reported in:								
Special revenue funds	4,707			(18,212)				
Capital project funds								
Debt service funds								
TOTAL FUND BALANCES		\$ 4,707	\$ 0	\$ (8,596)	\$ 0	\$ 0	\$ 0	\$ 0
		\$ 36,408	\$ 0	\$ (8,596)	\$ 0	\$ 0	\$ 2,117	\$ 0
TOTAL LIABILITIES AND FUND BALANCES		\$ 9,233	\$ 24,319	\$ 0	\$ 2,117	\$ 0	\$ 2,117	\$ 0
		\$ 36,408	\$ 24,319	\$ 0	\$ 2,117	\$ 0	\$ 2,117	\$ 0

TOWN OF CHARLESTOWN, RHODE ISLAND

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2008**

	Special Revenue Funds		Capital Project Funds					
	Columbia Heights Streetscapes Enhancement	Buckeye Brook Road Phase #2	DPW Salt/Sand Equipment Shed	DPW - Old Coach Road Reconstruction Phase I	Tennis Court Construction	Town Capital Maintenance Fund	Police Building Fund	
ASSETS:								
Cash and cash equivalents								\$ 4,108
Investments								
Other receivables								
Due from:								
Other funds			\$ 125,000		\$ 55,450			
Other governments					65,000			
TOTAL ASSETS	\$ 395,578	\$ 0	\$ 125,000	\$ 0	\$ 120,450	\$ 60,932		\$ 63,663
	\$ 395,578	\$ 0	\$ 125,000	\$ 0	\$ 120,450	\$ 60,932		\$ 67,771
LIABILITIES AND FUND BALANCES:								
LIABILITIES:								
Accounts payable	\$ 107,728							
Due to other funds	40,395			\$ 257,800	\$ 148,764			
Retainage payable	5,670							\$ 5,166
Deferred revenues								
Other liabilities								
TOTAL LIABILITIES	\$ 395,578	\$ 153,793	\$ 0	\$ 257,800	\$ 148,764	\$ 0		\$ 5,166
FUND BALANCES:								
Reserved for:								
Perpetual care		533,219					9,081	
Encumbrances								
Unreserved, reported in:								
Special revenue funds								
Capital project funds	(687,012)		125,000	(257,800)	(28,314)	51,851		62,605
Debt service funds								
TOTAL FUND BALANCES	0	(153,793)	125,000	(257,800)	(28,314)	60,932		62,605
TOTAL LIABILITIES AND FUND BALANCES	\$ 395,578	\$ 0	\$ 125,000	\$ 0	\$ 120,450	\$ 60,932		\$ 67,771

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2008**

	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		
ASSETS:								
Cash and cash equivalents				\$ 12,823	\$ 1,145		\$ 980,037	
Investments						\$ 500	500	
Other receivables				892			892	
Due from:								
Other funds	\$ 113,625	\$ 193,155	\$ 24,021				1,254,866	
Other governments						56	973,640	
TOTAL ASSETS	\$ 113,625	\$ 193,155	\$ 24,021	\$ 13,715	\$ 1,145	\$ 556	\$ 3,209,935	
LIABILITIES AND FUND BALANCES:								
LIABILITIES:								
Accounts payable							\$ 119,255	
Due to other funds							614,996	
Retainage payable							23,871	
Deferred revenues				\$ 892			873,268	
Other liabilities					\$ 195		37,757	
TOTAL LIABILITIES	\$ 0	\$ 0	\$ 0	\$ 892	\$ 195	\$ 0	\$ 1,669,147	
FUND BALANCES:								
Reserved for:								
Perpetual care					950	556	1,506	
Encumbrances							552,491	
Unreserved, reported in:								
Special revenue funds	113,625	193,155	24,021				1,376,837	
Capital project funds				12,823			(402,869)	
Debt service funds				12,823	950	556	12,823	
TOTAL FUND BALANCES	\$ 113,625	\$ 193,155	\$ 24,021	\$ 13,715	\$ 1,145	\$ 556	\$ 3,209,935	

(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, 2008

	Special Revenue Funds						
	Ad Hoc Withdrawal Committee	Police Grants- Byrne	MEDS Grant - RI Dept of Health	MEDS Grant	Police Grant - NCHIP	School Impact Fees	Educational Planning
REVENUES:							
Intergovernmental		\$ 7,844	\$ 1,234			\$ 20,224	
Investment income						12,843	
Other	\$ 0	7,844	1,234	\$0	0	33,067	\$ 0
TOTAL REVENUES							
EXPENDITURES:							
Current:							
General government	5,000						
Public safety		8,325	1,234				
Public works							
Parks and recreation							
Community development							
Public health and assistance							
Debt Service:							
Principal					4,563		
Interest					2,637		
Capital:							
Capital outlay	5,000	8,325	1,234	0	7,200	0	0
TOTAL EXPENDITURES							
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	(5,000)	(481)	0	0	(7,200)	33,067	0
OTHER FINANCING SOURCES (USES):							
Transfers in							
Transfers out	0	0	0	0	0	0	0
NET OTHER FINANCING SOURCES (USES)							
EXCESS OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) EXPENDITURES	(5,000)	(481)	0	0	(7,200)	33,067	0
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	0	481	0	0	17,100	545,071	19,933
FUND BALANCE (DEFICIT) AT END OF YEAR	\$ (5,000)	\$ 0	\$ 0	\$0	\$ 9,900	\$ 578,138	\$ 19,933

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, 2008

	Special Revenue Funds						
	Historical and Vital Records	Green Hill/ Beach Rd Infiltration Grant	Municipal Planning	Revaluation Fund	Reserve for Employee Severance Benefits	Comprehensive Planning Grant	Neighborhood Crime Prevention
REVENUES:							
Intergovernmental		\$ 22,003		\$ 89,317			
Investment income	\$ 15,725						
Other	15,725	22,003	0	89,317	0	0	0
TOTAL REVENUES							
	\$ 15,725	\$ 22,003	\$ 0	\$ 89,317	\$ 0	\$ 0	\$ 0
EXPENDITURES:							
Current:							
General government	1,434		886	122,627	48,342		
Public safety							
Public works							
Parks and recreation		28,684					
Community development							
Public health and assistance							
Debt Service:							
Principal							
Interest							
Capital:							
Capital outlay							
TOTAL EXPENDITURES							
	1,434	28,684	886	122,627	48,342	0	0
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	14,291	(6,681)	(886)	(33,310)	(48,342)	0	0
OTHER FINANCING SOURCES (USES):							
Transfers in			25,000	50,000	75,000		
Transfers out	0	0	25,000	50,000	75,000	0	0
NET OTHER FINANCING SOURCES (USES)							
	14,291	(6,681)	24,114	16,690	26,658	0	0
EXCESS OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) EXPENDITURES	51,799	0	100,811	116,884	105,281	12,845	580
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR							
	\$ 66,090	\$ (6,681)	\$ 124,925	\$ 133,574	\$ 131,939	\$ 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, 2008

	Special Revenue Funds					Washington County Regional Planning	Facilities Maintenance
	Mud Cove Recreation Development	Recreation Donations	Ninigret Park Fund	Bicentennial Fund			
			\$ 5,895	\$ 85		\$ 16,405	
		0	28,540				
TOTAL REVENUES	\$ 0	\$ 0	\$ 34,435	85	85	16,405	\$ 0

EXPENDITURES:

Current:

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

Debt Service:

- Principal
- Interest

Capital:

- Capital outlay

TOTAL EXPENDITURES

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

OTHER FINANCING SOURCES (USES):

- Transfers in
- Transfers out

NET OTHER FINANCING SOURCES (USES)

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

FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR

FUND BALANCE (DEFICIT) AT END OF YEAR

0	0	0	4,316	0	16,405	0
0	0	0	30,119	85	0	0
0	0	(41,778)		0	0	24,500
0	0	(41,778)		0	0	24,500
0	0	(11,659)	85	0	0	24,500
0	1,159	90,562	2,069	0	0	30,025
\$ 0	\$ 1,159	\$ 78,903	\$ 2,154	\$ 0	\$ 0	\$ 54,525

(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, 2008

	Special Revenue Funds						
	Developer Bond Deposits	Open Space Fees	DARE Program	Naval Airfield Memorial	Police Forfeiture	Employee Vending	
REVENUES:							
Intergovernmental							
Investment income		\$ 1,110		\$ 178	\$ 6,534	\$ 7	3
Other							569
TOTAL REVENUES	\$0	1,110	\$ 0	178	6,541		572
EXPENDITURES:							
Current:							
General government							394
Public safety							
Public works					5,995		
Parks and recreation							
Community development							
Public health and assistance							
Debt Service:							
Principal							
Interest							
Capital:							
Capital outlay							394
TOTAL EXPENDITURES	0	0	0	0	5,995		394
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	0	1,110	0	178	546		178
OTHER FINANCING SOURCES (USES):							
Transfers in							
Transfers out							
NET OTHER FINANCING SOURCES (USES)	0	0	0	0	0	0	0
EXCESS OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) EXPENDITURES	0	1,110	0	178	546		178
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	0	31,222	230	4,833	6,939		774
FUND BALANCE (DEFICIT) AT END OF YEAR	\$0	\$ 32,332	\$ 230	\$ 5,011	\$ 7,485	\$	952

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, 2008

	Special Revenue Funds						
	Police Bike Unit Training	Birthday Committee	Trail		Town Hall Building Upgrade	Health Care Reserve Fund	Public Assistance Special Account
			Improvement Grant - Mud Cove				
REVENUES:							
Intergovernmental				213			
Investment income	\$ 67					\$ 2,216	
Other							
TOTAL REVENUES	\$ 67	\$ 67	\$ 213	\$ 213	\$ 0	\$ 2,216	\$ 0
EXPENDITURES:							
Current:							
General government							
Public safety							
Public works							
Parks and recreation				213			
Community development							
Public health and assistance							2,022
Debt Service:							
Principal							
Interest							
Capital:							
Capital outlay					70,000		
TOTAL EXPENDITURES	0	0	213	213	70,000	0	2,022
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	0	67	0	0	(70,000)	2,216	(2,022)
OTHER FINANCING SOURCES (USES):							
Transfers in						50,000	
Transfers out							
NET OTHER FINANCING SOURCES (USES)	0	0	0	0	0	50,000	0
EXCESS OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) EXPENDITURES	0	67	0	0	(70,000)	52,216	(2,022)
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	294	1,814	0	0	70,000	52,311	2,022
FUND BALANCE (DEFICIT) AT END OF YEAR	\$ 294	\$ 1,881	\$ 0	\$ 0	\$ 0	\$ 104,527	\$ 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, 2008

	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:			\$ 4,824	\$ 222,249		
Intergovernmental						
Investment income						
Other						
TOTAL REVENUES	\$ 0	\$ 0	4,824	222,249	\$ 0	\$ 0
EXPENDITURES:						
Current:						
General government						
Public safety						
Public works			4,824			
Parks and recreation		55,500				
Community development				222,285		
Public health and assistance						
Debt Service:						
Principal						
Interest						
Capital:						
Capital outlay						
TOTAL EXPENDITURES	0	55,500	4,824	222,285	0	0
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	0	(55,500)	0	(36)	0	0
OTHER FINANCING SOURCES (USES):						
Transfers in		20,854				
Transfers out						
NET OTHER FINANCING SOURCES (USES)	0	20,854	0	0	0	0
EXCESS OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) EXPENDITURES	0	(34,646)	0	(36)	0	0
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	0	34,646	0	18	(1,169)	0
FUND BALANCE (DEFICIT) AT END OF YEAR	\$ 0	\$ 0	\$ 0	\$ (18)	\$ (1,169)	\$ 0

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, 2008

	Special Revenue Funds						
	GIS Project	Dept of Justice - COPS Technology Grant	Special Donations	Stormwater Management Grant	Accounting Software Fund	Homeland Security Grant - EMA Citizens	EPA Grant
REVENUES:							
Intergovernmental		\$ 30,849	\$ 167				\$ 65,739
Investment income			10				
Other			177	\$0	0	\$0	
TOTAL REVENUES	\$ 0	30,849	177	\$0	\$ 0	\$0	65,739
EXPENDITURES:							
Current:							
General government	5,592						
Public safety		16,703					65,739
Public works							
Parks and recreation							
Community development							
Public health and assistance							
Debt Service:							
Principal							
Interest							
Capital:							
Capital outlay		14,146			52,471		
TOTAL EXPENDITURES	5,592	30,849	0	0	52,471	0	65,739
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	(5,592)	0	177	0	(52,471)	0	0
OTHER FINANCING SOURCES (USES):							
Transfers in					22,000		
Transfers out							
NET OTHER FINANCING SOURCES (USES)	0	0	0	0	22,000	0	0
EXCESS OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) EXPENDITURES	(5,592)	0	177	0	(30,471)	0	0
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	42,000	0	4,530	0	21,875	0	0
FUND BALANCE (DEFICIT) AT END OF YEAR	\$ 36,408	\$ 0	\$ 4,707	\$0	\$ (8,596)	\$0	\$ 0

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, 2008

	Special Revenue Funds		Capital Project Funds					
	Columbia Heights Streetscapes Enhancement	Buckeye Brook Road Phase #2	DPW Salt/Sand Equipment Shed	DPW - Old Coach Road Reconstruction Phase I	Tennis Court Construction	Town Capital Maintenance Fund	Police Building Fund	
REVENUES:								
Intergovernmental								
Investment income								
Other								
TOTAL REVENUES	\$0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

EXPENDITURES:

- Current:**
- General government
- Public safety
- Public works
- Parks and recreation
- Community development
- Public health and assistance

Debt Service:

- Principal
- Interest

Capital:

- Capital outlay

TOTAL EXPENDITURES

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

OTHER FINANCING SOURCES (USES):

- Transfers in
- Transfers out

NET OTHER FINANCING SOURCES (USES)

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

FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR

FUND BALANCE (DEFICIT) AT END OF YEAR

	0	153,793	0	317,020	0	184,992	0
	0	153,793	0	317,020	0	184,992	0
	0	(153,793)	0	(317,020)	0	(184,992)	0
			125,000		20,924		
	0	0	125,000	0	20,924	0	0
	0	(153,793)	125,000	(317,020)	20,924	(184,992)	0
	0	0	0	59,220	(49,238)	245,924	62,605
	\$0	\$ (153,793)	\$ 125,000	\$ (257,800)	\$ (28,314)	\$ 60,932	\$ 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, 2008

	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								\$ 467,211
Investment income		\$ 4,794		\$ 41		\$ 3		34,790
Other								57,687
TOTAL REVENUES	\$ 0	4,794	\$ 0	41	\$ 0	3		559,688
EXPENDITURES:								
Current:								
General government								200,680
Public safety								32,257
Public works			34,979					134,226
Parks and recreation								60,029
Community development								222,285
Public health and assistance								2,022
Debt Service:								
Principal								4,563
Interest								2,637
Capital:								
Capital outlay								792,422
TOTAL EXPENDITURES	0	0	34,979	0	0	0		1,451,121
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	0	4,794	(34,979)	41	0	3		(891,433)
OTHER FINANCING SOURCES (USES):								
Transfers in								413,278
Transfers out								(41,778)
NET OTHER FINANCING SOURCES (USES)	0	0	0	0	0	0		371,500
EXCESS OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) EXPENDITURES	0	4,794	(34,979)	41	0	3		(519,933)
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	113,625	188,361	59,000	12,782	950	553		2,060,721
FUND BALANCE (DEFICIT) AT END OF YEAR	\$ 113,625	\$ 193,155	\$ 24,021	\$ 12,823	\$ 950	\$ 556		\$ 1,540,788

TOWN OF CHARLESTOWN

REPORT IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS

CAYER CACCIA LLP

Certified Public Accountants and Business Consultants

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

To the Honorable Town Council,
Charlestown, Rhode Island

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Charlestown, Rhode Island, as of and for the year ended June 30, 2008, which collectively comprise the Town of Charlestown, Rhode Island's basic financial statements and have issued our report thereon dated December 19, 2008. 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

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 19, 2008.

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 19, 2008

Cayn Caccia, LLP