

TOWN OF CHARLESTOWN

AUDIT REPORT

YEAR ENDED JUNE 30, 2011

TOWN OF CHARLESTOWN

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Independent Auditors' Report

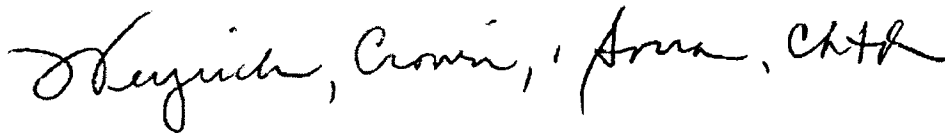
To the Town Commissioners
Town of Charlestown

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Town of Charlestown as of and for the year ended June 30, 2011, which collectively comprise the Town of Charlestown's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Town of Charlestown's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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 and each major fund of the Town of Charlestown as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 2 through 7 and 30 through 32 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, 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.



October 7, 2011



TOWN OF CHARLESTOWN

Management's Discussion and Analysis June 30, 2011

As management of the Town of Charlestown, Maryland ("the Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2011. The Management's Discussion and Analysis (MD&A) is best understood if read in conjunction with the Town's basic financial statements.

Financial Highlights

The assets of the Town exceeded its liabilities at the close of the 2011 fiscal year by \$5,136,619 (net assets). Approximately 67% of this amount is attributable to the Utility Fund. Of the total net assets, \$1,191,466 (unrestricted net assets) may be used to meet the Town's ongoing obligations to citizens and creditors (63% of this amount is attributable to the Utility Fund), and \$3,933,653 is invested in capital assets, net of related debt. As of June 30, 2011, the Town's governmental funds reported combined ending fund balances of \$453,279. Of this total amount, \$441,779 or 97% is available to meet the Town's current and future needs and is classified as unrestricted fund balance. As of June 30, 2011, the unrestricted fund balance for the General Fund (primary operating fund) was \$512,684 or 71% of total General Fund expenditures. The Town's total long-term debt decreased by (\$30,109) during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private sector business. The Statement of Net Assets presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The Statement of Activities presents information showing how the Town's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government, public safety, public works, and parks and recreation. The business-type activities of the Town include Water and Sewer operations.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

TOWN OF CHARLESTOWN

Management's Discussion and Analysis
June 30, 2011

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By so doing, readers may better understand the long-term impact of the government's near-term financing decisions. Both the Governmental Fund Balance Sheet and Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between *governmental funds and governmental activities*. The Town maintains two individual governmental funds, the General and the Special Revenue Funds.

Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statements of Revenues, Expenditures and Changes in Fund Balances for both of the governmental funds. The Town adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 10-13. The budgetary comparison can be found as other required supplementary information on pages 30-32.

Proprietary funds. The Town maintains one proprietary-type fund: an enterprise fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses an enterprise fund to account for its utilities (water and sewer) activities. The basic proprietary fund financial statements can be found on pages 14-17 of this report.

Summary of significant accounting policies and notes to the financial statements. The summary and notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The summary and notes are part of the basic financial statements and can be found on pages 18 - 29 of this report.

Other information. In addition to the basic financial statements and accompanying summary and notes, this report also presents the budgetary comparison for the general fund as *required supplementary information* on pages 30-32.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's overall financial condition and position. In the case of the Town, assets exceeded liabilities by \$5,136,619 at the close of the current fiscal year. The Town of Charlestown's net assets are divided into three categories - invested in capital assets, net of related debt, restricted and unrestricted net assets. The largest portion of the Town's net assets (77%) reflects its investment in capital assets (e.g., land, improvements, buildings, machinery, equipment, vehicles, and sewer system), less accumulated depreciation and any unmatured debt used to acquire those assets. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Restricted net assets are resources that are subject to external restrictions on how they may be used.

TOWN OF CHARLESTOWN

Management's Discussion and Analysis
June 30, 2011

For the fiscal year ended June 30, 2011, the Town reported positive balances in all categories of net assets, for the Town as a whole.

	Net Assets						Total Percentage Change 2011-2010
	Governmental Activities		Business-type Activities		Totals - Primary Government		
	2011	2010	2011	2010	2011	2010	
Assets							
Current and other assets	\$ 475,254	\$ 545,315	\$ 820,139	\$ 821,964	\$ 1,295,393	\$ 1,367,279	-5.26%
Capital assets	1,639,146	1,691,220	3,464,592	3,566,770	5,103,738	5,257,990	-2.93%
Total assets	<u>2,114,400</u>	<u>2,236,535</u>	<u>4,284,731</u>	<u>4,388,734</u>	<u>6,399,131</u>	<u>6,625,269</u>	<u>-3.41%</u>
Liabilities							
Long-term liabilities outstanding	134,780	136,783	744,830	773,021	879,610	909,804	-3.32%
Other liabilities	284,258	300,245	98,644	71,320	382,902	371,565	3.05%
Total liabilities	<u>419,038</u>	<u>437,028</u>	<u>843,474</u>	<u>844,341</u>	<u>1,262,512</u>	<u>1,281,369</u>	<u>-1.47%</u>
Net Assets							
Invested in capital assets, net of related debt	1,242,083	1,279,569	2,691,570	2,766,556	3,933,653	4,046,125	-2.78%
Restricted	11,500	11,500			11,500	11,500	0.00%
Unrestricted	441,779	508,438	749,687	777,837	1,191,466	1,286,275	-7.37%
Total net assets	<u>\$ 1,695,362</u>	<u>\$ 1,799,507</u>	<u>\$ 3,441,257</u>	<u>\$ 3,544,393</u>	<u>\$ 5,136,619</u>	<u>\$ 5,343,900</u>	<u>-3.88%</u>

TOWN OF CHARLESTOWN

Management's Discussion and Analysis
June 30, 2011

The following table indicates the changes in net assets for governmental and business-type activities:

	Changes in Net Assets						Total Percentage Change 2011-2010
	Governmental Activities		Business-type Activities		Totals - Primary Government		
	2011	2010	2011	2010	2011	2010	
Revenues							
Program revenues:							
Charges for services	\$ 26,525	\$ 31,806	\$ 349,186	\$ 417,002	\$ 375,711	\$ 448,808	-16.29%
Operating Grants and Contributions	47,337	41,108			47,337	41,108	15.15%
Capital Grants and Contributions	86,981	12,455			86,981	12,455	598.36%
General revenues:							
Property and other taxes	441,601	401,127			441,601	401,127	10.09%
Rent income	59,472	57,165	47,322	47,322	106,794	104,487	2.21%
Miscellaneous	9,587	15,264		583,997	9,587	15,264	-37.19%
Capital Asset Donation						583,997	-100.00%
Unrestricted investment earnings	2,501	5,220	1,831	3,181	4,332	8,401	-48.43%
Total revenues	674,004	564,145	398,339	1,051,502	1,072,343	1,615,647	-33.63%
Expenses							
General government	416,806	474,564			416,806	474,564	-12.17%
Parks and recreation	95,925	110,151			95,925	110,151	-12.91%
Public safety	76,299	77,422			76,299	77,422	-1.45%
Public works	189,119	115,477			189,119	115,477	63.77%
Water and sewer			501,475	671,987	501,475	671,987	-25.37%
Total expenses	778,149	777,614	501,475	671,987	1,279,624	1,449,601	-11.73%
Decrease in net assets	(104,145)	(213,469)	(103,136)	379,515	(207,281)	166,046	-224.83%
Net assets, beginning	1,799,507	2,012,976	3,544,393	3,164,878	5,343,900	5,177,854	3.21%
Net assets, ending	\$ 1,695,362	\$ 1,799,507	\$ 3,441,257	\$ 3,544,393	\$ 5,136,619	\$ 5,343,900	-3.88%

Governmental activities: General revenues for the governmental activities were \$513,161, while total expenses, net of charges for services were \$617,306. The loss in net assets for governmental activities was (\$104,145).

TOWN OF CHARLESTOWN

Management's Discussion and Analysis
June 30, 2011

Financial Analysis of the Town's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental funds. The focus of the Town's *governmental funds* is to provide information on current inflows, outflows, and balances of available, *spendable* resources. Such information is useful in assessing the Town's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year-end. At June 30, 2011, the Town's governmental funds reported a combined ending fund balance of \$453,279, a decrease of \$66,656 in comparison with the prior year. Approximately 97% of this total amount (\$441,779) constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of fund balance (\$11,500) is *nonspendable* to indicate that it is not available for new spending because it has already been committed and dedicated for a restricted purpose. The nonspendable fund balance, at 3% of total fund balance, does not significantly affect the availability of fund resources for future use.

The General Fund is the chief operating fund of the Town of Charlestown. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$512,684. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 71% of total General Fund expenditures. The fund balance of the Town of Charlestown's General Fund increased by \$38,440 during the current fiscal year. The Special Revenue Fund has a total fund deficit of \$59,405, which is entirely restricted for fund purposes.

Proprietary funds. The Town's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. Total net assets of the Utility Fund totaled \$3,441,257. Other factors concerning these fund finances have been addressed in the discussion of the Town's business-type activities.

General Fund Budgetary Highlights

A budget and actual comparison schedule is provided as other required supplemental information. The budget and actual comparison schedules show the original adopted budgets, the final revised budget, actual results, and variance between the final budget and actual results for the general fund.

TOWN OF CHARLESTOWN

Management's Discussion and Analysis
June 30, 2011

Capital Assets and Debt Administration

Capital assets. The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2011, was \$5,103,738 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery, equipment, furniture, fixtures, vehicles, and water and sewer system.

The following table of the Town's capital assets is listed below. Additional information can be found in Note 4 on page 25 and 26 of this report.

Capital Assets
(net of deprecation)

	Governmental Activities	Business-Type Activities	Total
Land	\$ 420,702	\$ - 0 -	\$ 420,702
Historic Building and Artifacts	220,000		220,000
Building and improvements	913,472	- 0 -	913,472
Machinery and equipment	84,972		84,972
Water and sewer systems	- 0 -	3,464,592	3,464,592
Total net assets, net of depreciation	\$ 1,639,146	\$ 3,464,592	\$ 5,103,738

Debt administration. At June 30, 2011, the Town had a note payable relating to Maryland Department of Housing and Community Development, Infrastructure Financing Bonds totaling \$699,700. There was also a note payable to Maryland Department of Natural Resources for \$73,322. A note payable for the December 2008 purchase of the Historic Cecil Hotel in the amount of \$125,836. An interest-free project financing loan payable to the Maryland Department of Natural Resources for the financing of the Stone Warf Project in the amount of \$14,034 which represents the amount spent and disbursed to the Town.

Outstanding Debt

	Governmental Activities	Business-Type Activities	Total
Total bonds and notes payable	\$ 139,870	\$ 773,022	\$ 912,892

Requests for Information

This financial report is designed to provide a general overview of the Town of Charlestown's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to Wilb Pumpaly, Town Administrator, Town of Charlestown, 241 Market Street, P.O. Box 154, Charlestown, MD, 21914, or send an e-mail to townadmin21914@comcast.net.

TOWN OF CHARLESTOWN

Statement of Net Assets
June 30, 2011

	Governmental Activities	Business-Type Activities	Totals
CURRENT ASSETS			
Cash and cash equivalents	\$ 569,560	\$ 522,484	\$ 1,092,044
Service charges receivable	- 0 -	76,173	76,173
Accounts receivable	22,026	- 0 -	22,026
Prepaid expenses	- 0 -	58,346	58,346
Due from other Governments	28,685	- 0 -	28,685
Internal balances	(145,017)	145,017	- 0 -
Other assets	- 0 -	18,119	18,119
	<hr/>	<hr/>	<hr/>
Total Current Assets	475,254	820,139	1,295,393
CAPITAL ASSETS			
Land, building and equipment	3,446,872	5,492,872	8,939,744
Less: accumulated depreciation	(1,807,726)	(2,028,280)	(3,836,006)
	<hr/>	<hr/>	<hr/>
Total Capital Assets	1,639,146	3,464,592	5,103,738
TOTAL ASSETS	<hr/>	<hr/>	<hr/>
	2,114,400	4,284,731	6,399,131
CURRENT LIABILITIES			
Accounts payable and accrued expenses	21,975	38,119	60,094
Unearned revenue	257,193	32,333	289,526
Current portion - bond payable	- 0 -	28,192	28,192
Current portion - note payable	5,090	- 0 -	5,090
	<hr/>	<hr/>	<hr/>
Total Current Liabilities	284,258	98,644	382,902
NONCURRENT LIABILITIES			
Bonds payable, net of current portion	- 0 -	744,830	744,830
Note payable, net of current portion	134,780	- 0 -	134,780
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES	419,038	843,474	1,262,512
NET ASSETS			
Invested in capital assets, net of related debt	1,242,083	2,691,570	3,933,653
Restricted	11,500	- 0 -	11,500
Unrestricted	441,779	749,687	1,191,466
	<hr/>	<hr/>	<hr/>
TOTAL NET ASSETS	\$ 1,695,362	\$ 3,441,257	\$ 5,136,619

See accompanying notes to financial statements

TOWN OF CHARLESTOWN

Statement of Activities
For the Year Ended June 30, 2011

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges For Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES						
General government	\$ 416,806	\$ 36,075	\$ 20,552	\$ (333,654)	\$ - 0 -	\$ (333,654)
Public safety	76,299	- 0 -	- 0 -	(76,299)	- 0 -	(76,299)
Public works	189,119	11,262	39,639	(138,218)	- 0 -	(138,218)
Parks and recreation	95,925	- 0 -	26,790	(69,135)	- 0 -	(69,135)
Total Governmental Activities	778,149	47,337	86,981	(617,306)	- 0 -	(617,306)
BUSINESS-TYPE ACTIVITIES						
Water and sewer system	501,475	- 0 -	- 0 -	- 0 -	(152,289)	(152,289)
Total Business-Type Activities	501,475	- 0 -	- 0 -	- 0 -	(152,289)	(152,289)
TOTAL PRIMARY GOVERNMENT	\$ 1,279,624	\$ 47,337	\$ 86,981	(617,306)	(152,289)	(769,595)
GENERAL REVENUES						
Taxes:						
Property				361,719	- 0 -	361,719
Income and other				79,882	- 0 -	79,882
Rental income				59,472	47,322	106,794
Miscellaneous				9,587	- 0 -	9,587
Investment income				2,501	1,831	4,332
TOTAL GENERAL REVENUES				513,161	49,153	562,314
CHANGE IN NET ASSETS				(104,145)	(103,136)	(207,281)
NET ASSETS - BEGINNING				1,799,507	3,544,393	5,343,900
NET ASSETS - ENDING				\$ 1,695,362	\$ 3,441,257	\$ 5,136,619

See accompanying notes to financial statements

TOWN OF CHARLESTOWN

Balance Sheet
Governmental Funds
June 30, 2011

	General Fund	Special Fund	Total Governmental Funds
<u>ASSETS</u>			
Cash and cash equivalents	\$ 387,419	\$ 182,141	\$ 569,560
Interfund receivables	288,714	- 0 -	288,714
Accounts receivable	9,153	1,798	10,951
Property taxes receivable	11,075	- 0 -	11,075
Due from other governments	28,685	- 0 -	28,685
Due from other funds	- 0 -	50,993	50,993
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 725,046</u>	<u>\$ 234,932</u>	<u>\$ 959,978</u>
<u>LIABILITIES AND FUND BALANCES</u>			
LIABILITIES:			
Accounts payable and accrued expenses	\$ 16,352	\$ 5,623	\$ 21,975
Interfund payable	- 0 -	288,714	288,714
Due to other funds	196,010	- 0 -	196,010
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>212,362</u>	<u>294,337</u>	<u>506,699</u>
FUND BALANCES:			
Nonspendable	- 0 -	11,500	11,500
Unassigned	512,684	(70,905)	441,779
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>512,684</u>	<u>(59,405)</u>	<u>453,279</u>
	<u>\$ 725,046</u>	<u>\$ 234,932</u>	<u>\$ 959,978</u>

See accompanying notes to financial statements

TOWN OF CHARLESTOWN

Reconciliation of Governmental Funds to the Statement of Net Assets
June 30, 2011

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS		\$	453,279
Amounts reported for Governmental Activities in the Statement of Net Assets are different because:			
Capital assets used in Governmental Activities are not financial resources and, therefore, are not reported in the governmental funds.			
Governmental capital assets	\$	3,446,872	
Less accumulated depreciation		<u>(1,807,726)</u>	1,639,146
Liabilities associated with the acquisition of capital assets are not reported in the governmental funds.			
			(139,870)
Revenues that are deferred in the governmental activities because they have not been earned. This is the amount of lease payments which were used to construct capital assets under lease.			
			<u>(257,193)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES		\$	<u>1,695,362</u>

See accompanying notes to financial statements

TOWN OF CHARLESTOWN

Statement of Revenue, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2011

	General Fund	Special Fund	Totals
REVENUES			
Property taxes	\$ 361,719	\$ - 0 -	\$ 361,719
Income taxes	79,073	- 0 -	79,073
Other local taxes	809	- 0 -	809
Licenses and permits	26,525	- 0 -	26,525
Intergovernmental	83,417	11,262	94,679
Grants	- 0 -	39,639	39,639
Miscellaneous	28,653	30,239	58,892
Total Revenues	580,196	81,140	661,336
EXPENDITURES			
Current operating			
General government	561,897	- 0 -	561,897
Public safety	67,330	- 0 -	67,330
Parks and recreation	29,860	- 0 -	29,860
Capital outlay	61,101	21,318	82,419
Special revenue fund	- 0 -	164,918	164,918
Total Expenditures	720,188	186,236	906,424
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(139,992)	(105,096)	(245,088)
OTHER FINANCING SOURCES AND USES			
Reimbursements from other funds	175,510	- 0 -	175,510
Loan proceeds	2,922	- 0 -	2,922
TOTAL OTHER FINANCING SOURCES AND USES	178,432	- 0 -	178,432
NET CHANGE IN FUND BALANCES	38,440	(105,096)	(66,656)
FUND BALANCES - BEGINNING	474,244	45,691	519,935
FUND BALANCES - ENDING	\$ 512,684	\$ (59,405)	\$ 453,279

See accompanying notes to financial statements

TOWN OF CHARLESTOWN

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2011

NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUNDS	\$ (66,656)
Amounts reported for Governmental Activities In the Statement of Activities are different because:	
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 depreciation of \$134,493 exceeded capital outlays of \$82,419 in the current period.	(52,074)
Proceeds from notes payable of \$2,922, net of principal payments of \$5,840, were utilized to acquire capital assets.	2,918
Revenues previously deferred in the governmental activities, which were earned during the current period.	<u>11,667</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ (104,145)</u>

See accompanying notes to financial statements

TOWN OF CHARLESTOWN

Statement of Net Assets Major Proprietary Funds For the Year Ended June 30, 2011

	Utility Fund
CURRENT ASSETS	
Cash and cash equivalents	\$ 522,484
Service charges receivable	76,173
Prepaid Expenses	58,346
Due from other funds	145,017
Other assets	<u>18,119</u>
Total Current Assets	<u>820,139</u>
CAPITAL ASSETS	
Land, building and equipment	5,492,872
Less: accumulated depreciation	<u>(2,028,280)</u>
Total Capital Assets	<u>3,464,592</u>
TOTAL ASSETS	<u>4,284,731</u>
CURRENT LIABILITIES	
Accounts payable	38,119
Deferred revenue	32,333
Current portion, bonds payable	<u>28,192</u>
Total Current Liabilities	<u>98,644</u>
NONCURRENT LIABILITIES	
Bonds payable, net of current portion	<u>744,830</u>
Total Noncurrent Liabilities	<u>744,830</u>
TOTAL LIABILITIES	<u>843,474</u>
NET ASSETS	
Invested in capital assets, net of related debt	2,691,570
Unrestricted	<u>749,687</u>
TOTAL NET ASSETS	<u>\$ 3,441,257</u>

See accompanying notes to financial statements

TOWN OF CHARLESTOWN

Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds
For the Year Ended June 30, 2011

	<u>Utility Funds</u>
OPERATING REVENUES	
Service fees	\$ 275,584
Connection fees and misc. charges	72,762
Miscellaneous	<u>840</u>
Total Operating Revenue	<u>349,186</u>
OPERATING EXPENSES	
Salaries	129,130
Maintenance	54,654
User fees - county	106,142
Contracted service	39,137
Utilities	15,570
General and administrative	2,493
Miscellaneous	600
Depreciation and amortization	<u>116,629</u>
Total Operating Expenses	<u>464,355</u>
OPERATING LOSS	<u>(115,169)</u>
NONOPERATING REVENUES (EXPENSES)	
Rental income	47,322
Interest expense	(37,120)
Investment income	<u>1,831</u>
Total Nonoperating Revenue (Expense)	<u>12,033</u>
CHANGE IN NET ASSETS	(103,136)
TOTAL NET ASSETS - BEGINNING	<u>3,544,393</u>
TOTAL NET ASSETS - ENDING	<u>\$ 3,441,257</u>

See accompanying notes to financial statements

TOWN OF CHARLESTOWN

Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2011

	<u>Utility Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 340,941
Cash payments to suppliers for goods and services	(282,951)
Cash payments to general fund for salaries	<u>(129,130)</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>(71,140)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	<u>- 0 -</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Repayments of bonds	(27,191)
Rental income received	47,322
Cash received for capital projects	32,333
Interest payments and administrative fees paid on bond	<u>(36,090)</u>
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>16,374</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Capital expenditures	(14,452)
Receipt of interest	<u>1,831</u>
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>(12,621)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(67,387)
CASH AND CASH EQUIVALENTS - BEGINNING	<u>589,871</u>
CASH AND CASH EQUIVALENTS - END	<u>\$ 522,484</u>

See accompanying notes to financial statements

TOWN OF CHARLESTOWN

Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2011

	<u>Utility Funds</u>
Reconciliation of operating loss to net cash flows from operating activities	
Operating loss	\$ (115,169)
Add depreciation and amortization expense	116,629
Increase in current assets	
Accounts receivable	(8,245)
Prepaid expenses	(58,346)
Decrease in current liabilities	
Accounts payable	<u>(6,009)</u>
Net cash used in operating activities	<u>\$ (71,140)</u>

See accompanying notes to financial statements