

**TOWN OF  
CHARLESTOWN, RHODE ISLAND**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**FOR THE YEAR ENDED  
JUNE 30, 2014**

Prepared by:

Patricia M. Anderson

Treasurer

TOWN OF CHARLESTOWN, RHODE ISLAND

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2014**

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# TOWN OF CHARLESTOWN

## INTRODUCTORY SECTION

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**Patricia M. Anderson**  
**Treasurer**  
PAnderson@CharlestownRI.org



**TOWN OF CHARLESTOWN**

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

December 22, 2014

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, 2014, 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, 2014. The Comprehensive Annual Financial Report is a joint effort between Town Management and our auditing firm, Cayer Caccia, LLP Certified Public Accountants.

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

A single audit section relating to federal financial assistance is not required for the 2014 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 2010 census was 7,827, a decrease of 32 from the year 2000. In 1970, year-round residents totaled 3,200, 1980 totaled 4,800, an increase of 1,600 residents. In 1990, the population of year-round residents had grown to 6,478, increasing another 1,678, or 35%. The 2000 census showed an increase of 21% to a total year-round resident count of 7,851. In 2010, the population dropped to 7,827 or a decrease of 0.3%.

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

## Major Initiatives

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

The Governing Council identifies needs to meet citizen's demands for services and to safeguard the environment with conformity to applicable local, state and federal law. Following is a list of undertakings initiated, or completed, during the 2013-2014 fiscal year:

The town council chambers received a much needed renovation. The walls were painted, the wainscoting was replaced and carpeting has been ordered.

The land evidence software continues to be updated through ACS.

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

The Town has continued to replace the DPW vehicles on a regular cycle with the purchase of a new heavy duty 4 wheel drive pickup and a dump truck.

Pawaget Park (formerly known as Mud Cove) has been completed and was dedicated in October 2014. Picnic tables, grills and trash receptacles have placed at the park. The boardwalk has been completed and has a beautiful view of the pond.

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

More seniors than ever have been using the Senior Center since it were refurbished last year. A new automatic door has been installed at the center making it easier for our seniors to enter the building. Many new programs have been added and existing programs have been expanded.

Because the Community Garden has grown so much, the town has transfer the responsibility of it over to the Jonnycake Cake Center. They ensure the vegetable from the garden go to families in our community that are in need and to our Senior Center.

The Town's Onsite-Wastewater Management Office continued to successfully manage its program in accordance with Town Ordinance. To protect Charlestown's groundwater (our only drinking water source) and our surface water bodies, the Town inspected 1,691 septic systems and identified 20 failing systems. One hundred eighty-eight Notices of Intent to Enforce and/or Notices of Violation were issued. Ninety-seven new or replacement septic systems were installed including the replacement if fifty-eight polluting cesspools and sixteen hazardous failing septic systems. The Town Office of Wastewater Management brought thirty-nine on-site wastewater treatment related Violations before the Charlestown Municipal Court and closed thirty-eight files for compliance. Additionally, the Town sampled over thirty drinking water wells in densely developed areas of Charlestown for analysis for harmful nutrients and bacteria. The On-site Wastewater Manager obtained a RIDEM Class IV Designer's License and the Town obtained \$300,000 to be utilized as Low Interest Loans for the Community Septic Loan Program.

The Town completed a major file server upgrade, replacing five physical computer file servers with a virtual server design. This new design employs the use of two physical HP ProLiant DL385 Host ESX computers that virtually house and connect to seven file servers using VMware; a VCENTER Host server, Domain controller server, a File/Data server, an Exchange email server, an Oracle server, a SQL server, a Utility software server and a Print server.

This new system also included the use of a HP Storage Area Network (SAN) appliance device for data storage, a Buffalo Terrastation Network Attached Storage (NAS) appliance for data backup, a Barracuda Email Spyware/Virus filter, a Barracuda Email Archiver, and a Sonicwall Firewall

Included with the upgrade to the computer file server system, was the addition of a second internet connection to enhance the wireless capabilities within Town Hall that also segregates these two systems – a private employee use wired system and a public wireless system.

The entire Town Hall phone system was also replaced. The new system was designed and installed by COX Communications. All new digital phone sets and CAT 6 wiring were installed in each office and in public access spaces within Town Hall.

This Voice over Internet Protocol (VoIP) system uses the new internal the new internal wiring to connect through two phone systems firewalls onto the COX telephone network system using fiber optic technology. This technology allows for longer “up-time” during natural disasters and a re-routing of calls though the COX network. The end user also has the ability to setup a computer network interface to configure the use of their phone number and phone set.

The Tax Assessor’s office completed a full revaluation project using the consulting services of Vision Government Services Incorporated. This project included visiting every property to verify building and land characteristics, along with the analysis of defining valuation neighborhoods, the analysis of property sales and the re-building of value added items for land and building cost schedules.

This project began in July 2013 and was completed by April 2014. The main components of the project were: physical inspection/review of all properties, photo imagery, data collection/quality control, sales analysis, establishing individual property valuations, mailing valuation information to property owners, informal valuation hearings and final valuation determination. Also incorporated in this project was oblique digital imagery from Pictometry for a 360 degree view of each property to capture views of the buildings and water views.

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 2014 budget.

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

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

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

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

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

### Community Development

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

Mr. Geoffrey Marchant, who heads the Consortium, is also in charge of the Shannock Village Revitalization project between the Towns of Charlestown and Richmond. This project has been awarded approximately \$1.2 million since 2000. Additionally, Mr. Marchant is coordinating the improvement and expansion of the Shannock Water District for Charlestown and Richmond. Mr. Marchant has also secured \$431,000 TEA-21 enhancement funding for the "Columbia Heights Housing & Streetscape Plan." Additional federal funds of approximately \$1.8 million were obtained for use by the Shannock Water District. Both of these projects are being worked on in conjunction with each other. Mr. Marchant has also received approximately \$4.4 million dollars from CDBG-DR for the "Churchwoods" affordable housing project.

## Financial Management

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

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

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

## Risk Management

During 2014 the Town experienced minimal losses on insurance claims and the town anticipates a similar situation in 2015. 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, 2014 through 2016 in response to the Town's request for proposal issued in 2014.

Sincerely,

A handwritten signature in cursive script that reads "Patricia M. Anderson".

Patricia M. Anderson  
Treasurer

## **MUNICIPAL OFFICERS**

### *Town Council*

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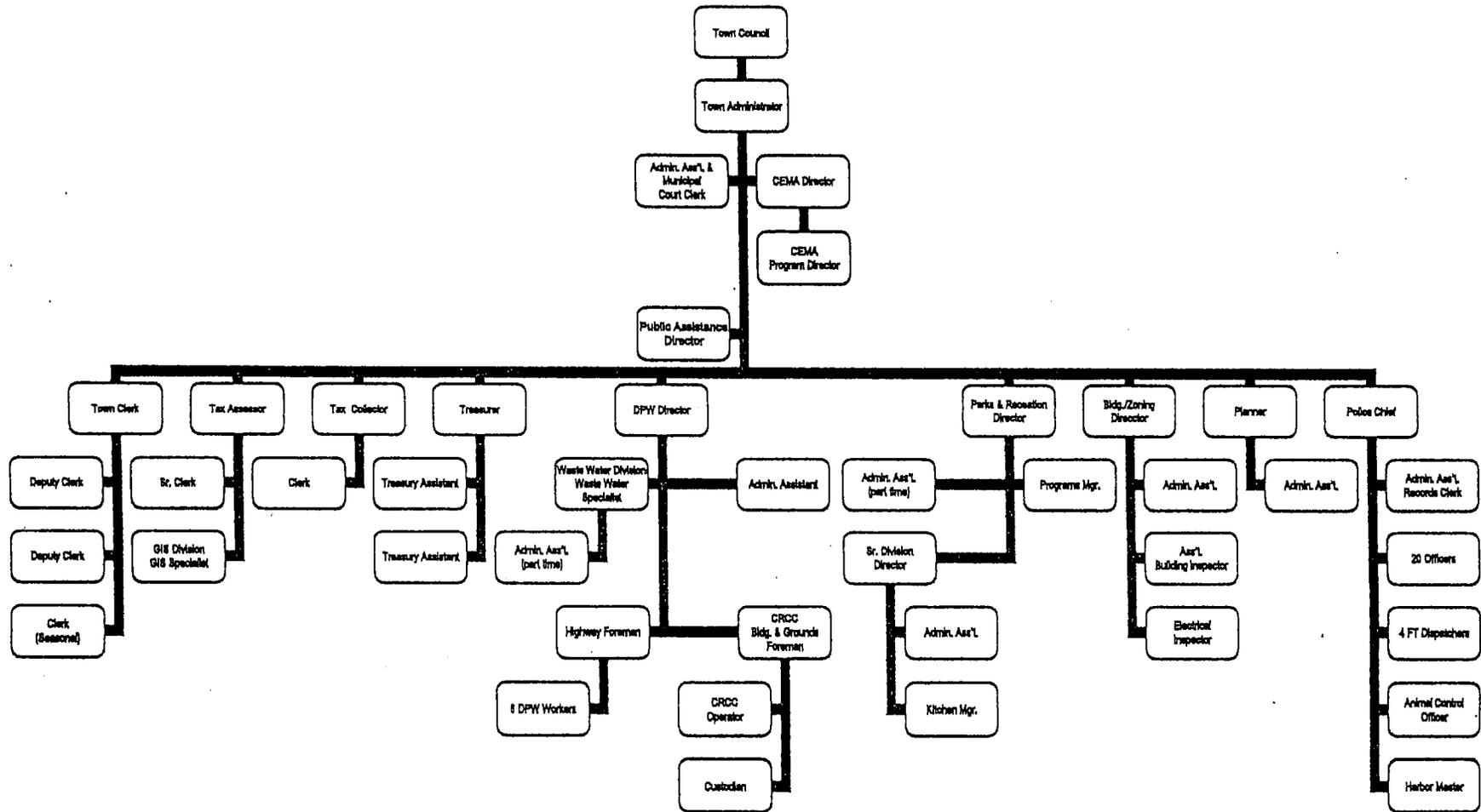
**Thomas B. Gentz, President**  
**Paula Andersen, Vice President**  
**Daniel J. Slattery**  
**Lisa A. DiBello**  
**George C. Tremblay**

### *Town Officials*

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

# Charlestown, RI Government Organizational Chart



TOWN OF CHARLESTOWN

FINANCIAL SECTION

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**Cayer Caccia**

**Gerard R. Cayer**  
CPA, MST

**INDEPENDENT AUDITOR'S REPORT**

**Mark V. Caccia**  
CPA, MST

**Donna T. Caccia**  
CPA, MST, CFP™

To the Honorable Town Council  
Charlestown, Rhode Island

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Charlestown, Rhode Island, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Charlestown, Rhode Island, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As described in Note 1 to the financial statements, in 2014, the Town of Charlestown, Rhode Island adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, historical pension and other post-employment benefit information, and budgetary comparison information on pages 4 through 17 and 72 through 80 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

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

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2014, on our consideration of the Town of Charlestown, Rhode Island's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Charlestown, Rhode Island's internal control over financial reporting and compliance.

*Cayer Caccia, LLP*

December 22, 2014

## **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 twelfth year that the Town has presented its financial statements under the new reporting model required by the Governmental Accounting Standards Board (GASB) Statement Number 34. Since the Management Discussion and Analysis (M D & A) is designed to focus on the current year's activities, resulting changes and currently known facts, it should be read in conjunction with the Transmittal Letter and the Financial Statements (beginning on page 18).

Effective July 1, 2012, the Town of Charlestown implemented GASB Statement 65, which provides financial reporting guidance for incorporating deferred outflows and inflows of resources. See footnote 1 for additional explanation.

### **Highlights**

#### **Financial Highlights**

The Town's net position increased by \$285,241 (or 1.1%). Governmental net position increased by \$328,247, (or 1.3%), while the business-type activities net position decreased by \$43,006, (or 15.3%). In 2013, governmental net position increased by \$498,709 (or 2.0%), while the business-type activities net position decreased by \$55,474, (or 16.4%).

Governmental fund revenues for the year ending June 30, 2014 totaled \$26,278,924 including charges for services at \$1,151,239, operating grants and contributions at \$2,160,991, capital grants and contributions at \$97,866 with the balance of revenue from property taxes, revenue sharing, investment interest, and contributions not restricted to specific programs of \$22,868,828.

Business-type activities revenues for the year ending June 30, 2014 totaled \$222,512 including charges for services of \$222,099 and investment income of \$413.

Governmental fund expenditures for the fiscal year totaled \$25,950,677. Business-type activities expenses for the fiscal year totaled \$265,518.

On the GAAP basis, expenditures and other financing uses were \$30,571,385 for the general fund; \$2,129,296 for the Open Space Acquisition Fund; \$1,130,712 for the non-major governmental funds; and \$265,518 for business-type funds.

## **Use of the Annual Report**

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 18 through 20) provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements start on page 21. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. The remaining statements provide financial information about activities for which the Town acts solely as a trustee or agent for the benefit of those outside of the government.

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

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

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

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

### **Significant Funds**

The analysis of the Town's most significant fund begins on page 21. The Fund Financial Statements provide detailed information on the general fund, not the Town as a whole. Some funds are required to be established by State law or by bond covenants. However, the Town Council mainly through the Financial Town Referendum establishes other funds to help control and manage money for a particular purpose or project. Individual funds track costs more closely than in the general everyday use of funds (i.e. road paving, engineering) or to show that all legal responsibilities for using certain grants, and other miscellaneous funds donated or sent to the Town through other sources than property taxes.

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

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

### Town as a Whole

#### Analysis as a Whole

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

### Governments Wide Statements

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013		2013		2013	
	<u>2014</u>	<u>(as restated)</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>(as restated)</u>
Current and Other Assets	\$ 7,646,728	\$10,512,276	\$116,484	\$151,557	\$ 7,763,212	\$10,663,833
Capital Assets	24,525,388	22,209,501	191,649	149,188	24,717,037	22,358,689
<b>Total Assets</b>	<u>32,172,116</u>	<u>32,721,777</u>	<u>308,133</u>	<u>300,745</u>	<u>32,480,249</u>	<u>33,022,522</u>
Deferred Outflows of Resources	11,571	0	0	0	11,571	0
Current Liabilities	1,769,425	1,899,938	61,153	12,324	1,830,578	1,912,262
Long Term Liabilities	4,697,003	5,432,827	8,027	6,462	4,705,030	5,439,289
<b>Total Liabilities</b>	<u>6,466,428</u>	<u>7,332,765</u>	<u>69,180</u>	<u>18,786</u>	<u>6,535,608</u>	<u>7,351,551</u>
Net Investment in Capital Assets	20,588,580	17,329,257	191,649	149,188	20,780,229	17,478,445
Restricted for Other Purpose	3,309,451	5,457,782	10,000	10,000	3,319,451	5,467,782
Unrestricted	1,819,228	2,601,973	37,304	122,771	1,856,532	2,724,744
<b>Total Net Position</b>	<u>\$25,717,259</u>	<u>\$25,389,012</u>	<u>\$238,953</u>	<u>\$281,959</u>	<u>\$25,956,212</u>	<u>\$25,670,971</u>

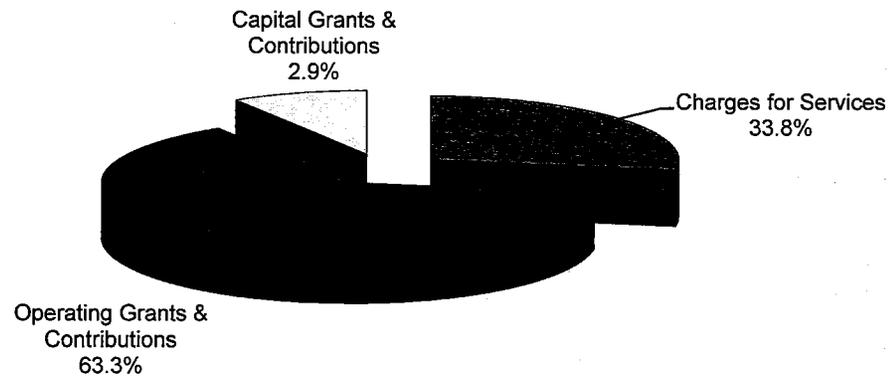
Net Position equals Total Assets plus Deferred Outflows of Resources less Total Liabilities.

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

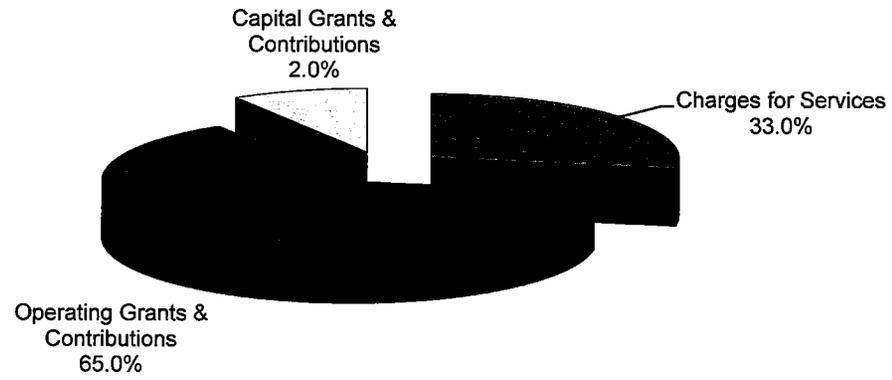
	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2014</u>	<u>2013 (as restated)</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013 (as restated)</u>
<b>Revenue:</b>						
<b>Program Revenue:</b>						
Charges for services	\$ 1,151,239	\$ 1,138,998	\$ 222,099	\$ 213,395	\$ 1,373,338	\$ 1,352,393
Operating Grants & Contributions	2,160,991	2,659,207			2,160,991	2,659,207
Capital Grants & Contributions	97,866	82,188			97,866	82,188
<b>Total Program Revenue</b>	<b>3,410,096</b>	<b>3,880,393</b>	<b>222,099</b>	<b>213,395</b>	<b>3,632,195</b>	<b>4,093,788</b>
<b>General Revenue:</b>						
Property Tax	22,824,301	22,502,289			22,824,301	22,502,289
Unrestricted Investment Earnings	5,697	10,993	413	341	6,110	11,334
Contributions not restricted to specific Programs	38,830				38,830	
<b>Total General Revenue</b>	<b>22,868,828</b>	<b>22,513,282</b>	<b>413</b>	<b>341</b>	<b>22,869,241</b>	<b>22,513,623</b>
<b>Total Revenue</b>	<b>26,278,924</b>	<b>26,393,675</b>	<b>222,512</b>	<b>213,736</b>	<b>26,501,436</b>	<b>26,607,411</b>
<b>Expenses:</b>						
General Government	2,671,813	1,837,301			2,671,813	1,837,301
Public Safety	2,786,913	2,715,136			2,786,913	2,715,136
Public Works	2,149,227	2,208,132			2,149,227	2,208,132
Education	14,669,090	14,918,512			14,669,090	14,918,512
Parks & Recreation	686,068	592,431			686,068	592,431
Public Health & Asst	412,147	415,737			412,147	415,737
Community Development	87,302	594,329			87,302	594,329
Other	2,338,216	2,371,129	265,518	274,210	2,603,734	2,645,339
Interest on Long Term Debt	149,901	181,785			149,901	181,785
<b>Total Expenses</b>	<b>25,950,677</b>	<b>25,834,492</b>	<b>265,518</b>	<b>274,210</b>	<b>26,216,195</b>	<b>26,108,702</b>
<b>Excess (deficiency) Of Revenue Over Expenditures Before Transfers</b>						
	328,247	559,183	(43,006)	(60,474)	285,241	498,709
Transfers	0	(5,000)	0	5,000	0	0
<b>Change in Net Position</b>	<b>328,247</b>	<b>554,183</b>	<b>(43,006)</b>	<b>(55,474)</b>	<b>285,241</b>	<b>498,709</b>
<b>Net Position Beginning, as restated</b>	<b>25,389,012</b>	<b>24,834,829</b>	<b>281,959</b>	<b>337,433</b>	<b>25,670,971</b>	<b>25,172,262</b>
<b>Net Position Ending</b>	<b>\$ 25,717,259</b>	<b>\$ 25,389,012</b>	<b>\$ 238,953</b>	<b>\$ 281,959</b>	<b>\$ 25,956,212</b>	<b>\$ 25,670,971</b>

This is the twelfth year Charlestown is reporting fixed assets in its financials and infrastructure additions are included. Infrastructure, roads, culverts, bridges, etc. were inventoried, valued and reported in the financials for fiscal year 2014. 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.

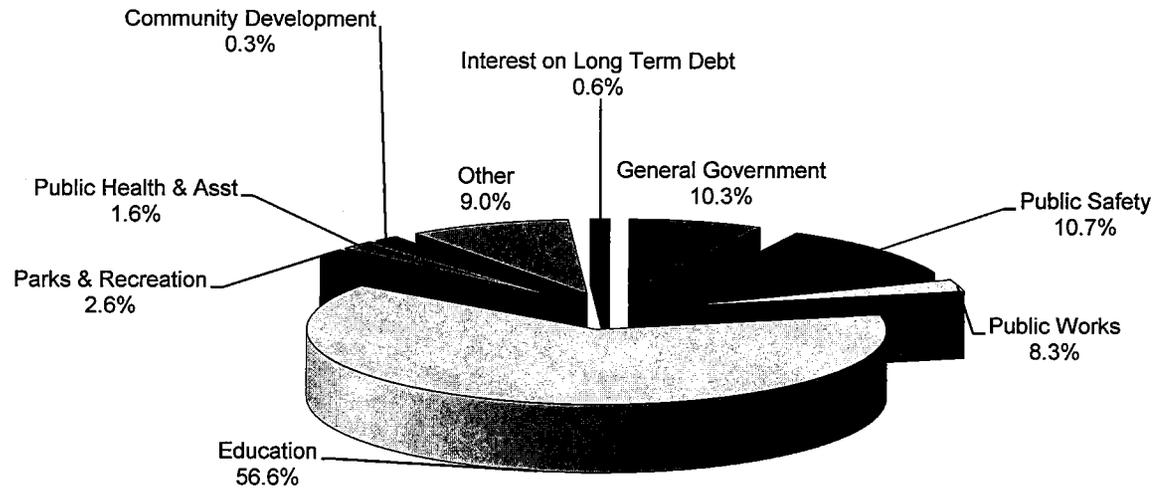
## 2014 Program Revenues



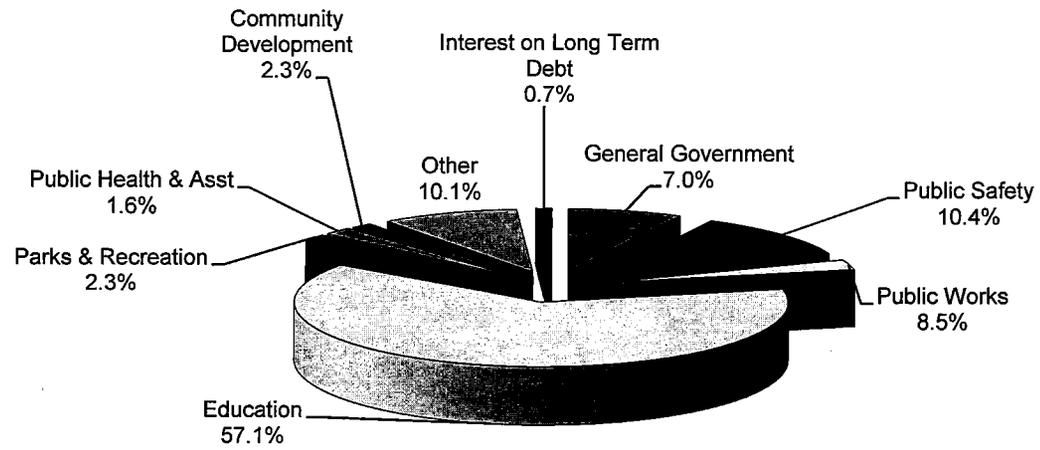
### 2013 Program Revenues



## 2014 Expenses



## 2013 Expenses



### **Normal Impacts:**

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

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

Changes in net position of the Town's activities as a whole (includes governmental and business-type activities) was \$285,241 and \$498,709 for fiscal year 2014 and 2013, respectively, resulting from the difference between expenses and revenues. For fiscal year 2014, expenses net of their pertinent revenues were \$22,584,000, while revenue not attributed to any activity in the government were \$22,869,241, therefore netting an increase of \$285,241 in net position. For fiscal year 2013, expenses net of their pertinent revenues was \$22,014,914, while revenues not attributed to any activity in the government were \$22,513,623, therefore netting an increase of \$498,709 in net position.

### **Business-type Activities:**

The change in net position for the business-type activities for fiscal year 2014 and 2013 was \$(43,006) and \$(55,474), respectively.

## **Town's Funds:**

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

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

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

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

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

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

Unassigned – items that have no restrictions placed on them.

At the end of June 2014, the general fund balance sheet showed a fund balance of \$5,071,526. This figure results from all assets allocated to the fund less its liabilities, as presented on page 22. Of this total, \$459,855 was nonspendable for tax sale property and prepaid expenditures, \$702,120 was restricted mainly for general government expenditures and employee severance benefits and \$3,909,551 was unassigned. The Town was also required to show any other major funds which are determined by criteria listed by the GASB. The other major fund of the Town for fiscal year 2014 was the Open Space Acquisition Fund. At the end of June 2014, the Open Space Acquisition showed a fund deficit of \$(2,014,846). Other governmental funds had a fund balance of \$2,622,285 of which \$1,540 was nonspendable for perpetual care, \$2,360,836 was restricted mainly for education and capital projects, \$260,116 was committed for parks and recreation and \$(207) was unassigned. The total fund balance for the aforementioned funds is \$5,678,965. See Schedule B-1.

The Town maintains certain funds that have been reclassified to the Town General Fund under GASB 54. The ending fund balance of these funds was \$637,898 at June 30, 2014.

At the end of June 2013, the general fund balance sheet showed a fund balance of \$8,022,378. This figure results from all assets allocated to the fund less its liabilities. Of this total, \$229,337 was nonspendable for tax sale property, \$3,761,480 was restricted mainly for reappropriated fund balance for subsequent year's expenditures and \$4,031,561 was unassigned. The Town was also required to show any other major funds which are determined by criteria listed by the GASB. The other major fund of the Town for fiscal year 2013 were the Beach Pavilions project. At the end of June 2013, the Beach Pavilions showed a fund deficit of \$(1,190,000). Other governmental funds had a fund balance of \$1,431,394 of which \$1,532 was nonspendable for perpetual care, \$1,465,433 was restricted mainly for education and capital projects, \$186,608 was committed for parks and recreation and \$(222,179) was unassigned. The total fund balance for the aforementioned funds is \$8,263,772.

The Town maintains certain funds that have been reclassified to the Town General Fund under GASB 54. The ending fund balance of these funds was \$567,502 at June 30, 2013.

**Business- type Activities:**

The business-type activities for the Town are the Collection Center and the Coastal Pond Management. These two entities combined had total net position of \$238,953 at June 30, 2014, of which \$191,649 is the net investment in capital assets, \$10,000 is restricted and \$37,304 is unrestricted. At June 30, 2013, these two entities combined had total net position of \$281,959 of which \$149,188 was the net investment in capital assets, \$10,000 was restricted and \$122,771 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 73. 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, 2014, the general fund revenues were exceeded budget projections by \$1,455,391, or 5.0%. The general fund expenditures were greater than the budget by \$1,282,411, or 4.4%. This resulted in a \$172,980 budgetary surplus in the general fund for the year ending June 30, 2014.

The most significant revenue variances are the Incentive Aid and the Local Roads Programs. The Governor had included these in his budget but the Local Roads Program was not included in the final state budget. This accounted for a variance in an amount of \$257,230. The Town also recognized bond premiums in the amount of \$43,712. The most significant expense variances were an over expenditure of \$26,970 in central services due mostly to advertising savings of \$38,295 for employee insurance and benefits and \$104,119 in legal expenses. In addition, \$100,000 was not spent in fiscal year 2014 because the first principal payments for the affordable housing and the beach pavilion bonds was not due until fiscal year 2015. There were also savings of \$41,982 in the police department and \$58,185 in the public works department.

For the year ended June 30, 2013, the general fund revenues exceeded budget projections by \$502,415 or 1.9%. The general fund expenditures were less than the budget by \$400,610, or 1.5%. This resulted in a \$903,025 budgetary surplus in the General Fund for the year ended June 30, 2013.

The most significant revenue variances were the collection of current and prior years taxes in the amount of \$147,869, additional School Aid in the amount of \$23,364, the additional income of \$87,955 in interest on delinquent taxes, transfers in amounting to \$64,022 and the additional parks and recreational revenue in the amount of \$87,700. This last amount includes beach receipts at the two town beaches. The most significant expense variances were an over expenditure of \$151,702 in capital improvements and savings of \$104,510 for employee insurance and benefits, \$292,116 for the highway department and \$64,389 in legal services.

## **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, 2014 and 2013 amounted to \$24.7 and \$22.4 million, respectively (net of accumulated depreciation). This investment in capital assets includes construction-in-progress, land, land improvements, buildings and improvements, motor vehicles, equipment and infrastructure.

The presentation below for the current fiscal year lists the major categories of capital assets for governmental activities and business-type activities. Infrastructure assets, assets that are long-lived and can be preserved for a significantly greater number of years than most capital assets and that normally are stationary in nature such as streets, sidewalks and curbing are subject to different rules under the standards established by GASB 34.

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

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Totals</b>	
	<b><u>2014</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2013</u></b>
Motor Vehicles	\$ 3.0	\$ 2.8			\$ 3.0	\$ 2.8
Equipment	0.9	1.0	\$0.2	\$0.2	1.1	1.2
Infrastructure	44.5	44.2			44.5	44.2
Buildings and Improvements	8.7	8.6	0.1	0.1	8.8	8.7
Land and Land Improvements	9.6	7.3	0.2	0.2	9.8	7.5
Construction-in-progress	0.9	0.4			0.9	0.4
Total Assets	67.6	64.3	0.5	0.5	68.1	64.8
Less: Accumulated Depreciation	(43.1)	(42.1)	(0.3)	(0.3)	(43.4)	(42.4)
Net Capital Assets	\$24.5	\$22.2	\$0.2	\$0.2	\$24.7	\$22.4

The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2014 was \$68.1 million less accumulated depreciation of \$43.4 million for a net investment in capital assets of \$24.7 million.

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

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

- \$ 2,129,296 for Open Space Land
- \$ 702,419 for construction in progress
- \$ 297,263 for Infrastructure
- \$ 288,841 for Vehicles
- \$ 221,855 for Land Improvements
- \$ 104,112 for buildings and improvements
- \$ 74,669 for equipment

Additional information on the Town's capital assets can be found on Note 13 on page 62 - 63 of this report.

## **Long-Term Debt**

As of June 30, 2014, the Town had total long-term liabilities of \$4.9 million. Of that, \$3.5 million related to bonded debt guaranteed by the Town's assets, \$0.1 related to landfill monitoring costs; \$0.9 million related to compensated absences; and \$0.4 million related to leases payable.

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

The business-type activities had long-term liabilities of \$8,027 at June 30, 2014. This is related to compensated absences.

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

The Town's bond ratings are as follows:

- Moody's: Aa2

TOWN OF CHARLESTOWN

BASIC  
FINANCIAL STATEMENTS

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TOWN OF CHARLESTOWN, RHODE ISLANDSTATEMENT OF NET POSITION  
JUNE 30, 2014

	Governmental Activities	Business-type Activities	Total
<b>ASSETS:</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 4,683,711	\$ 521,788	\$ 5,205,499
Restricted cash and cash equivalents		15,916	15,916
Investments	500		500
Receivables:			
Taxes, net	981,191		981,191
Other receivables	20,648	11,676	32,324
Internal balances	433,896	(433,896)	
Due from other governments	891,012		891,012
Prepaid expenses	7,645	1,000	8,645
Tax sale property	237,310		237,310
<b>Total current assets</b>	<b>7,255,913</b>	<b>116,484</b>	<b>7,372,397</b>
<b>Noncurrent assets:</b>			
Capital assets:			
Non-depreciable	10,231,679	99,500	10,331,179
Depreciable, net	14,293,709	92,149	14,385,858
Net other post-employment benefit asset	390,815		390,815
<b>Total noncurrent assets</b>	<b>24,916,203</b>	<b>191,649</b>	<b>25,107,852</b>
<b>TOTAL ASSETS</b>	<b>32,172,116</b>	<b>308,133</b>	<b>32,480,249</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Deferred expense on refunding bonds	11,571	0	11,571
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>11,571</b>	<b>0</b>	<b>11,571</b>
<b>LIABILITIES:</b>			
<b>Current liabilities:</b>			
Accounts payable	325,172	61,153	386,325
Retainage payable	31,256		31,256
Accrued interest	8,090		8,090
Accrued claims and judgments	450,000		450,000
Due to other governments	9,845		9,845
Current portion of long-term debt	262,073		262,073
Unearned revenue	658,134		658,134
Other liabilities	24,855		24,855
<b>Total current liabilities</b>	<b>1,769,425</b>	<b>61,153</b>	<b>1,830,578</b>
<b>Noncurrent liabilities:</b>			
Long-term debt, net	4,697,003	8,027	4,705,030
<b>Total noncurrent liabilities</b>	<b>4,697,003</b>	<b>8,027</b>	<b>4,705,030</b>
<b>TOTAL LIABILITIES</b>	<b>6,466,428</b>	<b>69,180</b>	<b>6,535,608</b>

(CONTINUED)

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF CHARLESTOWN, RHODE ISLANDSTATEMENT OF NET POSITION  
JUNE 30, 2014

	Governmental Activities	Business-type Activities	Total
<b>NET POSITION:</b>			
Net investment in capital assets	20,588,580	191,649	20,780,229
Restricted - nonexpendable	246,495	10,000	256,495
Restricted for:			
Community development	739,041		739,041
Education	208,395		208,395
Capital projects	1,128,032		1,128,032
Employee severance benefits	278,070		278,070
Special purposes	709,418		709,418
Unrestricted	1,819,228	37,304	1,856,532
<b>TOTAL NET POSITION</b>	<b>\$ 25,717,259</b>	<b>\$ 238,953</b>	<b>\$ 25,956,212</b>

(CONCLUDED)

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF CHARLESTOWN, RHODE ISLANDSTATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2014

<i>Functions/Programs:</i>	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental activities:</b>							
General government	\$ 2,671,813	\$ 591,792	\$ 288,890		\$ (1,791,131)		\$ (1,791,131)
Public safety	2,786,913	37,209	24,727	25,195	(2,699,782)		(2,699,782)
Public works	2,149,227		25,305	7,200	(2,116,722)		(2,116,722)
Education	14,669,090		1,706,995		(12,962,095)		(12,962,095)
Parks and recreation	686,068	522,238	27,772	65,471	(70,587)		(70,587)
Public health and assistance	412,147				(412,147)		(412,147)
Community development	87,302		87,302		0		0
Other	2,338,216				(2,338,216)		(2,338,216)
Interest on long-term debt	149,901				(149,901)		(149,901)
<b>Total governmental activities</b>	<b>25,950,677</b>	<b>1,151,239</b>	<b>2,160,991</b>	<b>97,866</b>	<b>(22,540,581)</b>		<b>(22,540,581)</b>
<b>Business-type activities:</b>							
Residential Collection Center	212,175	167,224				\$ (44,951)	(44,951)
Coastal Pond Management	53,343	54,875				1,532	1,532
<b>Total business-type activities</b>	<b>265,518</b>	<b>222,099</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(43,419)</b>	<b>(43,419)</b>
<b>Total</b>	<b>\$ 26,216,195</b>	<b>\$ 1,373,338</b>	<b>\$ 2,160,991</b>	<b>\$ 97,866</b>	<b>(22,540,581)</b>	<b>(43,419)</b>	<b>(22,584,000)</b>
<b>General revenues:</b>							
Property taxes					22,824,301		22,824,301
Unrestricted investment earnings					5,697	413	6,110
Contributions not restricted to specific programs					38,830		38,830
<b>Total general revenues and transfers</b>					<b>22,868,828</b>	<b>413</b>	<b>22,869,241</b>
<b>Change in net position</b>					<b>328,247</b>	<b>(43,006)</b>	<b>285,241</b>
<b>Net Position - beginning, as restated</b>					<b>25,389,012</b>	<b>281,959</b>	<b>25,670,971</b>
<b>Net Position - ending</b>					<b>\$ 25,717,259</b>	<b>\$ 238,953</b>	<b>\$ 25,956,212</b>

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF CHARLESTOWN, RHODE ISLAND

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2014**

	General Fund	Open Space Acquisitions	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 4,175,297		\$ 508,414	\$ 4,683,711
Investments			500	500
Receivables:				
Taxes, net	981,191			981,191
Other	20,648			20,648
Due from:				
Other funds	2,661,629		2,361,286	5,022,915
Other governments	120,721		770,291	891,012
Prepaid expenditures	222,545			222,545
Tax sale property	237,310			237,310
<b>TOTAL ASSETS</b>	<b>\$ 8,419,341</b>	<b>\$ 0</b>	<b>\$ 3,640,491</b>	<b>\$ 12,059,832</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ 90,263		\$ 234,909	\$ 325,172
Retainage payable	22,221		9,035	31,256
Due to:				
Other funds	2,365,075	\$ 2,014,846	209,098	4,589,019
Other governments	9,845			9,845
Unearned revenues	101,879		556,255	658,134
Other liabilities			8,909	8,909
<b>TOTAL LIABILITIES</b>	<b>2,589,283</b>	<b>2,014,846</b>	<b>1,018,206</b>	<b>5,622,335</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Unavailable revenue - property taxes	758,532	0	0	758,532
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>758,532</b>	<b>0</b>	<b>0</b>	<b>758,532</b>

(CONTINUED)

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF CHARLESTOWN, RHODE ISLAND

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2014**

	General Fund	Open Space Acquisitions	Other Governmental Funds	Total Governmental Funds
<b>FUND BALANCES:</b>				
Nonspendable	459,855		1,540	461,395
Restricted	702,120		2,360,836	3,062,956
Committed			260,116	260,116
Unassigned	3,909,551	(2,014,846)	(207)	1,894,498
<b>TOTAL FUND BALANCES (DEFICIT)</b>	<b>5,071,526</b>	<b>(2,014,846)</b>	<b>2,622,285</b>	<b>5,678,965</b>
 <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICIT)</b>	 <b>\$ 8,419,341</b>	 <b>\$ 0</b>	 <b>\$ 3,640,491</b>	 <b>\$ 12,059,832</b>

(CONCLUDED)

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF CHARLESTOWN, RHODE ISLAND

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET (B-1)  
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION (A-1)  
JUNE 30, 2014**

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

**Total Fund Balance (B-1)** \$ 5,678,965

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Governmental capital assets	67,609,094	
Less: accumulated depreciation	<u>(43,083,706)</u>	24,525,388

Net other post-employment benefit (OPEB) asset is not reported in the governmental funds. This amount represents accumulated plan contributions in excess of annual OPEB costs. 390,815

Some liabilities, including bonds payable and related deferred outflows of resources, are not due and payable in the current period and therefore are not reported in the funds.

Governmental bonds payable	(3,465,000)	
Prepayment on bonds payable	(214,900)	
Leases payable	(390,093)	
Premium	(106,220)	
Current year amortization	24,505	
Deferred expense on refunding bonds	12,642	
Current year amortization	(1,071)	
Compensated absences	(897,468)	
Landfill closure and post-closure care costs	<u>(124,800)</u>	(5,162,405)

Certain deferred inflows of resources in governmental funds are susceptible to full accrual on the entity-wide statements. 742,586

Accrued interest payable is recorded in governmental activities, but is not recorded in the funds. (8,090)

Accrued claims and judgments are not due and payable in the current period and therefore are not reported in the funds. (450,000)

**Total Net Position (A-1)** \$ 25,717,259

(CONCLUDED)

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF CHARLESTOWN, RHODE ISLAND

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2014**

	<u>General Fund</u>	<u>Open Space Acquisitions</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES:</b>				
General property taxes	\$ 22,691,943			\$ 22,691,943
Intergovernmental	2,054,315		\$ 233,752	2,288,067
Departmental	1,084,932			1,084,932
Investment income	5,201	\$ 34	462	5,697
Other	1,205		76,089	77,294
<b>TOTAL REVENUES</b>	<u>25,837,596</u>	<u>34</u>	<u>310,303</u>	<u>26,147,933</u>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
General government	1,739,738		12,076	1,751,814
Public safety	2,481,077		21,881	2,502,958
Public works	1,507,029		24,278	1,531,307
Education	14,645,357			14,645,357
Parks and recreation	516,642		9,315	525,957
Public health and assistance	412,147			412,147
Community development			87,302	87,302
Other	2,369,416			2,369,416
<b>Debt Service:</b>				
Principal	3,042,728			3,042,728
Interest and other costs	396,990		37,338	434,328
<b>Capital:</b>				
Capital outlay	501,770	2,129,296	887,022	3,518,088
<b>TOTAL EXPENDITURES</b>	<u>27,612,894</u>	<u>2,129,296</u>	<u>1,079,212</u>	<u>30,821,402</u>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)</b>	<u>(1,775,298)</u>	<u>(2,129,262)</u>	<u>(768,909)</u>	<u>(4,673,469)</u>

(CONTINUED)

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF CHARLESTOWN, RHODE ISLAND

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2014**

	General Fund	Open Space Acquisitions	Other Governmental Funds	Total Governmental Funds
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	50,000		1,080,147	1,130,147
Transfers out	(1,424,647)		(51,500)	(1,476,147)
Proceeds from bond issuance			2,190,000	2,190,000
Proceeds from refunding bonds	1,520,000			1,520,000
Bond premium	43,712		45,569	89,281
Proceeds from capital leases	169,225			169,225
Payment to refunded bond escrow agent	(1,529,944)			(1,529,944)
Landfill monitoring	(3,900)			(3,900)
<b>NET OTHER FINANCING SOURCES (USES)</b>	<b>(1,175,554)</b>	<b>0</b>	<b>3,264,216</b>	<b>2,088,662</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(2,950,852)</b>	<b>(2,129,262)</b>	<b>2,495,307</b>	<b>(2,584,807)</b>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<b>8,022,378</b>	<b>114,416</b>	<b>126,978</b>	<b>8,263,772</b>
<b>FUND BALANCE (DEFICIT) AT END OF YEAR</b>	<b>\$ 5,071,526</b>	<b>\$ (2,014,846)</b>	<b>\$ 2,622,285</b>	<b>\$ 5,678,965</b>

(CONCLUDED)

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

**TOWN OF CHARLESTOWN, RHODE ISLAND**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE (B-2)  
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES (A-2)  
YEAR ENDED JUNE 30, 2014**

<b>Net Change in Fund Balances - Total Governmental Funds (B-2):</b>	\$ (2,584,807)
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.	2,315,887
The governmental funds report OPEB contributions as expenditures when paid. However, in the statement of activities, differences between OPEB plan contributions and OPEB costs for the year are reported as an OPEB asset.	29,018
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences.	832,402
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in governmental funds.	92,161
Adjustment to accrued interest payable related to long-term liabilities which is required to be recorded for government-wide financial statement presentation.	93,586
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds.	<u>(450,000)</u>
<b>Change in Net Position of Governmental Activities in the Statement of Activities (A-2)</b>	<b><u>\$ 328,247</u></b>

TOWN OF CHARLESTOWN, RHODE ISLAND

**STATEMENT OF FUND NET POSITION  
 PROPRIETARY FUNDS  
 JUNE 30, 2014**

	Residential Collection Center	Coastal Pond Management	Totals
<b>ASSETS:</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 319,101	\$ 202,687	\$ 521,788
Restricted cash and cash equivalents		15,916	15,916
Receivables, net	11,676		11,676
Prepaid expenses	1,000		1,000
<b>Total Current Assets</b>	<b>331,777</b>	<b>218,603</b>	<b>550,380</b>
<b>Noncurrent Assets:</b>			
Net capital assets	139,970	51,679	191,649
<b>Total Noncurrent Assets</b>	<b>139,970</b>	<b>51,679</b>	<b>191,649</b>
<b>TOTAL ASSETS</b>	<b>471,747</b>	<b>270,282</b>	<b>742,029</b>
<b>LIABILITIES:</b>			
<b>Current Liabilities:</b>			
Accounts payable	6,159	54,994	61,153
Due to other funds	331,207	102,689	433,896
<b>Total Current Liabilities</b>	<b>337,366</b>	<b>157,683</b>	<b>495,049</b>
<b>Noncurrent Liabilities:</b>			
Accrued compensated absences	8,027		8,027
<b>Total Noncurrent Liabilities</b>	<b>8,027</b>	<b>0</b>	<b>8,027</b>
<b>TOTAL LIABILITIES</b>	<b>345,393</b>	<b>157,683</b>	<b>503,076</b>
<b>NET POSITION:</b>			
Net investment in capital assets	139,970	51,679	191,649
Restricted for endowment		10,000	10,000
Unrestricted	(13,616)	50,920	37,304
<b>TOTAL NET POSITION</b>	<b>\$ 126,354</b>	<b>\$ 112,599</b>	<b>\$ 238,953</b>

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF CHARLESTOWN, RHODE ISLAND

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
 PROPRIETARY FUNDS  
 YEAR ENDED JUNE 30, 2014**

	Residential Collection Center	Coastal Pond Management	Totals
<b>OPERATING REVENUES:</b>			
Charges for usage and service	\$ 167,224	\$ 54,875	\$ 222,099
<b>Total Operating Revenues</b>	<u>167,224</u>	<u>54,875</u>	<u>222,099</u>
<b>OPERATING EXPENSES:</b>			
Operations	93,585	18,477	112,062
Personnel	109,372	32,146	141,518
Depreciation	9,218	2,720	11,938
<b>Total Operating Expenses</b>	<u>212,175</u>	<u>53,343</u>	<u>265,518</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(44,951)</u>	<u>1,532</u>	<u>(43,419)</u>
<b>NONOPERATING REVENUES:</b>			
Investment income	225	188	413
<b>Total Nonoperating Revenues</b>	<u>225</u>	<u>188</u>	<u>413</u>
<b>CHANGE IN NET POSITION</b>	<u>(44,726)</u>	<u>1,720</u>	<u>(43,006)</u>
<b>TOTAL NET POSITION - BEGINNING</b>	<u>171,080</u>	<u>110,879</u>	<u>281,959</u>
<b>TOTAL NET POSITION - ENDING</b>	<u>\$ 126,354</u>	<u>\$ 112,599</u>	<u>\$ 238,953</u>

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF CHARLESTOWN, RHODE ISLAND

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2014**

	Residential Collection Center	Coastal Pond Management	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from customers	\$ 163,195	\$ 54,875	\$ 218,070
Cash paid to suppliers	(96,040)	(20,592)	(116,632)
Cash paid to employees	(107,807)	(32,146)	(139,953)
<b>Net cash provided by (used for) operating activities</b>	<b>(40,652)</b>	<b>2,137</b>	<b>(38,515)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Increase in due to other funds	107,809	33,631	141,440
<b>Net cash provided by noncapital financing activities</b>	<b>107,809</b>	<b>33,631</b>	<b>141,440</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest on investments	225	188	413
<b>Net cash provided by investing activities</b>	<b>225</b>	<b>188</b>	<b>413</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>67,382</b>	<b>35,956</b>	<b>103,338</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>251,719</b>	<b>182,647</b>	<b>434,366</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 319,101</b>	<b>\$ 218,603</b>	<b>\$ 537,704</b>
 <b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>			
Operating income (loss)	\$ (44,951)	\$ 1,532	\$ (43,419)
Adjustments to reconcile:			
Depreciation	9,218	2,720	11,938
Decrease in allowance for doubtful accounts	(3,000)		(3,000)
Increase in receivables, net	(1,029)		(1,029)
Decrease in prepaid expenses	1,000		1,000
Decrease in accounts payable	(3,455)	(2,115)	(5,570)
Increase in accrued compensated absences	1,565		1,565
<b>Net cash provided by (used for) operating activities</b>	<b>\$ (40,652)</b>	<b>\$ 2,137</b>	<b>\$ (38,515)</b>
 <b>Noncash financing transactions are as follows:</b>			
Purchase of capital assets included in accounts payable	\$ 0	\$ 54,399	\$ 0

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF CHARLESTOWN, RHODE ISLANDSTATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2014

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	Other Post-Employment Benefit Trust Fund
	<u>                    </u>
<b>ASSETS:</b>	
Cash and cash equivalents	\$ 46,847
Investments, at fair value	<u>3,191,946</u>
<b>Total assets</b>	<u>3,238,793</u>
<b>LIABILITIES</b>	<u>0</u>
<b>NET POSITION:</b>	
Held in trust for other post-employment benefits	<u>\$ 3,238,793</u>

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF CHARLESTOWN, RHODE ISLAND

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
YEAR ENDED JUNE 30, 2014**

	<u>Other Post-Employment Benefit Trust Fund</u>
<b>ADDITIONS:</b>	
<b>Contributions:</b>	
Employer contributions	\$ 346,000
<b>Total contributions</b>	<u>346,000</u>
<b>Investment income:</b>	
Interest and dividends	67,937
Net realized gains on sale of investments	188,962
Net increase in fair value of investments	203,116
<b>Total investment income</b>	<u>460,015</u>
<b>Total additions</b>	<u>806,015</u>
<b>DEDUCTIONS:</b>	
Benefits	0
Administrative expenses	0
<b>Total deductions</b>	<u>0</u>
<b>CHANGE IN NET POSITION</b>	806,015
<b>NET POSITION - BEGINNING</b>	2,432,778
<b>NET POSITION - ENDING</b>	<u>\$ 3,238,793</u>

**TOWN OF CHARLESTOWN, RHODE ISLAND**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

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**1. REPORTING ENTITY**

In accordance with the requirements of the Governmental Accounting Standards Board, *The Financial Reporting Entity*, the accompanying basic financial statements present the Town of Charlestown (the primary government).

The Town complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds also apply the same principles. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

***Primary Government***

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

In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made through the application of GASB criteria. Under GASB, the financial reporting entity includes both the primary government and all of its component units. GASB defines component units as legally separate entities that meet any one of the following three tests:

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

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

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

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

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

Potential component unit:

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

(CONTINUED)

**TOWN OF CHARLESTOWN, RHODE ISLAND**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

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**1. REPORTING ENTITY (Continued)**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Recently Issued Accounting Standards***

The Town implemented the following pronouncements for the year ended June 30, 2014.

- GASB Statement No. 66 - Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62.
- GASB Statement No. 67 - Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25.
- GASB Statement No. 70 - Accounting and Financial Reporting for Nonexchange Financial Guarantees.

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

The Town also implemented GASB Statement No. 65 - Items Previously Reported as Assets and Liabilities. The objective of this statement is to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources. It requires the reclassification of amounts previously reported as assets and liabilities to deferred outflows of resources or deferred inflows of resources or to expenses or revenues. The implementation of GASB Statement No. 65 changed the beginning net position resulting primarily from the change in accounting for deferred bond issuance costs. Bond issuance costs are now expensed as incurred. In addition, this Statement requires the amounts deferred on refunding to be reported as a deferred outflow or a deferred inflow of resources on the statement of net position, rather than as an addition to or a reduction from the bond liability. The adoption of this Statement decreased the July 1, 2013 net position by \$28,471 as described in Note 12. Also, this Statement requires the unavailable amounts on property taxes to be reported as a deferred inflow of resources on the governmental funds balance sheet.

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

- GASB Statement No. 68 - Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27, effective for the Town's fiscal year ending June 30, 2015.
- GASB Statement No. 69 - Government Combinations and Disposals of Government Operations, effective for the Town's fiscal year ending June 30, 2015.
- GASB Statement No. 71 - Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68, effective for the Town's fiscal year ending June 30, 2015.

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

(CONTINUED)

**TOWN OF CHARLESTOWN, RHODE ISLAND**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

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

***Basis of Presentation***

*Government-Wide Financial Statements*

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

*Fund Financial Statements*

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

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

The funds of the financial reporting entity are described below:

***Governmental Funds***

**General Fund**

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

**Special Revenue Funds**

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

**Capital Project Funds**

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

(CONTINUED)

**TOWN OF CHARLESTOWN, RHODE ISLAND**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

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

***Basis of Presentation (Continued)***

**Permanent Funds**

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

***Proprietary Funds***

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

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

**Other Post-Employment Benefit Trust Funds**

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

**Agency Funds**

Agency funds account for assets held by the Town in a purely custodial capacity. Since agency funds are custodial in nature (i.e. assets equal liabilities), they do not involve the measurement of results of operations. The Town did not have any agency funds at June 30, 2014.

***Major and Non-Major Funds***

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

<u>Fund</u>	<u>Brief Description</u>
<b><i>Major:</i></b>	
General:	See above for description
Capital Projects:	Open Space Acquisitions: accounts for costs related to the purchase of open space land.
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, 2014**

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

**Major and Non-Major Funds (Continued)**

**Non-Major:**

Special Revenue:	Senior Community Activities, Police Grants – JAG, MEDS Grant - R.I. Dept. of Health, Frisbee Golf Course, School Impact Fees, Friends of Ninigret, Hazard Mitigation, Operation Blue Riptide, Mud Cove Recreation Development, Animal Spaying/Neutering, Ninigret Park Fund, Bicentennial Fund, Affordable Housing Acquisitions, FEMA, Developer Bond Deposits, Open Space Fees, Charlestown Community Garden, Naval Airfield Memorial, Police Forfeiture, RIIRMT Safety Enhancement, Municipal Planning, Affordable Housing Initiatives, Birthday Committee, Trail Improvement Grant - Mud Cove, Community Development Block Grant, Bulletproof Vest, Historical and Vital Records, Ninigret Dog Park, RIHPHC Preservation is Local Grant, Taquonck's Treasures, Comprehensive Planning Grant and Special Donations.
Capital Projects:	Klondike Road, Asphalt Resurfacing, Stormwater Elimination Project, File Server, Town Capital Maintenance Fund, Columbia Heights Streetscape Enhancement, DPW Road Engineering, Beach Pavilions, Web Based GIS, and Pond and Beach Preservation.
Permanent:	Zenis Ellis Trust and Cemetery Fund

**Measurement Focus**

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

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

- (a) All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period. The Town considers property taxes as available if they are collected within 60 days after year end.
- (b) All proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.
- (c) Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

(CONTINUED)

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**TOWN OF CHARLESTOWN, RHODE ISLAND**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

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

***Basis of Accounting***

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

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

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

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

During fiscal year 2014, the Town implemented GASB Statement No. 65 – Items Previously Reported as Assets and Liabilities. The objective of this statement is to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources. It requires the reclassification of amounts previously reported as assets and liabilities to deferred outflows of resources or deferred inflows of resources or to expenses or revenues. The implementation of GASB Statement No. 65 changed the Town's beginning net position on the government-wide basis as of July 1, 2013, resulting from the change in accounting for deferred bond issuance costs. Bond issuance costs are now expensed as incurred. In addition, this Statement requires the amounts deferred on bond refundings to be reported as a deferred outflow or a deferred inflow of resources on the statement of net position, rather than as an addition to or a reduction from the bond liability. Also, this Statement requires the unavailable amounts on property taxes to be reported as a deferred inflow of resources on the governmental funds balance sheet.

***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 \$396,700 for property taxes. Major receivable balances for the governmental activities include property taxes and intergovernmental grants and aid. Business-type activities report service fees as its major receivables.

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

(CONTINUED)

**TOWN OF CHARLESTOWN, RHODE ISLAND**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

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**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. Encumbrances do not constitute expenditures or liabilities under generally accepted accounting principles.

***Investments***

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

***Short-term Interfund Receivables/Payables***

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

***Advances to Other Funds***

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

***Interfund Transfers***

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

***Long-Term Debt***

In the governmental-wide financial statements, long-term debt obligations are reported as liabilities in the statement of net position. Bonds payable are reported net of the applicable bond premium or discount. Bond premiums, included in long-term debt, are amortized using the effective interest method over the respective life of the associated bond issues. Amortization of bond premiums, which are charged against interest expense, totaled \$7,566 for fiscal year 2014.

Bond issuance costs are recorded as operating expenses when incurred. Prior to July 1, 2013, bond issuance costs were capitalized and amortized on a straight-line basis over the life of the bond or to the date at which the Town had the right to redeem the bond, whichever is shorter. The implementation of GASB Statement No. 65 resulted in the write-off of bond issuance costs as of July 1, 2013.

Prepaid bond insurance costs are reported as an asset and are recognized as an expense over the duration of the related debt using the straight-line method. The Town did not have any prepaid bond insurance costs at June 30, 2014.

(CONTINUED)

**TOWN OF CHARLESTOWN, RHODE ISLAND**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

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

***Long-Term Debt (Continued)***

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

The total bond premiums at June 30, 2014 were \$89,281, while the accumulated amortization was \$7,566.

***Amount Deferred on Refunding***

During periods of declining interest rates, the Town has refunded certain bond obligations reducing aggregate debt service. The difference between the reacquisition price and the net carrying amount of the refunded bonds is recorded as an amount deferred on refunding. The deferred amount on refunding is amortized over the remaining life of the refunded bonds, or the life of the new bonds, whichever is shorter. The amortization amount is a component of interest on bonds, and the unamortized balances are recorded as deferred outflows or inflows on the government-wide Statement of Net Position.

***Deferred Inflows and Outflows of Resources***

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town currently has one item which qualifies for reporting in this category. It is the deferred charges on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Town has only one type of item, which arises only under the modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

***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.

(CONTINUED)

**TOWN OF CHARLESTOWN, RHODE ISLAND**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

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

***Property, Plant and Equipment***

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

**Government-Wide Statements**

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

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

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

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

**Fund Financial Statements**

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

***Interfund Transactions***

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

Reciprocal interfund activities:

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

Non-reciprocal interfund activities:

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

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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

**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, 2014 amounted to \$897,468. 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, 2014.

**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) ..	\$30,813,556	\$30,640,576
Reappropriated fund balance.....	(3,194,228)	
Activity of funds classified with the General Fund for purposes of GASB Statement No. 54 .....	<u>1,205</u>	<u>(69,191)</u>
Statement of Revenues, Expenditures and Changes in Fund		
Balance (B-2) .....	<u>\$27,620,533</u>	<u>\$30,571,385</u>

**Use of Estimates**

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

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014

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

**Equity Classifications**

**Government-Wide Statements**

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

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

**Fund Statements**

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

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

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

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

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

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**TOWN OF CHARLESTOWN, RHODE ISLAND**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

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

***Equity Classifications (Continued)***

**Fund Statements (Continued)**

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

***Net Position Flow Assumption***

The Town occasionally funds outlays for a particular purpose from both restricted and unrestricted resources. To determine the amounts to be reported as restricted and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to use restricted resources first, then unrestricted as they are needed.

***Fund Balance Flow Assumption***

The Town may fund outlays for a particular purpose from both restricted and unrestricted (total committed, assigned and unassigned fund balances) resources. To calculate the amounts to report as restricted, committed, assigned or unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances - total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense". The details of this \$2,315,887 difference are as follows:

Capital outlays.....	\$ 3,554,812
Capital dispositions .....	(261,937)
Depreciation expense, net.....	(976,988)
Net adjustment.....	<u>\$ 2,315,887</u>

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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

***Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance and the Government-Wide Statement of Activities (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 \$832,402 difference are as follows:

Bonds payable.....	\$ 992,728
Less: prepayment of bonds payable .....	(160,000)
Less: issuance of bond premium, net .....	(64,776)
Deferred outflow of resources.....	11,571
Capital leases payable .....	15,484
Compensated absences .....	26,195
Landfill monitoring .....	11,200
Net adjustment.....	<u>\$ 832,402</u>

**3. DEPOSITS AND INVESTMENTS**

***Deposits***

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

The Town maintains deposits at local financial institutions. At year end, the carrying amount of such deposits was \$3,205,797 while the bank balance was \$3,321,719 of which \$250,000 was covered by federal depository insurance, \$1,226,906 was uninsured, and \$1,844,813 was collateralized. The Town also had nonnegotiable certificates of deposit totaling \$2,012,343 which were FDIC insured under the Certificate of Deposit Account Registry Service (CDARS) at June 30, 2014. 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, 2014.

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

Unrestricted cash deposits.....	\$3,189,881
Restricted cash deposits .....	15,916
Petty cash.....	3,275
Certificate of deposit, 0.23%, dated April 24, 2014, due July 24, 2014.....	1,006,095
Certificate of deposit, 0.23%, dated May 22, 2014, due August 21, 2014 .....	1,006,248
<b>Total cash and cash equivalents – (A-1).....</b>	<b><u>\$5,221,415</u></b>

***Investments***

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

(CONTINUED)

**TOWN OF CHARLESTOWN, RHODE ISLAND**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

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

***Investments (Continued)***

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

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

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

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

Concentration of Credit Risk - At June 30, 2014, the Town's non-fiduciary fund investments consisted entirely of a U.S. Series H Bond.

The OPEB trust fund (fiduciary fund) held the following investments, which represent five percent or more of the net assets available for benefits at June 30, 2014:

SPDR S&P Midcap 400 ETF Trust, closed end equity mutual fund .....	\$209,071
Vanguard Intermediate - Term Bond Index fund, fixed income mutual fund .....	\$166,712
Templeton Institutional Foreign, International equity mutual fund .....	\$164,751

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

(CONTINUED)

**TOWN OF CHARLESTOWN, RHODE ISLAND**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

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

***Investments (Continued)***

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

As of June 30, 2014, investments other than those included in the Fiduciary Fund included:

<u>Description</u>	<u>Fair Value</u>	<u>Interest Rate</u>	<u>Maturity</u>
Series H Bond .....	\$ 500	1.50%	N/A
<b>Total investments (A-1) .....</b>	<b><u>\$ 500</u></b>		

Investments included in the Fiduciary Fund consisted of the following at June 30, 2014:

<u>Description</u>	<u>Fair Value</u>	<u>Percentage of Portfolio at Year End</u>	<u>Maturity</u>	<u>Credit Rating</u>
U.S. Government agencies:				
Federal Home Loan Mortgage Corp ...	\$ 25,532	0.8%	7/30/19	AA+
Federal Farm Credit Bank .....	26,028	0.8%	11/22/17	AA+
Federal Farm Credit Bank .....	<u>26,104</u>	<u>0.8%</u>	11/19/18	AA+
Subtotal .....	<u>77,664</u>	<u>2.4%</u>		
Corporate bonds:				
Bank of America .....	26,154	0.8%	9/1/15	A-
General Electric Capital Corp .....	26,451	0.8%	9/21/15	AA+
General Electric .....	<u>28,398</u>	<u>0.9%</u>	1/7/21	AA+
Subtotal .....	<u>81,003</u>	<u>2.5%</u>		
Municipal bonds:				
New Jersey Environmental .....	27,869	0.9%	9/1/19	AAA
New York, NY GO .....	26,796	0.8%	10/1/18	AA
Northborough, MA GO .....	29,279	0.9%	10/15/18	Aa2
Pittsburgh, PA Urban Development ....	<u>26,430</u>	<u>0.8%</u>	5/1/17	AA-
Subtotal .....	<u>110,374</u>	<u>3.4%</u>		
Corporate equity securities .....	<u>1,619,791</u>	<u>50.8%</u>	(not applicable)	(not rated)
Equity mutual funds .....	<u>553,260</u>	<u>17.3%</u>	(not applicable)	(not rated)
Fixed income mutual funds .....	<u>749,854</u>	<u>23.6%</u>	(not applicable)	AA
<b>Total Investments .....</b>	<b><u>\$3,191,946</u></b>	<b><u>100.0%</u></b>		

(CONTINUED)

**TOWN OF CHARLESTOWN, RHODE ISLAND**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**4. TAXES RECEIVABLE**

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

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

Unpaid property taxes at June 30, 2014 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 unavailable revenue.

Net property taxes levied for the fiscal year 2014 were based on an assessed value of approximately \$2,370,759,078 at December 31, 2012 and amounted to \$22,679,022. Collections through June 30, 2014 amounted to \$22,109,140 which represents 97% 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, 2014 of \$1,377,891 are recorded as a receivable, net of an allowance for uncollectible property taxes of \$396,700. Those net property taxes receivable which were not collected within the 60 days immediately following June 30, 2014 are recorded as unavailable revenue and amounted to \$742,586 at June 30, 2014. Property taxes recognized as revenue for the fiscal year ended June 30, 2014 (due to their collection within the 60 days immediately following June 30, 2014) amounted to \$238,605.

**5. INTERGOVERNMENTAL RECEIVABLES/PAYABLES**

Intergovernmental receivables and payables consisted of the following at June 30, 2014:

	<u>Due From</u>	<u>Due To</u>
<b>Governmental activities:</b>		
<b>State of Rhode Island:</b>		
<b>Major funds:</b>		
General Fund .....	\$ 112,897	\$9,845
<b>Non-major funds</b> .....	<u>163,588</u>	
<b>Total</b> .....	<u>276,485</u>	<u>9,845</u>
<b>Federal government:</b>		
<b>Major funds:</b>		
General Fund .....	7,824	
<b>Non-major funds</b> .....	<u>606,703</u>	
<b>Total</b> .....	<u>614,527</u>	<u>0</u>
<b>Total governmental activities</b> .....	<u>\$891,012</u>	<u>\$9,845</u>

**6. DEFINED BENEFIT PENSION PLANS**

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

(CONTINUED)

**TOWN OF CHARLESTOWN, RHODE ISLAND**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

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

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

***Plan Description***

The Town's defined benefit pension plan, Municipal Employees' Retirement System of the State of Rhode Island (MERS), provides retirement, death and disability benefits, and an optional cost of living adjustment (COLA) as outlined in Chapter 45-21 of the Rhode Island General Laws (RIGL). The benefits may be amended by the Rhode Island General Assembly. MERS is an agent multiple-employer defined benefit plan administered by the Employees' Retirement System of Rhode Island (the System) that acts as a common investment agent for participants. The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The Municipal Employees' Retirement System of the State of Rhode Island issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State of Rhode Island Employee Retirement Board, 50 Service Avenue, Warwick, RI 02886 or at [www.ersri.org](http://www.ersri.org). The payroll for employees covered by the System for the year ended June 30, 2014 was approximately \$2,087,371, and the Town wide payroll was approximately \$4,391,946.

***Retirement Eligibility and Plan Benefits***

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

***Cost of Living Adjustments***

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

***Disability Retirement Provisions***

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

(CONTINUED)

**TOWN OF CHARLESTOWN, RHODE ISLAND**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

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

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

**Funding Policy**

The funding policy is outlined in RIGL Sections 45-21-41, 45-21-42, and 45-21-52 (which can be amended by the Rhode Island General Assembly). MERS members are required to contribute 2.0% of their annual covered salary. The Town is required to contribute at an actuarially determined rate; the current rate is 10.08% of annual covered payroll.

<u>Year Ended June 30</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2012	\$241,400	100%	\$0
2013	\$209,531	100%	\$0
2014	\$210,407	100%	\$0

**Funded Status and Funding Progress**

The funded status of the plan as of June 30, 2013 (the date of the most recent actuarial valuation) was as follows:

<u>Actuarial Valuation Date June 30</u>	<u>(A) Actuarial Value of Assets</u>	<u>(B) Actuarially Accrued Liability (AAL)</u>	<u>(B-A) Unfunded AAL</u>	<u>(A/B) Funded Ratio</u>	<u>(C) Covered Payroll</u>	<u>[(B-A)/C] UAAL as A Percentage of Covered Payroll</u>
2013	\$5,680,607	\$6,565,646	\$885,039	86.5%	\$2,087,839	42.4%

**Annual Pension Cost**

For 2014, the Town's annual pension cost of \$210,407 for MERS was equal to the Town's required and actual contributions. The required contribution was determined as part of the June 30, 2011 actuarial valuation. The actuarial methods and assumptions used in that valuation follow:

<u>General Municipal Employees' Pension Plan</u>	
Valuation date .....	6/30/11
Actuarial cost method.....	Entry Age Normal Cost
Amortization method .....	Level Percent of Payroll - Closed
Remaining amortization period.....	22 years as of June 30, 2013
Asset valuation method .....	5-year Smoothed Market Value
Actuarial assumptions:	
Investment rate of return .....	7.50%
Projected salary increases .....	4.0%-8.0%
Inflation adjustments .....	2.75%

(CONTINUED)

**TOWN OF CHARLESTOWN, RHODE ISLAND**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

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

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

**Annual Pension Cost (Continued)**

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

**(b) Police Pension Plan**

**Plan Description**

All full-time police members participate in the same Municipal Employees' Retirement System of the State of Rhode Island (described above). The payroll for employees covered by the System for the year ended June 30, 2014 was approximately \$1,399,280, and the Town wide payroll was approximately \$4,391,946. The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the State of Rhode Island's Employee Retirement System's June 2013 Annual Financial Report, which may be obtained from the administrative offices of the State of Rhode Island Retirement Board, 50 Service Avenue, Warwick, Rhode Island, 02886 or [www.ersri.org](http://www.ersri.org). This report is the most recent report available from the State, who administers the Plan.

**Retirement Eligibility and Plan Benefits**

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

**Cost of Living Adjustments**

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

**Disability Retirement Provisions**

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

(CONTINUED)

**TOWN OF CHARLESTOWN, RHODE ISLAND**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

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

**(b) Police Pension Plan (Continued)**

**Funding Policy**

The funding policy is outlined in RIGL Sections 45-21-41, 45-21-42, and 45-21-52 (which can be amended by the Rhode Island General Assembly). Covered police employees are required to contribute 8.0% of their salary. The Town is required to contribute at an actuarially determined rate; the current rate is 19.16% of annual covered payroll.

<u>Year Ended June 30</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2012	\$339,476	100%	\$0
2013	\$256,265	100%	\$0
2014	\$268,102	100%	\$0

**Funded Status and Funding Progress**

The funded status of the plan as of June 30, 2013 (the date of the most recent actuarial valuation) was as follows:

<u>Actuarial Valuation Date June 30</u>	<u>(A) Actuarial Value of Assets</u>	<u>(B) Actuarially Accrued Liability (AAL)</u>	<u>(B-A) Unfunded AAL</u>	<u>(A/B) Funded Ratio</u>	<u>(C) Covered Payroll</u>	<u>[(B-A)/C] UAAL as A Percentage of Covered Payroll</u>
2013	\$7,353,388	\$10,300,112	\$2,946,724	71.4%	\$1,276,301	230.9%

**Annual Pension Cost**

For 2014, the Town's annual pension cost of \$268,102 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, 2011 actuarial valuation. The actuarial methods and assumptions used in that valuation follow:

<u>Municipal Police Pension Plan</u>	
Valuation date .....	6/30/11
Actuarial cost method .....	Entry Age Normal Cost
Amortization method .....	Level Percent of Payroll - Closed
Remaining amortization period .....	22 years as of June 30, 2013
Asset valuation method .....	5-year Smoothed Market Value
Actuarial assumptions:	
Investment rate of return .....	7.5%
Projected salary increases .....	4.25%-14.25%
Inflation adjustments .....	2.75%

(CONTINUED)

**TOWN OF CHARLESTOWN, RHODE ISLAND**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

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

**(b) Police Pension Plan (Continued)**

**Annual Pension Cost (Continued)**

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

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

**(c) Other Retirement Plans**

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

**Town Funded Retirement Benefits**

During fiscal year 2014, the Town provided retirement benefits to the spouse of one former employee. This pension is self-funded by the Town on a pay-as-you-go basis. The pension has a June 30, 1987 base amount of \$9,000 and is increased annually by 3%. Since the retiree predeceased his spouse, the surviving spouse is entitled to 50% of the benefits for the remainder of the spouse's life or until the spouse remarries. For the year ended June 30, 2014, the total cost to the Town for providing retirement benefits amounted to \$9,705.

**7. DEFINED CONTRIBUTION PLAN**

**(a) Plan Description**

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

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

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

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS**

JUNE 30, 2014

**7. DEFINED CONTRIBUTION PLAN (Continued)**

**(b) Plan Funding Policy**

The funding policy is outlined in RIGL chapter 36-10.3 (which can be amended by the Rhode Island General Assembly). Active non-police and fire members must contribute 5% of his/her compensation and the Town is required to contribute 1%. The plan members and Town contributed \$104,369 and \$20,936 respectively, during the fiscal year ended June 30, 2014.

The system issues an annual financial report that includes financial statements and required supplementary information for all of the plans it administers. The most recent report available from the State for the fiscal year ending June 30, 2013 may be obtained from the administrative offices of the State of Rhode Island Retirement Board, 50 Service Avenue, Warwick, Rhode Island, 02886 or at [www.ersri.org](http://www.ersri.org).

**8. INTERFUND BALANCES**

Interfund receivable and payable balances at June 30, 2014 are as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
<b>Governmental activities:</b>		
<b>Major funds:</b>		
General Fund .....	\$2,661,629	\$2,365,075
Open Space Acquisitions.....		2,014,846
<b>Non-major funds</b> .....	<u>2,361,286</u>	<u>209,098</u>
<b>Total governmental activities</b> .....	<u>\$5,022,915</u>	<u>\$4,589,019</u>
<b>Business-type activities:</b>		
<b>Major funds:</b>		
Residential Collection Center .....		\$331,207
Coastal Pond Management .....		102,689
<b>Total business-type activities</b> .....	<u>\$ 0</u>	<u>\$433,896</u>

(CONTINUED)

**TOWN OF CHARLESTOWN, RHODE ISLAND**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**9. LONG-TERM LIABILITIES**

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

**Early Extinguishment of Debt**

On July 2, 2013, the Town repaid the July 28, 2006 General Obligation USDA Bond before the scheduled July 28, 2046 maturity date. The payment totaled \$2,928,191, including principal of \$2,807,728 and interest of \$120,463. The extinguishment of debt was funded by the General Fund and was included in the fiscal year 2014 operating budget.

**2013 Series A Bonds**

On August 22, 2013, the Town issued the 2013 Series A Bonds, with term bonds of \$2,190,000 at rates varying from 2.00% to 4.50%. The term bonds mature at various dates from July 1, 2014 through July 1, 2033. Bond proceeds of \$1,190,000 were used to finance the construction and furnishings of permanent beach structures at Charlestown Beach and Blue Shutters Beach. The remaining \$1,000,000 of bond proceeds are to be used for financing affordable housing initiatives consistent with the approved Charlestown affordable housing plan.

**2013 Series B Refunding Bonds**

On August 22, 2013, the Town issued the 2013 Series B Refunding Bonds with term bonds of \$1,520,000 at rates varying from 2.00% to 3.00%. The term bonds mature at varying dates from January 1, 2014 through July 1, 2023.

The Town issued the 2013 Series B Refunding Bonds to fully defease the 2004 Series A General Obligation Open Space Bonds. Upon delivery of the 2013 Series B Refunding Bonds, the Town established an irrevocable escrow trust fund pursuant to a Refunding Trust Agreement between the Town and U.S. Bank National Association. Under terms of the Refunding Trust Agreement, the proceeds of the 2013 Series B Refunding Bonds were deposited into escrow funds established for each series of refunded bonds which were invested in investment obligations maturing in amounts and bearing interest at rates sufficient to pay, when due, interest, and upon maturity or prior redemption on the earliest available redemption date, the outstanding principal of the refunded bonds. The escrow fund is pledged solely for the benefit of holders of the applicable series of refunded bonds.

The Town completed the August 22, 2013 refunding to reduce its total debt service payments over the next ten years by \$133,953 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$90,350.

Since those bonds have, in effect, been redeemed under the defeasance, they are no longer outstanding under the Town's bond resolution and therefore, the liability for those bonds and related escrow funds are not reflected in the June 30, 2014 financial statements.

The outstanding principal of the Town's defeased bonds is summarized below:

<u>Description</u>	<u>Defeased Bonds Outstanding June 30, 2014</u>
2004 Series A Open Space Bonds	\$0

The 2004 Open Space Bonds were redeemed February 1, 2014.

(CONTINUED)

**TOWN OF CHARLESTOWN, RHODE ISLAND**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

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

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

Long-term liability activity for the year ended June 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<b>Governmental Activities:</b>					
<b>Long-term debt:</b>					
General obligation debt.....	\$4,457,728	\$3,710,000	\$4,702,728	\$3,465,000	
Leases payable.....	405,577	169,225	184,709	390,093	\$160,273
Subtotal.....	4,863,305	3,879,225	4,887,437	3,855,093	160,273
Plus: bond premium, net of amortization .....	16,939	89,281	24,505	81,715	
<b>Total long-term debt</b> .....	<b>4,880,244</b>	<b>3,968,506</b>	<b>4,911,942</b>	<b>3,936,808</b>	<b>160,273</b>
<b>Other long-term liabilities:</b>					
Compensated absences .....	923,663	519,380	545,575	897,468	94,000
Landfill monitoring costs .....	136,000		11,200	124,800	7,800
<b>Total other long-term liabilities</b> .....	<b>1,059,663</b>	<b>519,380</b>	<b>556,775</b>	<b>1,022,268</b>	<b>101,800</b>
<b>Governmental activities:</b>					
Long-term liabilities.....	\$5,939,907	\$4,487,886	\$5,468,717	\$4,959,076	\$262,073
<b>Business-type activities:</b>					
<b>Other long-term liabilities:</b>					
Compensated absences .....	\$ 6,462	\$ 7,512	\$ 5,947	\$ 8,027	\$ 0
<b>Business-type activities:</b>					
Long-term liabilities.....	\$ 6,462	\$ 7,512	\$ 5,947	\$ 8,027	\$ 0

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

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

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

**(b) Debt Maturity**

At June 30, 2014, the Town had \$2,000,000 of remaining authorized unissued bond authority.

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

<u>Year ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015 .....	\$ 0	\$ 54,100	\$ 54,100
2016 .....	245,000	104,150	349,150
2017 .....	245,000	99,250	344,250
2018 .....	245,000	94,350	339,350
2019 .....	240,000	89,387	329,387
2020 .....	240,000	83,612	323,612
2021 .....	245,000	77,169	322,169
2022 .....	240,000	70,687	310,687
2023 .....	245,000	63,406	308,406
2024 .....	245,000	55,444	300,444
2025 .....	105,000	49,494	154,494
2026 .....	110,000	45,463	155,463
2027 .....	115,000	41,388	156,388
2028 .....	120,000	37,275	157,275
2029 .....	125,000	32,675	157,675
2030 .....	130,000	27,575	157,575
2031 .....	135,000	22,275	157,275
2032 .....	140,000	16,425	156,425
2033 .....	145,000	10,012	155,012
2034 .....	150,000	3,375	153,375
<b>Totals</b> .....	<u>\$3,465,000</u>	<u>\$1,077,512</u>	<u>\$4,542,512</u>

At June 30, 2014, 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.

During the fiscal year ended June 30, 2014, the Town incurred the following interest expense:

Open Space Bond.....	\$ 35,194
USDA Bond.....	120,463
2013 Series A bond .....	26,588
2012 Series B bond (Refunding bond).....	13,366
Total.....	<u>\$195,611</u>

(CONTINUED)

**TOWN OF CHARLESTOWN, RHODE ISLAND**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

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

**(c) Bonds Outstanding**

At June 30, 2014, the Town's bonds payable are consisted of the following:

**GOVERNMENTAL ACTIVITIES**

<u>Description</u>	<u>Date Issued</u>	<u>Original Principal</u>	<u>Due Date</u>	<u>Interest Rate</u>	<u>Outstanding June 30, 2013</u>	<u>Issued</u>	<u>Refunded</u>	<u>Paid (1)</u>	<u>Outstanding June 30, 2014</u>
Open Space Bond	02/12/04	\$3,000,000	02/01/24	2.25% - 4.30%	\$1,650,000		\$1,500,000	\$ 150,000	\$ 0
USDA Bond	07/28/06	3,000,000	07/28/46	4.50%	2,807,728			2,807,728	0
2013 Series A Bond	08/22/13	2,190,000	07/01/33	2.00% - 4.50%	0	\$2,190,000		80,000	2,110,000
2013 Series B Bond (Refunding Bond)	08/22/13	1,520,000	07/01/23	2.00% - 3.00%	0	1,520,000		165,000	1,355,000
<b>Total general obligation debt</b>					<b>\$4,457,728</b>	<b>\$3,710,000</b>	<b>\$1,500,000</b>	<b>\$3,202,728</b>	<b>\$3,465,000</b>

(1) The Town prepaid \$160,000 of its fiscal year 2015 debt obligation. This amount is shown as a prepaid expenditure in the fund financial statements Balance Sheet, but as a reduction in bonds payable on the government-wide Statement of Net Position.

(CONTINUED)

**TOWN OF CHARLESTOWN, RHODE ISLAND**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

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

**(d) Deferred Outflows of Resources**

When the Town refunds or advance refunds its bonds, it calculates the difference between the reacquisition price and the net carrying amount of the old debt. The resulting accounting gain or loss is then amortized over the remaining life of the refunding bonds, or the life of the new bonds, whichever is shorter. The net unamortized excess of reacquisition price over the net carrying value of the defeased bonds is recorded in deferred outflows of resources on the Statements of Net Position.

Excess of reacquisition price over net carrying value of defeased bonds was as follows at June 30, 2014:

Beginning balance of deferred outflows of resources.....	\$ 0
Additions .....	12,642
Reductions .....	<u>(1,071)</u>
<b>Ending balance of deferred outflows of resources..</b>	<b><u>\$ 11,571</u></b>

**(e) Capital Leases**

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

The assets acquired through capital leases are as follows:

**Governmental Activities**

	<u>Public Safety</u>	<u>Public Works</u>
<b>Assets:</b>		
Vehicles and equipment.....	\$ 623,763	\$ 1,503,539
Less: accumulated depreciation.....	<u>(389,437)</u>	<u>(1,063,745)</u>
<b>Total.....</b>	<b><u>\$ 234,326</u></b>	<b><u>\$ 439,794</u></b>

**Business-type Activities**

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

The following schedule summarizes the future minimum lease payments under those capital leases, and the present value of the net minimum lease payments at June 30, 2014:

<u>Fiscal year ending June 30:</u>	<u>Governmental Activities</u>
2015 .....	\$175,325
2016 .....	106,506
2017 .....	70,703
2018 .....	29,159
2019 .....	20,620
2020 .....	<u>20,620</u>
<b>Total minimum lease payments .....</b>	<b>422,933</b>
Less: amount representing interest .....	<u>(32,840)</u>
<b>Present value of future minimum lease payments</b>	<b><u>\$390,093</u></b>

(CONTINUED)

**TOWN OF CHARLESTOWN, RHODE ISLAND**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

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**10. COMMITMENTS AND CONTINGENT LIABILITIES**

***Affordable Housing***

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

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

For the fiscal year ending June 30, 2014, the Town has expended \$0 for affordable housing land acquisitions and \$0 for preconstruction costs for the affordable housing projects. The Town has no ownership rights in the land acquisitions or future housing units but the projects will meet the requirements of affordable housing under the State's 10% Affordable Housing mandate.

***Grants***

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

***Litigation***

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

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

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

(CONTINUED)

**TOWN OF CHARLESTOWN, RHODE ISLAND**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

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

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, 2014 totaled \$3,900. Postclosure monitoring costs were originally estimated at \$50,000 to \$100,000 per year. Based upon revised estimates from an independent consultant, the costs should approximate \$7,800 annually for the remaining 16 years. These estimates are based on an independent evaluation of the cost to perform postclosure monitoring. In fiscal year 2010, the Rhode Island Department of Environmental Management approved a reduction in the scope of the Town's postclosure monitoring activities resulting in the associated cost reductions. Actual costs may be higher due to inflation, deflation, changes in technology or changes in applicable laws and regulations. Annual postclosure monitoring costs are expected to be funded through General Fund appropriations.

**12. FUND EQUITY**

**(a) Fund Balance Constraints**

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

	<u>General Fund</u>	<u>Open Space Acquisitions</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><i>Nonspendable:</i></b>				
Perpetual care.....			\$ 1,540	\$ 1,540
Tax sale property .....	\$ 237,310			237,310
Prepaid expenditures .....	222,545			222,545
<b><i>Restricted for:</i></b>				
General government .....	359,650		255,898	615,548
Public safety .....			14,114	14,114
Parks and recreation.....			15,356	15,356
Community development...			739,041	739,041
Education .....			208,395	208,395
Capital projects .....			1,128,032	1,128,032
Employee severance benefits .....	278,070			278,070
Subsequent year's budget .	64,400			64,400
<b><i>Committed to:</i></b>				
Community development...			42,922	42,922
Parks and recreation.....			217,194	217,194
<b><i>Unassigned</i></b> .....	3,909,551	\$(2,014,846)	(207)	1,894,498
<b>Total Fund Balances....</b>	<b>\$5,071,526</b>	<b>\$(2,014,846)</b>	<b>\$ 2,622,285</b>	<b>\$5,678,965</b>

(CONTINUED)

**TOWN OF CHARLESTOWN, RHODE ISLAND**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**12. FUND EQUITY (Continued)**

**(b) Net Position**

Restriction of net position at June 30, 2014 was as follows:

**Enterprise Funds:**

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

**(c) Fund Deficits**

The following funds had cumulative deficits at June 30, 2014:

**Major Governmental Funds:**

Open Space Acquisitions ..... \$2,014,846

**Non-major Governmental Funds:**

Hazard Mitigation ..... \$ 207

The deficits in the funds listed above will be funded by General Fund contributions and the issuance of General Obligation Bonds (2014 Series A).

**(d) Restatement**

As a result of implementing GASB Statement No. 65 as discussed in Note 2, the Town restated its governmental activities net position at July 1, 2013 from \$25,417,483 to \$25,389,012.

Net position as of July 1, 2013, as originally reported ..... \$25,417,483  
Write-off bond issuance costs ..... (28,471)  
Net position as of July 1, 2013, as restated ..... \$25,389,012

(CONTINUED)

**TOWN OF CHARLESTOWN, RHODE ISLAND**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**13. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land .....	\$ 7,241,614	\$ 2,129,296		\$ 9,370,910
Construction-in-progress.....	421,993	702,419	\$ (263,643)	860,769
<b>Total capital assets not being depreciated</b>	<u>7,663,607</u>	<u>2,831,715</u>	<u>(263,643)</u>	<u>10,231,679</u>
<b>Other capital assets:</b>				
Buildings and improvements.....	8,611,396	104,112	(20,890)	8,694,618
Land improvements .....	40,082	221,855		261,937
Equipment.....	974,184	74,669	(156,263)	892,590
Vehicles .....	2,783,755	288,841	(84,784)	2,987,812
Infrastructure.....	44,243,195	297,263		44,540,458
<b>Total other capital assets</b> .....	<u>56,652,612</u>	<u>986,740</u>	<u>(261,937)</u>	<u>57,377,415</u>
Less: accumulated depreciation for:				
Buildings and improvements.....	(2,308,347)	(224,452)	15,320	(2,517,479)
Land improvements .....	(4,008)	(15,101)		(19,109)
Equipment.....	(682,462)	(79,530)	156,259	(605,733)
Vehicles .....	(1,826,708)	(263,321)	80,980	(2,009,049)
Infrastructure.....	(37,285,193)	(647,143)		(37,932,336)
<b>Total accumulated depreciation</b> .....	<u>(42,106,718)</u>	<u>(1,229,547)</u>	<u>252,559</u>	<u>(43,083,706)</u>
<b>Other capital assets, net</b> .....	<u>14,545,894</u>	<u>(242,807)</u>	<u>(9,378)</u>	<u>14,293,709</u>
<b>Governmental activities capital assets, net</b> .....	<u>\$22,209,501</u>	<u>\$ 2,588,908</u>	<u>\$ (273,021)</u>	<u>\$24,525,388</u>
 <b>Business-type activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land .....	\$ 99,500			\$ 99,500
<b>Total capital assets not being depreciated</b> ..	<u>99,500</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>99,500</u>
<b>Other capital assets:</b>				
Buildings.....	18,550			18,550
Land improvements .....	113,684			113,684
Machinery and equipment.....	230,464	54,399		284,863
<b>Total other capital assets</b> .....	<u>362,698</u>	<u>54,399</u>	<u>0</u>	<u>417,097</u>
Less: accumulated depreciation for:				
Buildings.....	(18,548)			(18,548)
Land improvements .....	(98,527)	(7,579)		(106,106)
Machinery and equipment.....	(195,935)	(4,359)		(200,294)
<b>Total accumulated depreciation</b> .....	<u>(313,010)</u>	<u>(11,938)</u>	<u>0</u>	<u>(324,948)</u>
<b>Other capital assets, net</b> .....	<u>49,688</u>	<u>42,461</u>	<u>0</u>	<u>92,149</u>
<b>Business-type activities capital assets, net</b> .....	<u>\$ 149,188</u>	<u>\$ 42,461</u>	<u>\$ 0</u>	<u>\$ 191,649</u>

(CONTINUED)

**TOWN OF CHARLESTOWN, RHODE ISLAND**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**13. CAPITAL ASSETS (Continued)**

Depreciation expense was charged to functions as follows:

<b>Governmental activities:</b>	
General government .....	\$ 63,143
Public safety .....	256,741
Recreation .....	77,888
Public works .....	808,042
Education .....	<u>23,733</u>
<b>Total governmental activities .....</b>	<b><u>\$1,229,547</u></b>
<b>Business-type activities:</b>	
Residential Collection Center .....	\$ 9,218
Coastal Pond Management .....	<u>2,720</u>
<b>Total business type activities .....</b>	<b><u>\$ 11,938</u></b>

**14. DEFERRED COMPENSATION PLAN**

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

During the year ended June 30, 1998, the Town implemented the Governmental Accounting Standards Board, Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. All assets and income of the Plan are held in trust for the exclusive benefit of the participants and their beneficiaries. As a result, deferred compensation investments and the respective liability have been removed from the Town's financial statements for the year ended June 30, 2014.

**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 nineteen fiscal years.

The Trust is obligated to make payments on the Town's behalf without any further obligation of the Town, unless the Town's applicable limit of liability was exhausted by the size of the loss or the nature of the loss would fall outside the parameters of the Trust policy. As of June 30, 2014, the Town believes there is minimal, if any, potential exposure for outstanding claims which would fall outside the parameter of the Trust policy.

(CONTINUED)

**TOWN OF CHARLESTOWN, RHODE ISLAND**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**16. COMMUNITY SEPTIC LOAN PROGRAM**

On June 9, 1999, the Town entered into an agreement with the Rhode Island Clean Water Finance Agency to finance the Town's Community Septic System Loan Program. The loan agreement provides the Town with a non-restoring line-of-credit. The proceeds of the loan shall be used by the Town for the establishment and operation of a Community Septic System Loan Program. The Program provides for the Town to make loans to property owners of the Town for the repair or replacement of failed or failing septic systems. The individual loans made to property owners shall be underwritten by the Town with the assistance of the Rhode Island Housing Mortgage Finance Corporation (RIHMFC). RIHMFC, on behalf of the Town shall perform all administrative functions related to servicing the individual loans, including disbursing loans to property owners and collecting and remitting borrower loan payments. The loan has a zero interest rate to the Town and 4% to property owners. The Town is only required to make principal repayments in the event that individual property owners default on their loans. As of June 30, 2014, the amount of loans outstanding under this program was approximately \$693,305.

**17. INTERFUND TRANSFERS**

Interfund transfers for fiscal year ended June 30, 2014 are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
<b>Governmental activities:</b>		
<b>Major funds:</b>		
General Fund .....	\$ 50,000	\$1,424,647
<b>Non-major funds</b> .....	1,080,147	51,500
<b>Total governmental activities</b> .....	<u>\$1,130,147</u>	<u>\$1,476,147</u>
<b>Fiduciary funds:</b>		
Other Post-Employment Benefit Trust Fund .....	<u>\$ 346,000</u>	<u>\$ 0</u>

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

**Plan Description**

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

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

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

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

**Summary of Plan Provisions**

**Eligibility**

**Police:**

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

**CPMA:**

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

**Cost Sharing**

**Police:**

Retiring on or after July 1, 2012:

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

Retiring on or after July 1, 2014:

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

**CPMA:**

Hired prior to July 1, 1996:

Pre-65	80% Town-paid for retiree and spouse.
Post-65	80% Town-paid for retiree and spouse (BC Plan 65).

Hired on or after July 1, 1996:

Not eligible for Town-paid Post Retirement Health Benefits.

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

(CONTINUED)

**TOWN OF CHARLESTOWN, RHODE ISLAND**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

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

**Summary of Significant Accounting Policies and Plan Asset Matters**

**Basis of Accounting**

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

**Classes of Employees Covered**

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

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

**Benefit Provisions**

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

**Employer Contributions**

The Town's contributions are actuarially determined on a three-year cycle using the level percent amortization method. Contributions made during fiscal year 2014 totaling \$538,000 consist of the current year general fund appropriation of \$346,000 and \$192,000 of general fund pay-as-you-go benefit payments and implicit rate subsidies.

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

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

**Summary Financial Information**

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

**STATEMENT OF FIDUCIARY NET POSITION  
OTHER POST-EMPLOYMENT BENEFIT TRUST FUND  
JUNE 30, 2014**

<b>Assets:</b>	
Cash and cash equivalents.....	\$ 46,847
Investments, at fair value.....	<u>3,191,946</u>
<b>Total</b> .....	<u>3,238,793</u>
<b>Liabilities</b> .....	<u>0</u>
<b>Net Position:</b>	
Held in trust for OPEB benefits.....	<u>\$ 3,238,793</u>

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
OTHER POST-EMPLOYMENT BENEFIT TRUST FUND  
YEAR ENDED JUNE 30, 2014**

<b>Additions:</b>	
Employer contributions .....	\$ 346,000
Investment income, net of investment expenses .....	67,937
Realized investment gains.....	188,962
Unrealized investment gains.....	<u>203,116</u>
<b>Total additions</b> .....	<u>806,015</u>
<b>Deductions:</b>	
Benefits.....	0
Administration .....	<u>0</u>
<b>Total deductions</b> .....	<u>0</u>
<b>Changes in Net Position</b> .....	806,015
<b>Net Position - July 1, 2013</b> .....	<u>2,432,778</u>
<b>Net Position - June 30, 2014</b> .....	<u>\$3,238,793</u>

(CONTINUED)

**TOWN OF CHARLESTOWN, RHODE ISLAND**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

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

**Annual OPEB Cost and Net OPEB Obligation**

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

Annual required contribution .....	\$ 506,000
Interest on net OPEB obligation.....	(27,135)
Adjustment to annual required contribution .....	<u>30,117</u>
Annual OPEB cost (expense) .....	<u>508,982</u>
Contributions made:	
Employer contributions .....	346,000
Retiree benefit payments .....	<u>192,000</u>
Total contributions made .....	<u>538,000</u>
Increase (decrease) in net OPEB obligation.....	(29,018)
Net OPEB obligation, (asset) - July 1, 2013 .....	<u>(361,797)</u>
Net OPEB obligation, (asset) - June 30, 2014 .....	<u>\$(390,815)</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012, 2013 and 2014 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation/(Asset)
June 30, 2012	\$527,930	100.6%	\$(340,554)
June 30, 2013	\$528,757	104.0%	\$(361,797)
June 30, 2014	\$508,982	105.7%	\$(390,815)

**Funded Status and Funding Progress**

The funded status of the plan as of July 1, 2012 (the date of the most recent actuarial valuation) was as follows:

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

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

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

**Funded Status and Funding Progress (Continued)**

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

**Actuarial Methods and Assumptions**

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

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

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

Discount Rate .....	7.50% (net of administrative expenses)
Actuarial Method .....	Projected Unit Credit Cost Method
Amortization Method .....	Level Percent
Amortization Growth .....	3.00%
Amortization Period (decreasing).....	30 years (CPMA) 20 years (Police)
Valuation Type .....	Closed Group
Initial medical inflation rate.....	5.6%
Ultimate medical inflation rate.....	4.6%
Years until ultimate inflation rate reached .....	49 years

(CONTINUED)

**TOWN OF CHARLESTOWN, RHODE ISLAND**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

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**19. PUBLIC ENTITY RISK POOL**

***The Health Pool***

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

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

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

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

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

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

For the year ended June 30, 2014, unaudited results indicate that the Pool generated \$129,713,593 in revenues and excess of revenues over expenses of \$14,603,863. The Pool had \$65,495,908 in total assets and \$39,384,370 in total equity as of June 30, 2014.

The Pool retains certain levels of insurance risk. Specific losses in excess of \$1 million to a limit of \$2 million are covered by a Health Excess Claims Stopless Account internal to the Trust that is funded by annual Stopless Account payments from the Health Pool. As of June 30, 2014, the Pool's membership consisted of 43 cities, towns or other governmental units.

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

(CONTINUED)

**TOWN OF CHARLESTOWN, RHODE ISLAND**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

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**20. SUBSEQUENT EVENTS**

***Open Space Land Acquisition***

In August 2013, the Town Council authorized the purchase of approximately 78 acres of land known as the "Whalerock Property" (a.k.a. Charlestown Moraine Preserve) for preservation of open space. The Town acquired the property on September 18, 2013 for \$2,129,296 with capital project funds and General Fund advances.

On July 15, 2014, the Town issued Series 2014 General Obligation Bonds of \$2,000,000 to reimburse the General Fund. The term bonds mature at varying dates from July 15, 2015 through July 15, 2024 and require interest at 2.15%.

***Settlement of Lawsuit***

On August 14, 2014, the Town settled a lawsuit with a former employee in the amount of \$450,000. This amount has been recorded in the government-wide financial statements as an accrued liability.

(CONCLUDED)

# TOWN OF CHARLESTOWN

## REQUIRED SUPPLEMENTARY INFORMATION

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

Actuarial Valuation Date <u>June 30,</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) <u>(b)</u>	(Overfunded) Unfunded AAL (UAAL) <u>(b-a)</u>	Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL as a Percentage of Covered Payroll <u>((b-a)/c)</u>
<b><u>General Employees – Municipal Employees' Retirement System</u></b>						
2011	\$4,909,344	\$5,843,321	\$ 933,977	84.0%	\$1,687,527	55.3%
2012	\$5,290,691	\$6,134,811	\$ 844,120	86.2%	\$1,890,875	44.6%
2013	\$5,680,607	\$6,565,646	\$ 885,039	86.5%	\$2,087,839	42.4%
<b><u>Police – Municipal Employees' Retirement System</u></b>						
2011	\$6,182,948	\$ 8,391,194	\$2,208,246	73.7%	\$1,149,499	192.1%
2012	\$6,552,757	\$ 9,579,279	\$3,026,522	68.4%	\$1,304,912	231.9%
2013	\$7,353,388	\$10,300,112	\$2,946,724	71.4%	\$1,276,301	230.9%
<b><u>OPEB Trust Plan</u></b>						
7/1/06	\$ 0	\$3,391,000	\$3,391,000	0%	Not Available	N/A
7/1/09	\$ 502,000	\$4,947,000	\$4,445,000	10.2%	Not Available	N/A
7/1/12	\$1,794,000	\$5,361,000	\$3,567,000	33.4%	\$1,497,000	238.3%

**Notes to the Schedule of Funding Progress*****Changes affecting the June 30, 2012 actuarial valuation:***

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

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

***Changes affecting the June 30, 2011 actuarial valuation:***

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

TOWN OF CHARLESTOWN, RHODE ISLAND

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

**GENERAL FUND  
YEAR ENDED JUNE 30, 2014**

	Originally Adopted Budget	Final Approved Budget	Actual (Budgetary Basis)	Variance Positive (Negative)
<b>REVENUES:</b>				
General property taxes	\$ 22,677,364	\$ 22,677,364	\$ 22,691,943	\$ 14,579
Intergovernmental	2,334,488	2,334,488	2,054,315	(280,173)
Investment income	11,000	11,000	5,201	(5,799)
Departmental	1,091,085	1,091,085	1,084,932	(6,153)
<b>Total revenues</b>	<b>26,113,937</b>	<b>26,113,937</b>	<b>25,836,391</b>	<b>(277,546)</b>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
General government	1,465,517	1,465,517	1,489,760	(24,243)
Public safety	2,462,453	2,462,453	2,405,385	57,068
Public works	1,565,214	1,565,214	1,507,029	58,185
Education	14,645,357	14,645,357	14,645,357	0
Recreation	563,963	563,963	516,642	47,321
Public health and assistance	414,150	414,150	412,147	2,003
Miscellaneous	2,490,633	2,490,633	2,369,416	121,217
<b>Debt service:</b>				
Principal	3,142,728	3,142,728	3,042,728	100,000
Interest and other costs	416,214	416,214	396,990	19,224
<b>Capital:</b>				
Capital improvements	397,436	348,789	490,131	(141,342)
<b>Total expenditures</b>	<b>27,563,665</b>	<b>27,515,018</b>	<b>27,275,585</b>	<b>239,433</b>
<b>Excess of revenues over expenditures</b>	<b>(1,449,728)</b>	<b>(1,401,081)</b>	<b>(1,439,194)</b>	<b>(38,113)</b>
<b>Other financing sources (uses):</b>				
Transfers from fund balance	3,194,228	3,194,228	3,194,228	0
Proceeds from capital leases	0	0	169,225	169,225
Proceeds from refunding bond	0	0	1,520,000	1,520,000
Bond premium	0	0	43,712	43,712
Transfers in	50,000	50,000	50,000	0
Transfers out	(1,782,500)	(1,831,147)	(1,831,147)	0
Payment to refunded bond escrow agent	0	0	(1,529,944)	(1,529,944)
Landfill monitoring	(12,000)	(12,000)	(3,900)	8,100
<b>Net other financing sources (uses)</b>	<b>1,449,728</b>	<b>1,401,081</b>	<b>1,612,174</b>	<b>211,093</b>
<b>Excess of revenues and other sources over expenditures and other uses</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>172,980</b>	<b>\$ 172,980</b>
Less: transfer from fund balance			(3,194,228)	
Add: deficiency of revenues and other sources over expenditures and other uses of funds classified with the General Fund for purposes of GASB Statement No. 54			70,396	
<b>Fund balance, beginning of year</b>			<b>8,022,378</b>	
<b>Fund balance, end of year</b>			<b>\$ 5,071,526</b>	

TOWN OF CHARLESTOWN, RHODE ISLANDGENERAL FUNDSCHEDULE OF BUDGET ESTIMATES AND ACTUAL REVENUES  
YEAR ENDED JUNE 30, 2014

	Original and Final Budget	Actual Revenues	Variance Positive (Negative)
<b>Property taxes:</b>			
Current and prior years	\$ 22,532,364	\$ 22,536,504	\$ 4,140
Interest on delinquent taxes	145,000	155,439	10,439
<b>Total property taxes</b>	<b>22,677,364</b>	<b>22,691,943</b>	<b>14,579</b>
<b>Intergovernmental revenues:</b>			
<b>State of Rhode Island including:</b>			
Beach parking fees	20,000	18,233	(1,767)
School aid	1,716,895	1,706,995	(9,900)
Beverage/meals tax	112,647	126,304	13,657
Hotel tax	21,163	19,291	(1,872)
Public service corporation tax	94,198	106,035	11,837
Motor vehicle phaseout	40,195	40,197	2
DEM PILOT	24,900	0	(24,900)
Incentive aid	74,519	37,260	(37,259)
Local road programs	219,971	0	(219,971)
FEMA grant	10,000	0	(10,000)
<b>Total intergovernmental revenues</b>	<b>2,334,488</b>	<b>2,054,315</b>	<b>(280,173)</b>
<b>Departmental revenues:</b>			
Town Clerk:			
Business licenses and fees	22,000	20,345	(1,655)
Non-business licenses and fees	5,000	9,298	4,298
Transfer stamps	180,000	165,270	(14,730)
Probate fees	15,000	11,609	(3,391)
Tax certificates	15,000	8,800	(6,200)
Recording fees	140,000	113,439	(26,561)
Building inspector	175,000	164,564	(10,436)
Municipal court	25,000	32,410	7,410
Police department	28,000	29,449	1,449
Recreation	64,285	64,914	629
Town beach parking and concessions	136,000	135,604	(396)
Beach passes	75,000	86,800	11,800
Blue Shutters parking and concessions	156,000	171,746	15,746
Animal control	3,500	7,043	3,543
Ninigret Park	10,000	8,824	(1,176)
Planning Board	2,500	3,955	1,455
Zoning Board and Review	5,000	3,950	(1,050)
Senior/Community Center	29,800	22,183	(7,617)
Other revenues	4,000	24,729	20,729
<b>Total departmental revenues</b>	<b>1,091,085</b>	<b>1,084,932</b>	<b>(6,153)</b>
<b>Investment income</b>	<b>11,000</b>	<b>5,201</b>	<b>(5,799)</b>

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLANDGENERAL FUND**SCHEDULE OF BUDGET ESTIMATES AND ACTUAL REVENUES  
YEAR ENDED JUNE 30, 2014**

	Original and Final <u>Budget</u>	Actual <u>Revenues</u>	Variance Positive <u>(Negative)</u>
<b><i>Other financing sources:</i></b>			
Transfers from fund balance	3,194,228	3,194,228	0
Transfers in	50,000	50,000	0
Proceeds from capital leases	0	169,225	169,225
Proceeds from refunding bond	0	1,520,000	1,520,000
Bond premium	0	43,712	43,712
<b><i>Total other financing sources</i></b>	<b>3,244,228</b>	<b>4,977,165</b>	<b>1,732,937</b>
<b><i>Total revenues and other financing sources</i></b>	<b>\$ 29,358,165</b>	<b>\$ 30,813,556</b>	<b>\$ 1,455,391</b>

(CONCLUDED)

TOWN OF CHARLESTOWN, RHODE ISLANDGENERAL FUNDSCHEDULE OF APPROPRIATIONS AND ACTUAL EXPENDITURES - BUDGETARY BASIS  
YEAR ENDED JUNE 30, 2014

	Original Budget	Budget Amendments	Final Budget	Actual Expenditures and Transfers	Adjustments to Budgetary Basis	Expenditures and Transfers on Budgetary Basis	Variance Positive (Negative)
<b>General Government:</b>							
Central services	\$ 240,200		\$ 240,200	\$ 267,170		\$ 267,170	\$ (26,970)
Town clerk	196,853		196,853	200,017		200,017	(3,164)
Treasurer	180,682		180,682	181,120		181,120	(438)
Town administrator	168,579		168,579	172,275		172,275	(3,696)
Tax assessor	146,312		146,312	144,521		144,521	1,791
Building inspector	166,063		166,063	163,424		163,424	2,639
Tax collector	107,124		107,124	112,118		112,118	(4,994)
Town planner	117,958		117,958	120,717		120,717	(2,759)
Town council	24,450		24,450	23,107		23,107	1,343
Elections unit	10,000		10,000	2,940		2,940	7,060
Boards, agencies, and committees	25,100		25,100	20,533		20,533	4,567
GIS	75,396		75,396	75,236		75,236	160
Municipal court	6,800		6,800	6,582		6,582	218
<b>Total general government</b>	<b>1,465,517</b>	<b>\$ 0</b>	<b>1,465,517</b>	<b>1,489,760</b>	<b>\$ 0</b>	<b>1,489,760</b>	<b>(24,243)</b>
<b>Public Safety:</b>							
Police department	2,320,291		2,320,291	2,278,309		2,278,309	41,982
Animal control	84,907		84,907	82,774		82,774	2,133
Civil preparedness	57,255		57,255	44,302		44,302	12,953
<b>Total public safety</b>	<b>2,462,453</b>	<b>0</b>	<b>2,462,453</b>	<b>2,405,385</b>	<b>0</b>	<b>2,405,385</b>	<b>57,068</b>
<b>Public Works:</b>							
Highway department	1,015,760		1,015,760	997,059		997,059	18,701
Public buildings and grounds	308,201		308,201	275,775		275,775	32,426
Administration	137,544		137,544	136,977		136,977	567
Wastewater management	103,709		103,709	97,218		97,218	6,491
<b>Total public works</b>	<b>1,565,214</b>	<b>0</b>	<b>1,565,214</b>	<b>1,507,029</b>	<b>0</b>	<b>1,507,029</b>	<b>58,185</b>

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLANDGENERAL FUNDSCHEDULE OF APPROPRIATIONS AND ACTUAL EXPENDITURES - BUDGETARY BASIS  
YEAR ENDED JUNE 30, 2014

	Original Budget	Budget Amendments	Final Budget	Actual Expenditures and Transfers	Adjustments to Budgetary Basis	Expenditures and Transfers on Budgetary Basis	Variance Positive (Negative)
<b>Recreation:</b>							
Participation recreation	243,185		243,185	231,787		231,787	11,398
Senior/Community Center	120,146		120,146	109,083		109,083	11,063
Blue Shutters Beach	77,600		77,600	67,325		67,325	10,275
Town Beach	91,350		91,350	77,644		77,644	13,706
Ninigret Park	31,682		31,682	30,803		30,803	879
<b>Total recreation</b>	<b>563,963</b>	<b>0</b>	<b>563,963</b>	<b>516,642</b>	<b>0</b>	<b>516,642</b>	<b>47,321</b>
<b>Public Health and Assistance:</b>							
Cross Mills Library	208,000		208,000	208,000		208,000	0
Ambulance services	166,800		166,800	166,800		166,800	0
VNS Home Health Services	2,000		2,000	2,000		2,000	0
South Shore Mental Health	3,500		3,500	3,500		3,500	0
Wood River Health	3,000		3,000	3,000		3,000	0
Domestic Violence of South County	2,000		2,000	2,000		2,000	0
Public Assistance	13,100		13,100	11,097		11,097	2,003
Warm Shelter	1,000		1,000	1,000		1,000	0
Southern RI Volunteers	1,000		1,000	1,000		1,000	0
Thundermist Health Center of South County	2,000		2,000	2,000		2,000	0
The Samaritans	500		500	500		500	0
RI CAN	3,500		3,500	3,500		3,500	0
Chariho Soccer League	250		250	250		250	0
Washington County Coalition Children	500		500	500		500	0
Wildlife Rehabilitators of Rhode Island	500		500	500		500	0
Memorial Day Parade	500		500	500		500	0
Charlestown Memorial Parade	1,000		1,000	1,000		1,000	0
Charlestown Historical Society	2,000		2,000	2,000		2,000	0
Chamber of Commerce	3,000		3,000	3,000		3,000	0
<b>Total public health and assistance</b>	<b>414,150</b>	<b>0</b>	<b>414,150</b>	<b>412,147</b>	<b>0</b>	<b>412,147</b>	<b>2,003</b>

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLANDGENERAL FUNDSCHEDULE OF APPROPRIATIONS AND ACTUAL EXPENDITURES - BUDGETARY BASIS  
YEAR ENDED JUNE 30, 2014

	Original Budget	Budget Amendments	Final Budget	Actual Expenditures and Transfers	Adjustments to Budgetary Basis	Expenditures and Transfers on Budgetary Basis	Variance Positive (Negative)
<b>Education:</b>							
Chariho Regional School District	14,645,357	0	14,645,357	14,645,357		14,645,357	0
<b>Debt Service:</b>							
General Obligation Bond:							
Principal	3,142,728		3,142,728	3,042,728		3,042,728	100,000
Interest	214,731		214,731	195,611		195,611	19,120
Capital leases	171,483		171,483	170,224		170,224	1,259
Bond issuance costs	30,000		30,000	30,055		30,055	(55)
Fiscal agent fees	0		0	1,100		1,100	(1,100)
<b>Total debt service</b>	<b>3,558,942</b>	<b>0</b>	<b>3,558,942</b>	<b>3,439,718</b>	<b>0</b>	<b>3,439,718</b>	<b>119,224</b>
<b>Miscellaneous:</b>							
Employee insurance and benefits	1,934,300		1,934,300	1,896,005		1,896,005	38,295
Council contingency	15,000		15,000	40,789		40,789	(25,789)
Town insurance	200,733		200,733	199,038		199,038	1,695
Auditing	40,000		40,000	37,103		37,103	2,897
Legal services	300,600		300,600	196,481		196,481	104,119
<b>Total miscellaneous</b>	<b>2,490,633</b>	<b>0</b>	<b>2,490,633</b>	<b>2,369,416</b>	<b>0</b>	<b>2,369,416</b>	<b>121,217</b>
<b>Capital Improvements Program:</b>							
Police	133,987		133,987	120,906		120,906	13,081
Public works	148,375	(43,893)	104,482	113,521		113,521	(9,039)
Parks and recreation	54,500	(1,954)	52,546	27,870		27,870	24,676
General government	60,574	(2,800)	57,774	58,609		58,609	(835)
Capital leases	0		0	169,225		169,225	(169,225)
<b>Total capital improvements</b>	<b>397,436</b>	<b>(48,647)</b>	<b>348,789</b>	<b>490,131</b>	<b>0</b>	<b>490,131</b>	<b>(141,342)</b>

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLANDGENERAL FUNDSCHEDULE OF APPROPRIATIONS AND ACTUAL EXPENDITURES - BUDGETARY BASIS  
YEAR ENDED JUNE 30, 2014

	<u>Original Budget</u>	<u>Budget Amendments</u>	<u>Final Budget</u>	<u>Actual Expenditures and Transfers</u>	<u>Adjustments to Budgetary Basis</u>	<u>Expenditures and Transfers on Budgetary Basis</u>	<u>Variance Positive (Negative)</u>
<b>Other financing uses:</b>							
<b>Transfers out:</b>							
Special revenue funds - Revaluation	55,000		55,000	55,000		55,000	0
Special revenue funds - Reserve for Severance	125,000		125,000	125,000		125,000	0
Special revenue funds - Health Care Reserve	346,000		346,000	346,000		346,000	0
Special revenue funds - Pond and Beach Preservation	175,000		175,000	175,000		175,000	0
Special revenue funds - Comprehensive Planning Grant	20,000		20,000	20,000		20,000	0
Special revenue funds - Municipal Planning	10,000		10,000	10,000		10,000	0
Special revenue funds - Reserve for Legal Fees	226,500		226,500	226,500		226,500	0
Special revenue funds - Frisbee Golf Course	0	1,954	1,954	1,954		1,954	0
Capital project funds - Klondike Road	800,000		800,000	800,000		800,000	0
Capital project funds - Asphalt Resurfacing	0	46,693	46,693	46,693		46,693	0
Capital project funds - Town Capital Maintenance	25,000		25,000	25,000		25,000	0
<b>Total transfers out</b>	<b>1,782,500</b>	<b>48,647</b>	<b>1,831,147</b>	<b>1,831,147</b>	<b>0</b>	<b>1,831,147</b>	<b>0</b>
<b>Other:</b>							
Payment to refunded bond escrow agent	0		0	1,529,944		1,529,944	(1,529,944)
Landfill monitoring	12,000		12,000	3,900		3,900	8,100
<b>Total other</b>	<b>12,000</b>	<b>0</b>	<b>12,000</b>	<b>1,533,844</b>	<b>0</b>	<b>1,533,844</b>	<b>(1,521,844)</b>
<b>Total expenditures</b>	<b>\$ 29,358,165</b>	<b>\$ 0</b>	<b>\$ 29,358,165</b>	<b>\$ 30,640,576</b>	<b>\$ 0</b>	<b>\$ 30,640,576</b>	<b>\$ (1,282,411)</b>

(CONCLUDED)

**TOWN OF CHARLESTOWN, RHODE ISLAND**

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2014**

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**BUDGETARY TO GAAP BASIS RECONCILIATION**

The following reconciliation summarizes the differences for the Town's General Fund between budgetary and GAAP basis for the year ended June 30, 2014:

Excess of revenues and other sources over expenditures and other uses (Non-GAAP Budgetary Basis).....	\$ 172,980
Reappropriated fund balance.....	(3,194,228)
Excess of revenues and other sources over expenditures and other uses of funds classified with the General Fund for purposes of GASB Statement No. 54.....	<u>70,396</u>
Excess of revenues and other sources over expenditures and other uses (GAAP)....	<u>\$ (2,950,852)</u>

# Town Of Charlestown

## NON-MAJOR GOVERNMENTAL FUNDS

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### SPECIAL REVENUE FUNDS

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

#### Senior Community Activities

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

#### Police Grants - JAG

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

#### MEDS Grant – RI Dept. of Health

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

#### Frisbee Golf Course

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

#### School Impact Fees

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

#### Friends of Ninigret

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

#### Hazard Mitigation

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

#### Operation Blue Riptide

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

(CONTINUED)

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# Town Of Charlestown

## NON-MAJOR GOVERNMENTAL FUNDS

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### SPECIAL REVENUE FUNDS (CONTINUED)

#### Mud Cove Recreation Development

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

#### Animal Spaying/Neutering

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

#### Ninigret Park Fund

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

#### Bicentennial Fund

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

#### Affordable Housing - Acquisitions

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

#### FEMA

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

#### Developer Bond Deposits

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

#### Open Space Fees

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

#### Charlestown Community Garden

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

#### Naval Airfield Memorial

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

(CONTINUED)

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# Town Of Charlestown

## NON-MAJOR GOVERNMENTAL FUNDS

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### SPECIAL REVENUE FUNDS (CONTINUED)

#### Police Forfeiture

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

#### RIIRMT Safety Enhancement

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

#### Municipal Planning

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

#### Affordable Housing Initiatives

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

#### Birthday Committee

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

#### Trail Improvement Grant - Mud Cove

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

#### Community Development Block Grants

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

#### Bulletproof Vest

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

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(CONTINUED)

# Town Of Charlestown

## NON-MAJOR GOVERNMENTAL FUNDS

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### SPECIAL REVENUE FUNDS (CONTINUED)

#### Historical and Vital Records

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

#### Ninigret Dog Park

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

#### RIHPHC Preservation is Local Grant

This fund accounts for the revitalization of Shannock Village.

#### Taquonck's Treasures

This fund accounts for funds raised to purchase handicap accessible playground equipment and the associated expenditures.

#### 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.

#### Special Donations

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

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(CONTINUED)

# Town Of Charlestown

## NON-MAJOR GOVERNMENTAL FUNDS

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### CAPITAL PROJECT FUNDS

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

#### Klondike Road

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

#### Asphalt Resurfacing

This fund accounts for the expenses associated with the cost to resurface town roads.

#### Stormwater Elimination Project

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

#### File Server

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

#### Town Capital Maintenance Fund

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

#### Columbia Heights Streetscapes Enhancements

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

#### DPW Road Engineering

This fund accounts for costs related to road engineering.

#### Beach Pavilions

This fund accounts for the construction of pavilions at Town Beach and Blue Shutters Beach.

(CONTINUED)

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# Town Of Charlestown

## NON-MAJOR GOVERNMENTAL FUNDS

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### CAPITAL PROJECT FUNDS (CONTINUED)

#### Web Based GIS

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

#### Pond and Beach Preservation

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

(CONTINUED)

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# Town Of Charlestown

## NON-MAJOR GOVERNMENTAL FUNDS

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### PERMANENT FUNDS

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

#### Zenis Ellis Trust

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

#### Cemetery Fund

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

(CONCLUDED)

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**TOWN OF CHARLESTOWN, RHODE ISLAND**

**COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2014**

	Special Revenue Funds						
	Senior Community Activities	Police Grants - JAG	MEDS Grant - RI Dept of Health	Frisbee Golf Course	School Impact Fees	Friends of Ninigret	Hazard Mitigation
<b>ASSETS:</b>							
Cash and cash equivalents					\$ 208,395		
Investments							
Due from:							
Other funds	\$ 424		\$ 3,758	\$ 2,959		\$ 1,678	
Other governments		\$ 1,287					\$ 13,162
<b>TOTAL ASSETS</b>	<b>\$ 424</b>	<b>\$ 1,287</b>	<b>\$ 3,758</b>	<b>\$ 2,959</b>	<b>\$ 208,395</b>	<b>\$ 1,678</b>	<b>\$ 13,162</b>
<b>LIABILITIES AND FUND BALANCES:</b>							
<b>LIABILITIES:</b>							
Accounts payable						\$ 540	
Retainage payable							
Due to:							
Other funds		\$ 1,287					\$ 2,681
Unearned revenues							10,688
Other liabilities							
<b>TOTAL LIABILITIES</b>	<b>\$ 0</b>	<b>1,287</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>540</b>	<b>13,369</b>
<b>FUND BALANCES:</b>							
Nonspendable:							
Perpetual care							
Restricted for:							
General government							
Public safety			3,758				
Parks and recreation				2,959		1,138	
Community development							
Education					208,395		
Capital projects							
Committed for:							
Community development							
Parks and recreation	424						
Unassigned							(207)
<b>TOTAL FUND BALANCES</b>	<b>424</b>	<b>0</b>	<b>3,758</b>	<b>2,959</b>	<b>208,395</b>	<b>1,138</b>	<b>(207)</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 424</b>	<b>\$ 1,287</b>	<b>\$ 3,758</b>	<b>\$ 2,959</b>	<b>\$ 208,395</b>	<b>\$ 1,678</b>	<b>\$ 13,162</b>

(CONTINUED)

**TOWN OF CHARLESTOWN, RHODE ISLAND**

**COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2014**

	Special Revenue Funds						
	Operation Blue Riptide	Mud Cove Recreation Development	Animal Spaying/ Neutering	Ninigret Park Fund	Bicentennial Fund	Affordable Housing Acquisitions	FEMA
<b>ASSETS:</b>							
Cash and cash equivalents				\$ 216,770	\$ 2,197		
Investments							
Due from:							
Other funds			\$ 5,421			\$ 738,893	
Other governments	\$ 11,687	\$ 84,472					\$ 108,813
<b>TOTAL ASSETS</b>	<b>\$ 11,687</b>	<b>\$ 84,472</b>	<b>\$ 5,421</b>	<b>\$ 216,770</b>	<b>\$ 2,197</b>	<b>\$ 738,893</b>	<b>\$ 108,813</b>
<b>LIABILITIES AND FUND BALANCES:</b>							
<b>LIABILITIES:</b>							
Accounts payable			\$ 1,590				\$ 7,200
Retainage payable							
Due to:							
Other funds	\$ 11,687	\$ 84,472					93,963
Unearned revenues							7,650
Other liabilities							
<b>TOTAL LIABILITIES</b>	<b>11,687</b>	<b>84,472</b>	<b>1,590</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>108,813</b>
<b>FUND BALANCES:</b>							
Nonspendable:							
Perpetual care							
Restricted for:							
General government							
Public safety			3,831				
Parks and recreation					2,197		
Community development						738,893	
Education							
Capital projects							
Committed for:							
Community development							
Parks and recreation				216,770			
Unassigned							
<b>TOTAL FUND BALANCES</b>	<b>0</b>	<b>0</b>	<b>3,831</b>	<b>216,770</b>	<b>2,197</b>	<b>738,893</b>	<b>0</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 11,687</b>	<b>\$ 84,472</b>	<b>\$ 5,421</b>	<b>\$ 216,770</b>	<b>\$ 2,197</b>	<b>\$ 738,893</b>	<b>\$ 108,813</b>

(CONTINUED)

**TOWN OF CHARLESTOWN, RHODE ISLAND**

**COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2014**

	Special Revenue Funds						
	Developer Bond Deposits	Open Space Fees	Charlestown Community Garden	Naval Airfield Memorial	Police Forfeiture	RIIRMT Safety Enhancement	Municipal Planning
<b>ASSETS:</b>							
Cash and cash equivalents		\$ 37,424		\$ 604	\$ 6,525		
Investments							
Due from:							
Other funds	\$ 8,908	65	\$ 6,270				\$ 79,866
Other governments							
<b>TOTAL ASSETS</b>	<b>\$ 8,908</b>	<b>\$ 37,489</b>	<b>\$ 6,270</b>	<b>\$ 604</b>	<b>\$ 6,525</b>	<b>\$0</b>	<b>\$ 79,866</b>
<b>LIABILITIES AND FUND BALANCES:</b>							
<b>LIABILITIES:</b>							
Accounts payable			\$ 33				\$ 440
Retainage payable							
Due to:							
Other funds							
Unearned revenues							
Other liabilities	\$ 8,908						
<b>TOTAL LIABILITIES</b>	<b>\$ 8,908</b>	<b>\$ 0</b>	<b>33</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$0</b>	<b>440</b>
<b>FUND BALANCES:</b>							
Nonspendable:							
Perpetual care							
Restricted for:							
General government		37,489					79,426
Public safety					6,525		
Parks and recreation			6,237	604			
Community development							
Education							
Capital projects							
Committed for:							
Community development							
Parks and recreation							
Unassigned	0	37,489	6,237	604	6,525	0	79,426
<b>TOTAL FUND BALANCES</b>	<b>0</b>	<b>37,489</b>	<b>6,237</b>	<b>604</b>	<b>6,525</b>	<b>0</b>	<b>79,426</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 8,908</b>	<b>\$ 37,489</b>	<b>\$ 6,270</b>	<b>\$ 604</b>	<b>\$ 6,525</b>	<b>\$0</b>	<b>\$ 79,866</b>

(CONTINUED)

**TOWN OF CHARLESTOWN, RHODE ISLAND**

**COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2014**

	Special Revenue Funds					Historical and Vital Records
	Affordable Housing Initiatives	Birthday Committee	Trail Improvement Grant - Mud Cove	Community Development Block Grant	Bulletproof Vest	
<b>ASSETS:</b>						
Cash and cash equivalents				\$ 99		
Investments						
Due from:						
Other funds	\$ 42,922	\$ 1,906				\$ 104,017
Other governments				148,984	\$ 6,308	
<b>TOTAL ASSETS</b>	<b>\$ 42,922</b>	<b>\$ 1,906</b>	<b>\$ 0</b>	<b>\$ 149,083</b>	<b>\$ 6,308</b>	<b>\$ 104,017</b>
<b>LIABILITIES AND FUND BALANCES:</b>						
<b>LIABILITIES:</b>						
Accounts payable						\$ 483
Retainage payable						
Due to:						
Other funds				\$ 8,700	\$ 6,308	
Unearned revenues				140,235		
Other liabilities						
<b>TOTAL LIABILITIES</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>148,935</b>	<b>6,308</b>	<b>483</b>
<b>FUND BALANCES:</b>						
Nonspendable:						
Perpetual care						
Restricted for:						
General government						103,534
Public safety						
Parks and recreation		1,906				
Community development				148		
Education						
Capital projects						
Committed for:						
Community development	42,922					
Parks and recreation						
Unassigned						
<b>TOTAL FUND BALANCES</b>	<b>42,922</b>	<b>1,906</b>	<b>0</b>	<b>148</b>	<b>0</b>	<b>103,534</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 42,922</b>	<b>\$ 1,906</b>	<b>\$ 0</b>	<b>\$ 149,083</b>	<b>\$ 6,308</b>	<b>\$ 104,017</b>

(CONTINUED)

**TOWN OF CHARLESTOWN, RHODE ISLAND**

**COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2014**

	Special Revenue Funds					Capital Project Funds
	Ninigret Dog Park	RIHPHC Preservation is Local Grant	Taquonck's Treasures	Comprehensive Planning Grant	Special Donations	Klondike Road
<b>ASSETS:</b>						
Cash and cash equivalents				\$ 30,222	\$ 5,227	
Investments						
Due from:						
Other funds	\$ 223	\$ 2,104	\$ 92			\$ 881,218
Other governments						
<b>TOTAL ASSETS</b>	<b>\$ 223</b>	<b>\$ 2,104</b>	<b>\$ 92</b>	<b>\$ 30,222</b>	<b>\$ 5,227</b>	<b>\$ 881,218</b>
<b>LIABILITIES AND FUND BALANCES:</b>						
<b>LIABILITIES:</b>						
Accounts payable						\$ 172,644
Retainage payable						9,035
Due to:						
Other funds		\$ 2,104				
Unearned revenues						
Other liabilities						
<b>TOTAL LIABILITIES</b>	<b>\$ 0</b>	<b>2,104</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>181,679</b>
<b>FUND BALANCES:</b>						
Nonspendable:						
Perpetual care						
Restricted for:						
General government				30,222	5,227	
Public safety						
Parks and recreation	223		92			
Community development						
Education						
Capital projects						699,539
Committed for:						
Community development						
Parks and recreation						
Unassigned						
<b>TOTAL FUND BALANCES</b>	<b>223</b>	<b>0</b>	<b>92</b>	<b>30,222</b>	<b>5,227</b>	<b>699,539</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 223</b>	<b>\$ 2,104</b>	<b>\$ 92</b>	<b>\$ 30,222</b>	<b>\$ 5,227</b>	<b>\$ 881,218</b>

(CONTINUED)

**TOWN OF CHARLESTOWN, RHODE ISLAND**

**COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2014**

	Capital Project Funds					
	Asphalt Resurfacing	Stormwater Elimination Project	File Server	Town Capital Maintenance Fund	Columbia Heights Streetscapes Enhancement	DPW Road Engineering
<b>ASSETS:</b>						
Cash and cash equivalents						
Investments						
Due from:						
Other funds	\$ 46,693	\$ 33,158		\$ 74,729		\$ 38,448
Other governments					\$ 395,578	
<b>TOTAL ASSETS</b>	<b>\$ 46,693</b>	<b>\$ 33,158</b>	<b>\$0</b>	<b>\$ 74,729</b>	<b>\$ 395,578</b>	<b>\$ 38,448</b>
<b>LIABILITIES AND FUND BALANCES:</b>						
<b>LIABILITIES:</b>						
Accounts payable				\$ 51,979		
Retainage payable						
Due to:						
Other funds						
Unearned revenues					\$ 395,578	
Other liabilities						
<b>TOTAL LIABILITIES</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$0</b>	<b>51,979</b>	<b>395,578</b>	<b>\$ 0</b>
<b>FUND BALANCES:</b>						
Nonspendable:						
Perpetual care						
Restricted for:						
General government						
Public safety						
Parks and recreation						
Community development						
Education						
Capital projects	46,693	33,158		22,750		38,448
Committed for:						
Community development						
Parks and recreation						
Unassigned						
<b>TOTAL FUND BALANCES</b>	<b>46,693</b>	<b>33,158</b>	<b>0</b>	<b>22,750</b>	<b>0</b>	<b>38,448</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 46,693</b>	<b>\$ 33,158</b>	<b>\$0</b>	<b>\$ 74,729</b>	<b>\$ 395,578</b>	<b>\$ 38,448</b>

(CONTINUED)

**TOWN OF CHARLESTOWN, RHODE ISLAND**

**COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2014**

	Capital Project Funds			Permanent Funds		Total Non-Major Governmental Funds
	Beach Pavilions	Web Based GIS	Pond and Beach Preservation	Zenis Ellis Trust	Cemetery Fund	
<b>ASSETS:</b>						
Cash and cash equivalents				\$ 951		\$ 508,414
Investments					\$ 500	500
Due from:						
Other funds	\$ 4,444	\$ 8,000	\$ 275,000		90	2,361,286
Other governments						770,291
<b>TOTAL ASSETS</b>	<b>\$ 4,444</b>	<b>\$ 8,000</b>	<b>\$ 275,000</b>	<b>\$ 951</b>	<b>\$ 590</b>	<b>\$ 3,640,491</b>
<b>LIABILITIES AND FUND BALANCES:</b>						
<b>LIABILITIES:</b>						
Accounts payable						\$ 234,909
Retainage payable						9,035
Due to:						
Other funds						209,098
Unearned revenues						556,255
Other liabilities				\$ 1		8,909
<b>TOTAL LIABILITIES</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 1</b>	<b>\$ 0</b>	<b>1,018,206</b>
<b>FUND BALANCES:</b>						
Nonspendable:						
Perpetual care				950	590	1,540
Restricted for:						
General government						255,898
Public safety						14,114
Parks and recreation						15,356
Community development						739,041
Education						208,395
Capital projects	4,444	8,000	275,000			1,128,032
Committed for:						
Community development						42,922
Parks and recreation						217,194
Unassigned						(207)
<b>TOTAL FUND BALANCES</b>	<b>4,444</b>	<b>8,000</b>	<b>275,000</b>	<b>950</b>	<b>590</b>	<b>2,622,285</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 4,444</b>	<b>\$ 8,000</b>	<b>\$ 275,000</b>	<b>\$ 951</b>	<b>\$ 590</b>	<b>\$ 3,640,491</b>

(CONCLUDED)

**TOWN OF CHARLESTOWN, RHODE ISLAND**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NON-MAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2014**

	Special Revenue Funds						
	Senior Community Activities	Police Grants- JAG	MEDS Grant - RI Dept of Health	Frisbee Golf Course	School Impact Fees	Friends of Ninigret	Hazard Mitigation
<b>REVENUES:</b>							
Intergovernmental		\$ 8,245	\$ 5,770				\$ 2,475
Investment income					\$ 202		
Other				\$ 267	17,124	\$ 125	
<b>TOTAL REVENUES</b>	<b>\$ 0</b>	<b>8,245</b>	<b>5,770</b>	<b>267</b>	<b>17,326</b>	<b>125</b>	<b>2,475</b>
<b>EXPENDITURES:</b>							
<b>Current:</b>							
General government							2,475
Public safety			2,012				
Public works							
Parks and recreation				100		666	
Community development							
<b>Debt service:</b>							
Interest and other costs							
<b>Capital:</b>							
Capital outlay		8,245					
<b>TOTAL EXPENDITURES</b>	<b>0</b>	<b>8,245</b>	<b>2,012</b>	<b>100</b>	<b>0</b>	<b>666</b>	<b>2,475</b>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)</b>	<b>0</b>	<b>0</b>	<b>3,758</b>	<b>167</b>	<b>17,326</b>	<b>(541)</b>	<b>0</b>
<b>OTHER FINANCING SOURCES (USES):</b>							
Proceeds from bond issuance							
Bond premium							
Transfers in				1,954		1,500	
Transfers out					(50,000)		
<b>NET OTHER FINANCING SOURCES (USES)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,954</b>	<b>(50,000)</b>	<b>1,500</b>	<b>0</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>0</b>	<b>0</b>	<b>3,758</b>	<b>2,121</b>	<b>(32,674)</b>	<b>959</b>	<b>0</b>
<b>FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR</b>	<b>424</b>	<b>0</b>	<b>0</b>	<b>838</b>	<b>241,069</b>	<b>179</b>	<b>(207)</b>
<b>FUND BALANCE (DEFICIT) AT END OF YEAR</b>	<b>\$ 424</b>	<b>\$ 0</b>	<b>\$ 3,758</b>	<b>\$ 2,959</b>	<b>\$ 208,395</b>	<b>\$ 1,138</b>	<b>\$ (207)</b>

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NON-MAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2014**

	Special Revenue Funds						
	Operation Blue Riptide	Mud Cove Recreation Development	Animal Spaying/ Neutering	Ninigret Park Fund	Bicentennial Fund	Affordable Housing Acquisitions	FEMA
<b>REVENUES:</b>							
Intergovernmental	\$ 28,151	\$ 34,580					\$ 30,030
Investment income				\$ 186	\$ 1		
Other			\$ 717	31,900			
<b>TOTAL REVENUES</b>	<b>28,151</b>	<b>34,580</b>	<b>717</b>	<b>32,086</b>	<b>1</b>	<b>\$ 0</b>	<b>30,030</b>
<b>EXPENDITURES:</b>							
<b>Current:</b>							
General government							
Public safety	11,201		2,360				
Public works							22,830
Parks and recreation							
Community development							
<b>Debt service:</b>							
Interest and other costs						14,599	
<b>Capital:</b>							
Capital outlay	16,950	34,580					7,200
<b>TOTAL EXPENDITURES</b>	<b>28,151</b>	<b>34,580</b>	<b>2,360</b>	<b>0</b>	<b>0</b>	<b>14,599</b>	<b>30,030</b>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)</b>	<b>0</b>	<b>0</b>	<b>(1,643)</b>	<b>32,086</b>	<b>1</b>	<b>(14,599)</b>	<b>0</b>
<b>OTHER FINANCING SOURCES (USES):</b>							
Proceeds from bond issuance						850,000	
Bond premium						17,772	
Transfers in							
Transfers out				(1,500)			
<b>NET OTHER FINANCING SOURCES (USES)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,500)</b>	<b>0</b>	<b>867,772</b>	<b>0</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>0</b>	<b>0</b>	<b>(1,643)</b>	<b>30,586</b>	<b>1</b>	<b>853,173</b>	<b>0</b>
<b>FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR</b>	<b>0</b>	<b>0</b>	<b>5,474</b>	<b>186,184</b>	<b>2,196</b>	<b>(114,280)</b>	<b>0</b>
<b>FUND BALANCE (DEFICIT) AT END OF YEAR</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 3,831</b>	<b>\$ 216,770</b>	<b>\$ 2,197</b>	<b>\$ 738,893</b>	<b>\$ 0</b>

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NON-MAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2014**

	Special Revenue Funds						Municipal Planning
	Developer Bond Deposits	Open Space Fees	Charlestown Community Garden	Naval Airfield Memorial	Police Forfeiture	RIIRMT Safety Enhancement	
<b>REVENUES:</b>							
Intergovernmental							
Investment income		\$ 37		\$ 1	\$ 7		
Other		300	\$ 7,079	400		\$ 1,448	
<b>TOTAL REVENUES</b>	\$0	337	7,079	401	7	1,448	\$ 0
<b>EXPENDITURES:</b>							
<b>Current:</b>							
General government							1,430
Public safety							
Public works						1,448	
Parks and recreation			5,861	400			
Community development							
<b>Debt service:</b>							
Interest and other costs							
<b>Capital:</b>							
Capital outlay							
<b>TOTAL EXPENDITURES</b>	0	0	5,861	400	0	1,448	1,430
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)</b>	0	337	1,218	1	7	0	(1,430)
<b>OTHER FINANCING SOURCES (USES):</b>							
Proceeds from bond issuance							
Bond premium							
Transfers in							10,000
Transfers out							
<b>NET OTHER FINANCING SOURCES (USES)</b>	0	0	0	0	0	0	10,000
<b>NET CHANGE IN FUND BALANCES</b>	0	337	1,218	1	7	0	8,570
<b>FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR</b>	0	37,152	5,019	603	6,518	0	70,856
<b>FUND BALANCE (DEFICIT) AT END OF YEAR</b>	\$0	\$ 37,489	\$ 6,237	\$ 604	\$ 6,525	\$ 0	\$ 79,426

(CONTINUED)

**TOWN OF CHARLESTOWN, RHODE ISLAND**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NON-MAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2014**

	Special Revenue Funds					Historical and Vital Records
	Affordable Housing Initiatives	Birthday Committee	Trail Improvement Grant - Mud Cove	Community Development Block Grant	Bulletproof Vest	
<b>REVENUES:</b>						
Intergovernmental			\$ 30,891	\$ 87,302	\$ 6,308	
Investment income						
Other						\$ 14,794
<b>TOTAL REVENUES</b>	\$ 0	\$ 0	30,891	87,302	6,308	14,794
<b>EXPENDITURES:</b>						
<b>Current:</b>						
General government						8,171
Public safety					6,308	
Public works						
Parks and recreation						
Community development				87,302		
<b>Debt service:</b>						
Interest and other costs	2,576					
<b>Capital:</b>						
Capital outlay			30,891			
<b>TOTAL EXPENDITURES</b>	2,576	0	30,891	87,302	6,308	8,171
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)</b>	(2,576)	0	0	0	0	6,623
<b>OTHER FINANCING SOURCES (USES):</b>						
Proceeds from bond issuance	150,000					
Bond premium	3,190					
Transfers in						
Transfers out						
<b>NET OTHER FINANCING SOURCES (USES)</b>	153,190	0	0	0	0	0
<b>NET CHANGE IN FUND BALANCES</b>	150,614	0	0	0	0	6,623
<b>FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR</b>	(107,692)	1,906	0	148	0	96,911
<b>FUND BALANCE (DEFICIT) AT END OF YEAR</b>	\$ 42,922	\$ 1,906	\$ 0	\$ 148	\$ 0	\$ 103,534

(CONTINUED)

**TOWN OF CHARLESTOWN, RHODE ISLAND**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NON-MAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2014**

	Special Revenue Funds					Capital Project Funds
	Ninigret Dog Park	RIHPHC Preservation is Local Grant	Taquonck's Treasures	Comprehensive Planning Grant	Special Donations	Klondike Road
<b>REVENUES:</b>						
Intergovernmental						
Investment income				\$ 15	\$ 5	
Other	\$ 845		\$ 1,090			
<b>TOTAL REVENUES</b>	<b>845</b>	<b>\$ 0</b>	<b>1,090</b>	<b>15</b>	<b>5</b>	<b>\$ 0</b>
<b>EXPENDITURES:</b>						
<b>Current:</b>						
General government						
Public safety						
Public works						
Parks and recreation	1,290		998			
Community development						
<b>Debt service:</b>						
Interest and other costs						
<b>Capital:</b>						
Capital outlay						555,748
<b>TOTAL EXPENDITURES</b>	<b>1,290</b>	<b>0</b>	<b>998</b>	<b>0</b>	<b>0</b>	<b>555,748</b>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)</b>	<b>(445)</b>	<b>0</b>	<b>92</b>	<b>15</b>	<b>5</b>	<b>(555,748)</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Proceeds from bond issuance						
Bond premium						
Transfers in				20,000		800,000
Transfers out						
<b>NET OTHER FINANCING SOURCES (USES)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>20,000</b>	<b>0</b>	<b>800,000</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(445)</b>	<b>0</b>	<b>92</b>	<b>20,015</b>	<b>5</b>	<b>244,252</b>
<b>FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR</b>	<b>668</b>	<b>0</b>	<b>0</b>	<b>10,207</b>	<b>5,222</b>	<b>455,287</b>
<b>FUND BALANCE (DEFICIT) AT END OF YEAR</b>	<b>\$ 223</b>	<b>\$ 0</b>	<b>\$ 92</b>	<b>\$ 30,222</b>	<b>\$ 5,227</b>	<b>\$ 699,539</b>

(CONTINUED)

TOWN OF CHARLESTOWN, RHODE ISLAND

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NON-MAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2014**

	Capital Project Funds					
	Asphalt Resurfacing	Stormwater Elimination Project	File Server	Town Capital Maintenance Fund	Columbia Heights Streetscapes Enhancement	DPW Road Engineering
<b>REVENUES:</b>						
Intergovernmental						
Investment income						
Other						
<b>TOTAL REVENUES</b>	\$ 0	\$ 0	\$ 0	\$ 0	\$0	\$ 0
<b>EXPENDITURES:</b>						
<b>Current:</b>						
General government						
Public safety						
Public works						
Parks and recreation						
Community development						
<b>Debt service:</b>						
Interest and other costs						
<b>Capital:</b>						
Capital outlay		15,542	16,496	117,985		8,385
<b>TOTAL EXPENDITURES</b>	0	15,542	16,496	117,985	0	8,385
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)</b>	0	(15,542)	(16,496)	(117,985)	0	(8,385)
<b>OTHER FINANCING SOURCES (USES):</b>						
Proceeds from bond issuance						
Bond premium						
Transfers in	46,693			25,000		
Transfers out						
<b>NET OTHER FINANCING SOURCES (USES)</b>	46,693	0	0	25,000	0	0
<b>NET CHANGE IN FUND BALANCES</b>	46,693	(15,542)	(16,496)	(92,985)	0	(8,385)
<b>FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR</b>	0	48,700	16,496	115,735	0	46,833
<b>FUND BALANCE (DEFICIT) AT END OF YEAR</b>	\$ 46,693	\$ 33,158	\$ 0	\$ 22,750	\$0	\$ 38,448

(CONTINUED)

**TOWN OF CHARLESTOWN, RHODE ISLAND**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NON-MAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2014**

	Capital Project Funds			Permanent Funds		Total Non-Major Governmental Funds
	Beach Pavilions	Web Based GIS	Pond and Beach Preservation	Zenis Ellis Trust	Cemetery Fund	
<b>REVENUES:</b>						
Intergovernmental						\$ 233,752
Investment income					\$ 8	462
Other						76,089
<b>TOTAL REVENUES</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>8</b>	<b>310,303</b>
<b>EXPENDITURES:</b>						
<b>Current:</b>						
General government						12,076
Public safety						21,881
Public works						24,278
Parks and recreation						9,315
Community development						87,302
<b>Debt service:</b>						
Interest and other costs	20,163					37,338
<b>Capital:</b>						
Capital outlay			75,000			887,022
<b>TOTAL EXPENDITURES</b>	<b>20,163</b>	<b>0</b>	<b>75,000</b>	<b>0</b>	<b>0</b>	<b>1,079,212</b>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)</b>	<b>(20,163)</b>	<b>0</b>	<b>(75,000)</b>	<b>0</b>	<b>8</b>	<b>(768,909)</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Proceeds from bond issuance	1,190,000					2,190,000
Bond premium	24,607					45,569
Transfers in			175,000			1,080,147
Transfers out						(51,500)
<b>NET OTHER FINANCING SOURCES (USES)</b>	<b>1,214,607</b>	<b>0</b>	<b>175,000</b>	<b>0</b>	<b>0</b>	<b>3,264,216</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>1,194,444</b>	<b>0</b>	<b>100,000</b>	<b>0</b>	<b>8</b>	<b>2,495,307</b>
<b>FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR</b>	<b>(1,190,000)</b>	<b>8,000</b>	<b>175,000</b>	<b>950</b>	<b>582</b>	<b>126,978</b>
<b>FUND BALANCE (DEFICIT) AT END OF YEAR</b>	<b>\$ 4,444</b>	<b>\$ 8,000</b>	<b>\$ 275,000</b>	<b>\$ 950</b>	<b>\$ 590</b>	<b>\$ 2,622,285</b>

(CONCLUDED)

# TOWN OF CHARLESTOWN

## REPORT IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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**Cayer Caccia**

**Gerard R. Cayer**  
CPA, MST

**Mark V. Caccia**  
CPA, MST

**Donna T. Caccia**  
CPA, MST, CFP™

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

To the Honorable Town Council  
Charlestown, Rhode Island

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Charlestown, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of Charlestown's basic financial statements, and have issued our report thereon dated December 22, 2014.

**Internal Control Over Financial Reporting**

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

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

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

## Compliance and Other Matters

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

## Purpose of this Report

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

December 22, 2014

*Cayer Caccia, LLP*