

TOWN OF JOHNSTON, RHODE ISLAND

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED
JUNE 30, 2010**

TOWN OF JOHNSTON, RHODE ISLAND

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 - LIST OF TOWN OFFICIALS
-

TOWN OF JOHNSTON, RHODE ISLAND

**FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010**

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(CONCLUDED)

TOWN OF JOHNSTON, RHODE ISLAND

**TOWN OFFICIALS
JUNE 30, 2010**

MAYOR

Joseph M. Polisena

TOWN COUNCIL

Robert V. Russo, Esq., President

Stephanie P. Manzi, Vice President

Ernest F. Pitochelli

Joseph A. Wells

Melanie Turner

SCHOOL COMMITTEE

Janice D. Mele, Chairperson

John D. Conti, Vice Chairperson

Robert A. Lafazia

Lorraine C. Iafrate

Joseph W. Rotella

DEPARTMENT DIRECTORS

Richard S. Tamburini – Police Chief
Robert Parker – Chief of Staff
Joseph L. Chiodo, CPA – Finance Director
Patricia N. Testa, CPA – Controller
William Conley, Esq. – Town Solicitor
Daniel Mazzulla – Director of Parks & Recreation

Andrew Baynes – Fire Chief
Vincent Baccari, Jr. – Town Clerk
Sharyn Difazio – Tax Collector
Kim Gallonio – Tax Assessor
Margaret A. Iacovelli – Superintendent of Schools
Melissa Devine – School Business Manager

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TOWN OF JOHNSTON, RHODE ISLAND

FINANCIAL SECTION

- INDEPENDENT AUDITORS' REPORT
 - MANAGEMENT'S DISCUSSION AND ANALYSIS
 - BASIC FINANCIAL STATEMENTS
 - SUPPLEMENTARY INFORMATION
-

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the Town Council
Town of Johnston, Rhode Island

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Johnston, Rhode Island as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Johnston, Rhode Island's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Johnston, Rhode Island as of June 30, 2010, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 30, 2010 on our consideration of the Town of Johnston, 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 and should be considered in assessing the results of our audit.

Boston

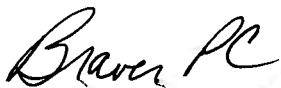
Newton

Taunton

Concord

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Funding Progress for Pension Plans, budgetary comparison information, and Schedule of Funding Progress for OPEB Plans, on pages 3 through 11, page 63, pages 64 through 75, and page 76, respectively, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Johnston, Rhode Island's financial statements as a whole. The combining and individual nonmajor fund financial statements and other exhibits are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, other exhibits, and the schedule of expenditures of federal awards 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. The 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.



Providence, Rhode Island
December 30, 2010

Management's Discussion and Analysis

As management of the Town of Johnston, we offer readers of the Town of Johnston's financial statements this narrative overview and analysis of the financial activities of the Town of Johnston for the fiscal year ended June 30, 2010.

Financial Highlights

- The assets of the Town of Johnston exceeded its liabilities as of June 30, 2010 by \$12,207,060 (net assets). This represents a decrease in total net assets of \$12,671,292 from June 30, 2009.
- As of June 30, 2010, the Town of Johnston's governmental activities reported total net assets (deficit) of (\$281,336). The net assets are comprised of \$28,095,392 invested in capital assets net of related debt and an unrestricted net asset deficit of (\$28,376,728) versus an unrestricted net asset deficit of (\$15,041,593) at June 30, 2009. Also included in this deficit is the negative change in net assets, (\$12,735,794), for the fiscal year ended June 30, 2010 for governmental activities as shown in Exhibit A-2.
- As of June 30, 2010, the total fund balance of the Town's General Fund was \$4,871,664 versus \$4,535,414 last year. This June 30, 2010 fund balance includes reserved fund balance of \$1,811,240 and unreserved, undesignated fund balance of \$3,060,424. The difference is an increase in the fund balance of \$336,250 for the fiscal year ended June 30, 2010. Additionally, the Town was able to absorb State Aid Revenue cuts in motor vehicle phase out revenue in the amount of \$723,282 on the Municipal side and \$666,241 in school state aid on the school side, which occurred in April 2010.
- As of June 30, 2010, the total fund balance of the School Unrestricted Fund was \$987,238. As part of the Town's Financial Recovery Plan, the Town's general fund was able to eliminate the school's unrestricted fund deficit as of June 30, 2008 – one fiscal year ahead of schedule in fiscal 2009. The School Unrestricted fund balance at June 30, 2009 was \$476,468. The net change in fund balance in the School Unrestricted fund balance for 2010 was \$510,770.
- The Town's Bond Ratings were elevated in August 2009 by the bond rating agencies of Moody's and Standard & Poor's. This bond rating increase from Moody's was the first upgrade from Moody's since 2001. In August 2009, the Town also received a bond rating increase from Standard & Poor's as the Town's bond rating was elevated from BBB+ to A-. This bond rating increase from Standard & Poor's was the first upgrade received from this rating agency since 2002. The bond ratings were reaffirmed at the same levels by Moody's and Standard & Poor's in June 2010.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Johnston's basic financial statements. These 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 supplementary information in addition to the basic financial statements themselves. The Town of Johnston adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements Management's Discussion and Analysis - for State and Local Governments*, Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments: Omnibus and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, as of July 1, 2002.

Government-wide Financial Statements - The *government-wide financial statements* are designed to provide readers with a broad overview of the Town of Johnston's finances, in a manner similar to a private-sector business.

Overview of the Financial Statements (Continued)

The Statement of Net Assets presents information on all of the Town of Johnston'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 of Johnston is improving or deteriorating.

The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying events giving rise to the change occur, 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 and earned but unused vacation and sick leave).

Both of these government-wide financial statements distinguish functions of the Town of Johnston 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 of Johnston include Legislative, judicial, and administrative; financial administration; assessors office; public safety; public works; human resources; miscellaneous; planning and assessment board; library; education; other; and interest on long-term debt. The business-type activities of the Town of Johnston include water and cafeteria operations. The government-wide financial statements include only the activities of the Town of Johnston. The government-wide financial statements can be found on pages 12 and 13 of this report.

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 of Johnston, 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 of Johnston can be divided into three categories: governmental funds, proprietary funds, and fiduciary 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 expendable resources, as well as on balances of expendable 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 doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the 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 of Johnston maintains 66 individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund and School Unrestricted Funds. Data from the remaining 64 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements later in this report. The basic governmental fund financial statements can be found on pages 14 through 17 of this report. Details of the combined governmental funds can be found on pages 77 through 88.

Proprietary funds - are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Johnston has three Proprietary Funds, which it has classified as major Enterprise Funds to account for its Water, Memorial Plat Sewer Project, and School Cafeteria (food service) operations. The basic proprietary fund financial statements can be found on pages 18 through 21.

Overview of the Financial Statements (Continued)

Fiduciary funds - are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town of Johnston's programs. The fiduciary funds maintained by the Town of Johnston include private-purpose trusts, pension trust funds, and agency funds. The basic fiduciary fund financial statements can be found on pages 22 and 23 of this report and are detailed on pages 89 through 93.

Notes to the financial statements - provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on pages 24 through 62 of this report.

Required Supplementary Information - in addition to the basic financial statements and accompanying notes, the financial statements include required supplementary information which presents a Schedule of Funding Progress, budgetary comparison schedules for the General Fund and School Unrestricted Funds to demonstrate compliance, and Schedule of Funding Progress for OPEB Plan. The required supplementary information can be found on pages 63 through 76.

Other Supplementary Information - includes combining statements referred to earlier in connection with nonmajor governmental funds and fiduciary funds. These combining statements are located on pages 77 through 93. In addition, supplementary information also includes schedules of property taxes receivable which are included on pages 94 and 95.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town of Johnston, assets exceeded liabilities by \$12,207,060 at the close of 2010.

TOWN OF JOHNSTON, RHODE ISLAND

NET ASSETS

As of June 30, (in 000's)

	Governmental Activities		Business Activities		Total	Total
	2010	2009	2010	2009	2010	2009
Current and Other Assets	\$ 19,509	\$ 20,640	\$ 3,520	\$ 3,139	\$ 23,029	\$ 23,779
Capital Assets	54,904	50,387	9,236	9,388	64,140	59,775
Total Assets	74,413	71,027	12,756	12,527	87,169	83,554
Current Liabilities	9,222	12,529	197	103	9,419	12,632
Long-Term Liabilities	65,473	46,043	70	0	65,543	46,043
Total Liabilities	74,695	58,572	267	103	74,962	58,675
Net Assets:						
Invested in capital assets, net of related debt	28,095	27,496	9,236	9,356	37,331	36,852
Unrestricted	(28,377)	(15,042)	3,253	3,068	(25,124)	(11,974)
Total Net Assets	\$ (282)	\$ 12,454	\$ 12,489	\$ 12,424	\$ 12,207	\$ 24,878

Government-wide Financial Analysis (Continued)

The general capital assets (e.g., land, buildings, building improvements, vehicles, equipment and infrastructure) of the Governmental Activities of the Town of Johnston less outstanding debt equal \$28,095,392. It should be noted that the investment in capital assets is reported net of related debt. Resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Additional portions of the Town of Johnston's net assets are also subject to external restrictions on how they may be used.

The Town's net assets decreased by (\$12,671,292) during the current fiscal year. Of this amount, governmental activities accounted for (\$12,735,794) of the decrease while business-type activities accounted for an increase of \$64,502. The most significant reason for the decrease in the governmental activities was the increase in OPEB liability for fiscal year ended June 30, 2010 of \$14,432,353 in accordance with GASB Statement Number 45 which was implemented by the Town effective July 1, 2008 (fiscal 2009). Details of the OPEB obligation can be found in Note 12 on pages 55 through 57. The OPEB Liability increased from \$13,805,404 at June 30, 2009 to \$28,237,757 at June 30, 2010.

Governmental activities - The Town adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements- Management Discussion and Analysis – for State and Local Governments* as of July 1, 2002. Fiscal year 2010 represents the eighth year reporting under GASB 34 and all comparative data is presented in this statement.

TOWN OF JOHNSTON, RHODE ISLAND
CHANGES IN NET ASSETS
For the Fiscal Year ending June 30 (in 000)

	Governmental Activities 2010	Governmental Activities 2009	Business- type Activities 2010	Business- type Activities 2009	Total 2010	Total 2009
Revenues:						
Program Revenues:						
Charges for Services, Fees & Licenses	\$ 5,468	\$ 7,256	\$ 1,411	\$ 1,630	\$ 6,879	\$ 8,886
Operating Grants and Contributions	14,818	13,875	488	463	15,306	14,338
Capital Grants and Contributions	1,123	2,566			1,123	2,566
General Revenues:						
Property taxes	66,052	63,475			66,052	63,475
Other taxes	8,374	9,502			8,374	9,502
Grants and aid not restricted	948	1,836			948	1,836
Unrestricted investment earnings	121	237			121	237
Miscellaneous	880	831			880	831
Transfers	32	100	(32)	(100)	0	0
Total Revenues	<u>97,816</u>	<u>99,678</u>	<u>1,867</u>	<u>1,993</u>	<u>99,683</u>	<u>101,671</u>
Expenses:						
Leg., Judicial, and General admin.	3,952	10,366			3,952	10,366
Financial administration	1,019	950			1,019	950
Assessors office	373	251			373	251
Public safety	34,672	27,492			34,672	27,492
Federal Coordinator	0	11			0	11
Public works	7,503	8,946			7,503	8,946
Human resources	67	100			67	100
Miscellaneous	2,858	3,105			2,858	3,105
Planning and assessment board	160	143			160	143
Library	629	502			629	502
Education	57,245	56,946			57,245	56,946
Other	996	1,945			996	1,945
Interest on long-term debt	1,078	1,046			1,078	1,046
Water fund			781	938	781	938
School cafeteria fund			1,022	1,020	1,022	1,020
Total expenses	<u>110,552</u>	<u>111,803</u>	<u>1,803</u>	<u>1,958</u>	<u>112,355</u>	<u>113,761</u>
Increase (decrease) in net assets	(12,736)	(12,125)	64	35	(12,672)	(12,090)
Net assets beginning of year	12,455	24,580	12,424	12,389	24,879	36,969
Net assets end of year	<u>\$ (281)</u>	<u>\$ 12,455</u>	<u>\$ 12,488</u>	<u>\$ 12,424</u>	<u>\$ 12,207</u>	<u>\$ 24,879</u>

Financial Analysis of the Government's Funds

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

Governmental funds - The focus of the Town of Johnston's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town of Johnston's financing requirements. In particular, the unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of June 30, 2010, the Town of Johnston's governmental funds (page 14) reported combined ending fund balances of \$10,966,103. The assets purchased or constructed with the funds are not reported in the Government Funds balance sheet but only in the government-wide Statement of Net Assets exhibited on page 12. The fund balance includes \$9,103,349 which represents the unreserved fund balances of the General Fund, Special Revenue Funds and Capital Projects funds. In addition, \$1,862,754 is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders, advanced to other funds, and prepayments of the future expenditures.

The General Fund is the chief operating fund of the Town of Johnston, excluding its school department. As of June 30, 2010, the total fund balance of the general fund was \$4,871,664 of which \$3,060,424 was unreserved and undesignated. The Town's General Fund also has reserved \$1,811,240 for purchase-related commitments, prepayments of future expenditures and advances to other funds.

The fund balance of the general fund increased by \$336,250 in fiscal year 2010 as reported on page 16 of the report. Actual revenues and other sources were more than budgeted revenues in the general fund by approximately \$80,233 (see page 65). The actual revenues versus budgeted revenues negative variances were \$527,249 in total departmental fees and revenues, \$812,421 in total state and federal aid grants. Increases in actual revenues versus budgeted revenues were realized in total tax revenues \$1,173,815 and school miscellaneous revenue \$250,646. Expenditures and other financing uses were \$256,017 less than appropriated amounts. The most significant savings on expenditures and other financing uses was realized in transfers to other funds, \$1,115,717.

The School Unrestricted Fund is the principal operating fund of the school department. Revenues are derived principally from town appropriations and state aid supplemented by certain miscellaneous revenues, principally federal Medicaid reimbursements. Expenditures for education totaled \$48,462,555 including a state on-behalf payment to the teacher's pension fund of \$1,747,060 on behalf of the school department. The School Unrestricted Fund expenditures, net of the state pension contribution, accounted for approximately 52% of the combined General Fund and School Unrestricted Fund expenditures.

The Proprietary Funds report business type activities and include Town operated Water Control Fund, Memorial Plat Sewer Fund, and the School Cafeteria Fund. The Town of Johnston's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The Water Control Fund experienced a surplus (before transfers) of \$168,168 and the School Cafeteria Fund experienced a deficit (before transfers) of (\$72,153). The June 30, 2010 Net Assets of the Water Fund are \$12,488,396 while the June 30, 2010 Net Assets of the School Cafeteria Fund are \$0.

Financial Analysis of the Government's Funds (Continued)

General Fund Budgetary Highlights – In fiscal year ended June 30, 2010 the Town was able to run an operating surplus of \$336,250 despite mid-year state aid cuts in motor vehicle excise payments of \$723,282 and state aid cuts to the Johnston School District of \$666,241. The result of the major challenges have not stopped as additional cuts in state aid to the Town of Johnston and the Johnston School District have been forthcoming since fiscal 2008. The revenue cuts and the proposed revenue cuts in 2008, 2009 and 2010 have a material compound effect of lost revenues not only in current fiscal year of 2010 but also in fiscal 2011 and going forward.

Capital Asset and Debt Administration

Capital assets - The Town of Johnston's investment in capital assets for its governmental and business-type activities as of June 30, 2010, amounts to \$64,140,054 net of accumulated depreciation. This investment in capital assets includes land, buildings, building improvements, vehicles, equipment, infrastructure, and construction in progress. The net increase in the Town of Johnston's investment in capital assets for the current fiscal year was approximately \$4,364,869 comprised of acquisitions of capital assets of \$7,246,823 (net of transfers and construction in progress placed in service in 2010) less current year depreciation expense of \$2,865,638 and dispositions of \$16,316 (net of transfers and construction in progress placed in service in 2010).

Additional information on the Town of Johnston's capital assets can be found in Note 6 (pages 39 to 41) to the financial statements, which accompany this report.

Town of Johnston's

Capital Assets

(Net of depreciation) in 000's

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 7,258	\$ 6,467	\$ 40	\$ 40	\$ 7,298	\$ 6,507
Buildings, improvements and land improvements	22,290	23,106			22,290	23,106
Vehicle and equipment	2,864	2,663	11	14	2,875	2,677
Water distributions			9,185	9,302	9,185	9,302
Infrastructure	16,344	16,640			16,344	16,640
Construction in progress	6,148	1,511		32	6,148	1,543
Total	\$ 54,904	\$ 50,387	\$ 9,236	\$ 9,388	\$ 64,140	\$ 59,775

Major additions to the Town's capital assets related to its governmental fund activities realized during the year, included: the purchase of police and fire vehicles; the purchase of public works vehicles; improvements to fire department facilities as well as construction in progress costs for a new library and a new fire station.

Capital Asset and Debt Administration (Continued)

Long-term debt - At the end of the current fiscal year, the Town of Johnston has total bonded debt outstanding of \$26.0 million entirely backed by the full faith and credit of the government. In addition, the Town and School Department had long-term lease commitments outstanding of \$1,037,030 against which the assets are pledged as collateral. State statutes limit the amount of general obligation debt a governmental entity may issue to three percent of its total equalized valuation. The current debt limitation for the Town of Johnston is approximately \$88,464,856 based on a net assessed value of \$2,948,828,544 at December 31, 2008, which significantly exceeds the Town of Johnston's current outstanding general obligation debt. It is important to note this is the second fiscal year in which the Net OPEB Obligation is recognized in long-term debt, the amount of this long-term liability was actuarially calculated at \$28,237,757 at June 30, 2010 an increase of \$14,432,353 from fiscal year ending June 30, 2009.

Town of Johnston's

Outstanding long-term debt obligations (in 000's)

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
General Obligation Bonds	\$26,046	\$21,868	\$ -	\$ -	\$26,046	\$21,868
Town capital leases	1,037	1,023			1,037	1,023
Compensated absences	7,867	8,025			7,867	8,025
Net Pension Obligation	5,772	5,081			5,772	5,081
Net OPEB Obligation	28,238	13,805			28,238	13,805
Claims & Judgments	60	68			60	68
Total long-term debt	\$69,020	\$49,870	\$ -	\$ -	\$69,020	\$49,870

Additional information on the Town of Johnston's long-term debt obligations can be found in note 8 (pages 41 to 44) to the financial statements. In addition, details of the OPEB obligation can be found in Note 12, pages 55 through 57, and in required supplementary information page 76.

Economic Factors and Next Year's Budgets

- The Town has successfully implemented a Financial Recovery Plan to address inherited accumulative and structural deficits. The Financial Recovery Plan was approved by the Auditor General of the State of Rhode Island and the Rhode Island General Assembly. The School Unrestricted Fund now has a cumulative fund balance of \$987,238 at June 30, 2010. At June 30, 2006 the School Unrestricted Fund had a cumulative deficit of (\$4,973,674). The Financial Recovery Plan's goals and objectives for the Johnston School District have been achieved. However, continual financial and operational diligence is necessary in order to maintain both financial and operational stability for the Johnston School District. The appropriation for the Financial Recovery Plan is essential for 2010 and upcoming fiscal years in order to continue the goal of eliminating all cumulative and structural deficits of capital projects and special revenue funds, building a cumulative fund balance for the general fund at a minimal of 8% of the operating budget, and to combat any mid-year extraordinary cuts in revenue or increases in expenditures the Town is forced to endure unexpectedly, such as the mid-year cuts in state aid in fiscal years 2008, 2009 and 2010 as well as the potential cuts upcoming in 2011 and future years.

Requests for Information: This financial report is designed to provide a general overview of the Town of Johnston's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director's Office, Johnston Town Hall, and 1385 Hartford Avenue, Johnston, RI 02919.

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TOWN OF JOHNSTON, RHODE ISLAND

BASIC FINANCIAL STATEMENTS



TOWN OF JOHNSTON, RHODE ISLAND

Statement of Net Assets
June 30, 2010

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 12,877,231	\$ 500	\$ 12,877,731
Restricted cash held in escrow	803,832		803,832
Accounts and other receivables, net	4,108,468	440,666	4,549,134
Due from federal and state governments	3,531,187	47,980	3,579,167
Inventory		14,931	14,931
Prepays	930,297		930,297
Internal balances	(3,015,624)	3,015,624	0
Total Current Assets	19,235,391	3,519,701	22,755,092
Noncurrent assets:			
Deferred charges - bond issuance	273,979		273,979
Capital Assets, not being depreciated	13,405,949	40,000	13,445,949
Capital Assets, net of accumulated depreciation	41,498,250	9,195,855	50,694,105
Total Noncurrent Assets	55,178,178	9,235,855	64,414,033
TOTAL ASSETS	74,413,569	12,755,556	87,169,125
LIABILITIES:			
Current Liabilities:			
Cash overdraft	383,047	114,490	497,537
Accounts payable	1,947,369	76,998	2,024,367
Accrued expenses	1,511,529		1,511,529
Advanced taxes	1,195,925		1,195,925
Due to federal and state governments	253,531		253,531
Due to fiduciary funds	169,021		169,021
Unearned revenue	214,469		214,469
Current portion of compensated absences	1,600,000	6,000	1,606,000
Current portion of capital lease obligations	381,897		381,897
Current portion of bonds and notes payable	1,556,972		1,556,972
Current portion of claims and judgments	8,000		8,000
Total Current Liabilities	9,221,760	197,488	9,419,248
Noncurrent Liabilities:			
Compensated absences	6,267,471	32,292	6,299,763
Net pension benefit obligation	5,772,000		5,772,000
Net OPEB obligation	28,237,757	37,380	28,275,137
Capital lease obligations	655,133		655,133
Bonds and notes payable	24,488,784		24,488,784
Claims and judgments	52,000		52,000
Total Noncurrent Liabilities	65,473,145	69,672	65,542,817
TOTAL LIABILITIES	74,694,905	267,160	74,962,065
NET ASSETS:			
Invested in capital assets net of related debt	28,095,392	9,235,855	37,331,247
Unrestricted	(28,376,728)	3,252,541	(25,124,187)
TOTAL NET ASSETS	\$ (281,336)	\$ 12,488,396	\$ 12,207,060

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

TOWN OF JOHNSTON, RHODE ISLAND

Statement of Activities
Year Ended June 30, 2010

Functions/Programs:	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services, Fees, and Licenses	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Legislative, judicial, and general administrative	\$ 3,951,633	\$ 262,570			\$ (3,689,063)		\$ (3,689,063)
Financial administration	1,018,803	108,524			(910,279)		(910,279)
Assessors office	372,906				(372,906)		(372,906)
Public safety	34,672,570	2,237,978	\$ 127,477	\$ 27,983	(32,279,132)		(32,279,132)
Public works	7,503,101	568,427			(6,934,674)		(6,934,674)
Human resources	66,881				(66,881)		(66,881)
Miscellaneous	2,858,374	593,671			(2,264,703)		(2,264,703)
Planning and assessment board	160,030	327,299			167,269		167,269
Library	629,141		108,605	236,390	(284,146)		(284,146)
Education	57,244,782	941,226	14,293,940	790,700	(41,218,916)		(41,218,916)
Other	995,700	428,822	287,823	68,144	(210,911)		(210,911)
Interest on long-term debt	1,078,407				(1,078,407)		(1,078,407)
Total governmental activities	110,552,328	5,468,517	14,817,845	1,123,217	(89,142,749)		(89,142,749)
Business-type activities:							
Water fund	781,037	949,205				\$ 168,168	168,168
School cafeteria fund	1,022,021	461,811	488,057			(72,153)	(72,153)
Total business-type activities	1,803,058	1,411,016	488,057	-	-	96,015	96,015
Total	\$ 112,355,386	\$ 6,879,533	\$ 15,305,902	\$ 1,123,217	(89,142,749)	96,015	(89,046,734)
General revenues:							
Property taxes					66,052,204		66,052,204
Other taxes					8,373,551		8,373,551
Grants and aid not restricted for a specific program					948,150		948,150
Unrestricted investment earnings					120,699		120,699
Miscellaneous					880,838		880,838
Transfers					31,513	(31,513)	-
Total general revenues					76,406,955	(31,513)	76,375,442
Change in Net Assets					(12,735,794)	64,502	(12,671,292)
Net Assets - beginning					12,454,458	12,423,894	24,878,352
Net Assets - ending					\$ (281,336)	\$ 12,488,396	\$ 12,207,060

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

TOWN OF JOHNSTON, RHODE ISLAND

Balance Sheet
Governmental Funds
 June 30, 2010

	General Fund	School Unrestricted Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash and cash equivalents	\$ 9,201,703	\$ 84	\$ 3,438,882	\$ 12,640,669
Restricted cash held in escrow			803,832	803,832
Accounts and other receivables, net	4,040,235		68,233	4,108,468
Due from federal and state governments	1,804,125		1,727,062	3,531,187
Prepays	878,783	51,514		930,297
Due from other funds	1,058,289	3,279,699	2,242,530	6,580,518
TOTAL ASSETS	\$ 16,983,135	\$ 3,331,297	\$ 8,280,539	\$ 28,594,971
LIABILITIES AND FUND BALANCES:				
LIABILITIES:				
Cash overdraft		\$ 383,047		\$ 383,047
Accounts payable	\$ 298,276	410,690	\$ 493,478	1,202,444
Accrued expenses	454,313	734,736		1,189,049
Advanced taxes	1,195,925			1,195,925
Due to federal & state governments	251,920		1,611	253,531
Due to other funds	7,250,344	815,586	2,674,159	10,740,089
Deferred revenues	2,660,693		4,090	2,664,783
TOTAL LIABILITIES	12,111,471	2,344,059	3,173,338	17,628,868
FUND BALANCES (DEFICIT):				
Reserved for prepaids	878,783	51,514		930,297
Reserve for amounts due from other funds	932,457			932,457
Unreserved, reported in:				
General fund	3,060,424			3,060,424
Special revenue funds		935,724	1,513,922	2,449,646
Capital project funds			3,593,279	3,593,279
TOTAL FUND BALANCES	4,871,664	987,238	5,107,201	10,966,103
TOTAL LIABILITIES AND FUND BALANCES	\$ 16,983,135	\$ 3,331,297	\$ 8,280,539	\$ 28,594,971

(Continued)

TOWN OF JOHNSTON, RHODE ISLAND

Balance Sheet
Governmental Funds
June 30, 2010

Amounts reported for governmental activities in the statement of net assets differ because:

Total Fund Balances (B-1)	\$ 10,966,103
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and therefore are not reported in the funds.	54,904,199
Deferred bond issuance costs, net of accumulated amortization, have been included in the governmental activities in the Statement of Net Assets, but are not recorded in the fund statements.	273,979
Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund statements.	(69,020,014)
Deferred revenues (net of an allowance for uncollectibles) are recorded in the fund statements, but are not deferred under the measurement focus employed in the Statement of Net Assets.	2,660,693
Internal Service funds are recorded as proprietary funds in the fund financial statements but are recorded as governmental activities on the government-wide financial statements.	466,563
Net premium on refunding has been recorded as deferred revenue on the Statement of Net Assets, but is recognized as revenue under other financing sources in the fund statements.	(210,379)
Accrued interest payable on long-term debt obligations is recorded in the statement of net assets for governmental funds, but is not recorded in the fund statements.	<u>(322,480)</u>
Total Net Assets (A-1)	<u>\$ (281,336)</u>

(Concluded)

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

TOWN OF JOHNSTON, RHODE ISLAND

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2010**

	General Fund	School Unrestricted Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:				
Property taxes	\$ 65,805,485			\$ 65,805,485
Departmental fees and revenues	4,058,726			4,058,726
State and federal grants	19,119,681		\$ 3,386,395	22,506,076
Medicaid reimbursement	866,122			866,122
Investment income	85,225		35,474	120,699
State on behalf pension contributions		\$ 1,747,060		1,747,060
Other miscellaneous	584,166		945,846	1,530,012
TOTAL REVENUES	90,519,405	1,747,060	4,367,715	96,634,180
EXPENDITURES:				
Current:				
Legislative, judicial, and general administrative	1,547,925			1,547,925
Financial administration	1,001,028			1,001,028
Assessors office	368,772			368,772
Public safety	27,120,810			27,120,810
Public works	6,153,243			6,153,243
Human resources	65,750			65,750
Miscellaneous	2,877,849			2,877,849
Planning and assessment review	153,430			153,430
Library	614,062			614,062
Education		48,337,355	3,317,121	51,654,476
Other	7,751		895,537	903,288
Debt Service:				
Principal	1,342,885			1,342,885
Interest	980,083			980,083
Bond issuance costs	108,104		172,867	280,971
Capital:				
Capital expenditures	166,654	125,200	6,296,254	6,588,108
TOTAL EXPENDITURES	42,508,346	48,462,555	10,681,779	101,652,680
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	48,011,059	(46,715,495)	(6,314,064)	(5,018,500)
OTHER FINANCING SOURCES (USES)				
Issuance of bonds and lease purchase obligations			6,213,275	6,213,275
Proceeds from refunding bonds	3,208,104			3,208,104
Payment to refunded bond escrow agent	(3,100,000)			(3,100,000)
Transfers in	308,300	47,560,571	876,355	48,745,226
Transfers out	(48,091,213)	(334,306)	(288,194)	(48,713,713)
TOTAL OTHER FINANCING SOURCES (USES)	(47,674,809)	47,226,265	6,801,436	6,352,892
NET CHANGE IN FUND BALANCES	336,250	510,770	487,372	1,334,392
FUND BALANCE AT BEGINNING OF YEAR	4,535,414	476,468	4,619,829	9,631,711
FUND BALANCE AT END OF YEAR	\$ 4,871,664	\$ 987,238	\$ 5,107,201	\$ 10,966,103

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

TOWN OF JOHNSTON, RHODE ISLAND

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds (B-2) to the Statement of Activities (A-2)
Year Ended June 30, 2010**

Net Change in Fund Balances - Total Governmental Funds (B-2):	\$ 1,334,392
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets (meeting the capitalization policy) is allocated over their estimated useful lives through reporting of depreciation expense. This represents the net affect of capital outlays reclassified to capital assets and depreciated for the government wide financial statements. Capital outlay in excess of depreciation.	3,742,845
Governmental funds do not recognize gains or losses on the sale or disposal of capital assets. The statement of activities includes losses on the disposal of fixed assets during 2010.	(16,316)
Donated goods and services related to capital assets are recorded as revenue in the government wide statement of activities, but are not reported in the governmental funds.	790,700
Governmental funds report the issuance of debt as other financing sources, whereas the issuance of new debt would have no effect on the statement of activities and changes in net assets.	(9,421,379)
Governmental funds report payments to refunded bond escrow agents as an other financing use. Payments made to bond escrow agents have no impact on the statement of activities.	3,100,000
Governmental funds report principal repayments on debt obligations as an expenditure. However, the repayment of principal has no effect on the net assets.	1,919,133
Governmental funds report debt issuance costs and premiums on debt financing when they occur. The net effect of these transactions on the statement of activities and changes in net assets was:	273,979
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds. Also, allowance for doubtful accounts is not reported in the governmental funds Statement of revenues, expenditures, and changes in fund balances. The increase in the allowance provision is recorded against revenue in the Statement of Activities. Net deferred revenue increased from fiscal 2009.	360,141
Adjustment to the estimated net pension benefit obligation. The Governmental Fund reflects this activity when it will be paid with measurable and available resources. The increase from prior year balances is reflected in the statement of activities and changes in net assets.	(691,000)
Adjustment to the estimated net OPEB obligation. The Governmental Fund reflects this activity when it will be paid with measurable and available resources. The increase from prior year balances is reflected in the statement of activities and changes in net assets.	(14,432,353)
Adjustment to compensated absences and accrued claims and judgments. The governmental fund reflects this activity when it will be paid with measurable and available resources. The decrease from prior year balances is reflected in the statement of activities and changes in net assets.	165,388
Excess of internal service funds' revenues over expenses, reported as governmental fund activities in the statement of activities and changes in net assets.	237,000
Decrease in accrued interest on long-term debt obligations. The governmental fund reflects this activity when it will be paid with measurable and available resources. The change from prior year balances is reflected in the statement of activities and changes in net assets.	(98,324)
Change in Net Assets of Governmental Activities in the Statement of Activities (A-2)	\$ (12,735,794)

TOWN OF JOHNSTON, RHODE ISLAND

Statement of Net Assets
Proprietary Funds
June 30, 2010

	Business-type Activities - Enterprise Funds						Governmental Activities	
	Water Control Fund (current year)	Water Control Fund (prior year)	Memorial Plat Sewer (current year)	Memorial Plat Sewer (prior year)	Cafeteria Fund (current year)	Cafeteria Fund (prior year)	Totals	Health Care Management Internal Service Fund
ASSETS:								
Current Assets:								
Cash and cash equivalents					\$ 500	\$ 750	\$ 500	\$ 236,562
Accounts and other receivables, net	\$ 438,323	\$ 416,315			2,343		440,666	
Intergovernmental receivables					47,980	80,707	47,980	
Inventory					14,931	14,931	14,931	
Due from other funds	2,900,643	2,725,858			114,981		3,015,624	974,926
Total Current Assets	3,338,966	3,142,173	\$ -	\$ -	180,735	96,388	3,519,701	1,211,488
Capital Assets, net of accumulated depreciation	9,225,102	9,341,759		32,490	10,753	13,966	9,235,855	
TOTAL ASSETS	12,564,068	12,483,932	-	32,490	191,488	110,354	12,755,556	1,211,488
LIABILITIES:								
Current Liabilities:								
Cash overdraft					114,490	17,850	114,490	
Accounts payable and accrued expenses					76,998	46,355	76,998	744,925
Due to other funds				32,490		67,483	-	
Current portion of accrued compensated absences	6,000	4,000					6,000	
Total Current Liabilities	6,000	4,000	0	32,490	191,488	131,688	197,488	744,925
Non-Current Liabilities:								
Accrued compensated absences	32,292	34,704					32,292	
Net OPEB obligation	37,380						37,380	
Total Current Liabilities	69,672	34,704	0	0	0	0	69,672	0
TOTAL LIABILITIES	75,672	38,704	0	32,490	191,488	131,688	267,160	744,925
NET ASSETS:								
Invested in capital assets net of related debt	9,225,102	9,341,759			10,753	13,966	9,235,855	
Unrestricted	3,263,294	3,103,469	0	0	(10,753)	(35,300)	3,252,541	** 466,563
TOTAL NET ASSETS	\$ 12,488,396	\$ 12,445,228	\$ -	\$ -	\$ -	\$ (21,334)	\$ 12,488,396	\$ 466,563

** - The unrestricted net assets (\$466,563) in the Health Care Management Fund represent net assets to be utilized for future claims of the School Department.

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

TOWN OF JOHNSTON, RHODE ISLAND

Statement of Revenues, Expenses and Changes in Net Assets
 Proprietary Funds
 For the Year Ended June 30, 2010

	Business-type Activities-Enterprise Funds						Governmental Activities	
	Water Control Fund (current year)	Water Control Fund (prior year)	Memorial Plat Sewer (current year)	Memorial Plat Sewer (prior year)	Cafeteria Fund (current year)	Cafeteria Fund (prior year)	Totals	Health Care Management Internal Service Fund
OPERATING REVENUES:								
Charges for usage and service	\$ 949,205	\$ 1,062,473			\$ 461,811	\$ 567,279	\$ 1,411,016	\$ 13,028,636
Total operating revenues	949,205	1,062,473	\$ -	\$ -	461,811	567,279	1,411,016	13,028,636
OPERATING EXPENSES:								
Salaries and benefits	84,558	73,531			22,380	403,664	106,938	
Contracts					996,287	613,404	996,287	
Materials and supplies					141		141	
Repair and maintenance	41,763	46,212					41,763	
Utilities	29,995	43,409					29,995	
Office expense	3,797	1,047					3,797	
Purchased water and state surcharges	313,682	387,186					313,682	
Departmental expense	189,679	264,091					189,679	
Health care management							0	12,791,636
Bad debts, net of recovery	713	0					713	
Other expenses	193	5,546					193	
Depreciation	116,657	116,657			3,213	2,558	119,870	
Total operating expenses	781,037	937,679	0	0	1,022,021	1,019,626	1,803,058	12,791,636
OPERATING INCOME (LOSS)	168,168	124,794	0	0	(560,210)	(452,347)	(392,042)	237,000
NON-OPERATING REVENUES:								
State and federal grants					471,726	449,560	471,726	
State matching funds					16,331	13,024	16,331	
TOTAL NONOPERATING REVENUES	0	0	0	0	488,057	462,584	488,057	0
INCOME (LOSS) BEFORE TRANSFERS	168,168	124,794	0	0	(72,153)	10,237	96,015	237,000
Transfers In			32,490	0	93,487	0	125,977	
Transfer Out	(125,000)	(100,000)	(32,490)	0	0	0	(157,490)	
CHANGE IN NET ASSETS	43,168	24,794	0	0	21,334	10,237	64,502	237,000
TOTAL NET ASSETS - BEGINNING	12,445,228	12,420,434	0	0	(21,334)	(31,571)	12,423,894	229,563
TOTAL NET ASSETS - ENDING	\$ 12,488,396	\$ 12,445,228	\$ -	\$ -	\$ -	\$ (21,334)	\$ 12,488,396	\$ 466,563

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

TOWN OF JOHNSTON, RHODE ISLAND

**Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2010**

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water Control Fund	Memorial Plat Sewer Fund	Cafeteria Fund	Totals	Health Care Management Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers	\$ 927,197		\$ 461,811	\$ 1,389,008	
Cash received from providing services				-	\$ 13,028,636
Cash paid to suppliers	(579,822)		(965,785)	(1,545,607)	
Cash paid to employees	(47,590)		(22,380)	(69,970)	
Cash paid for claims				0	(12,806,385)
Net cash provided by (used for) operating activities	299,785	\$ -	(526,354)	(226,569)	222,251
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers (to) from other funds	(125,000)		93,487	(31,513)	
Nonoperating grants received			520,784	520,784	
(Increase) decrease in inventory on hand			(2,343)	(2,343)	
(Increase) decrease in due from other funds	(174,785)		(114,981)	(289,766)	14,311
Increase (decrease) in due to other funds		0	(67,483)	(67,483)	
Net cash provided by (used for) noncapital financing activities	(299,785)	0	429,464	129,679	14,311
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	0	0	(96,890)	(96,890)	236,562
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	0	0	(17,100)	(17,100)	0
CASH AND CASH EQUIVALENTS (OVERDRAFT) AT END OF YEAR	\$ -	\$ -	\$ (113,990)	\$ (113,990)	\$ 236,562

(Continued)

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

TOWN OF JOHNSTON, RHODE ISLAND

**Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2010**

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water Control Fund	Memorial Plat Sewer Fund	Cafeteria Fund	Totals	Health Care Management Internal Service Fund
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:					
Operating income (loss)	\$ 168,168	\$ -	\$ (560,210)	\$ (392,042)	\$ 237,000
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	116,657		3,213	119,870	
Decrease in provision for doubtful accounts	449			449	
(Increase) decrease in accounts receivable	(22,457)			(22,457)	
Increase (decrease) in accounts payable	0		30,643	30,643	(14,749)
Increase (decrease) in accrued compensated absences	(412)			(412)	
Increase (decrease) in net OPEB obligation	37,380			37,380	
Net cash provided by (used for) operating activities	\$ 299,785	\$ -	\$ (526,354)	\$ (226,569)	\$ 222,251

(Concluded)

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010**

	<u>Pension Trust Funds</u>	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
ASSETS:			
Cash and cash equivalents	\$ 486,858	\$ 23,338	\$ 423,399
Investments	35,976,277		
Other receivables			0
Due from governmental funds	75,723		151,500
TOTAL ASSETS	<u>36,538,858</u>	<u>23,338</u>	<u>574,899</u>
LIABILITIES:			
Due to student groups			196,948
Deposits held in custody for others			377,951
Due to governmental funds	58,202		
TOTAL LIABILITIES	<u>58,202</u>	<u>0</u>	<u>574,899</u>
NET ASSETS:			
Held in trust for perpetual care		23,338	
Held in trust for pension benefits	36,480,656		
TOTAL NET ASSETS	<u>\$ 36,480,656</u>	<u>\$ 23,338</u>	<u>\$ 0</u>

TOWN OF JOHNSTON, RHODE ISLAND

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
Fiduciary Funds
For the year ended June 30, 2010

	Pension Trust Funds	Private-Purpose Trust Funds
Additions:		
Contributions:		
Employer	\$ 1,047,667	
Plan members	733,959	
Total contributions	<u>1,781,626</u>	<u>\$ -</u>
Investment income (expense)		
Net dividends, interest, and change in fair value	3,800,596	12
Net investment income (expense)	<u>3,800,596</u>	<u>12</u>
Total additions and changes in fair value	<u>5,582,222</u>	<u>12</u>
Deductions:		
Administration and benefit expenses	3,760	0
Pension expenses	813,251	0
Total deductions	<u>817,011</u>	<u>0</u>
Change in net assets	4,765,211	12
Net assets - beginning of year	<u>31,715,445</u>	<u>23,326</u>
Net assets - end of year	<u>\$ 36,480,656</u>	<u>\$ 23,338</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The Town has elected not to follow subsequent private-sector guidance. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Reporting Entity

The Town of Johnston, Rhode Island operates under a Council-Mayor form of government and provides the following services as authorized by its charter: public safety (police and fire), highway and streets, sanitation, health and social services, culture-recreation, education, public improvements, planning and zoning and general administrative services.

In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 39. Under GASB Statement No. 39, the financial reporting entity includes both the primary government and all of its component units. Component units are 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 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

The following entities were considered for classification as component units for fiscal year 2010:

- Johnston School Department
- Johnston Senior Citizens Center, Inc.
- Johnston Housing Authority

The Johnston School Department meets certain criteria of the tests listed above, but the entity is deemed not to have separate legal status apart from the Town. As a result, the financial data of the Johnston School Department has been included as special revenue funds within the Town's financial statements. The Johnston Senior Citizens Center has been determined to be a component unit of the Town of Johnston, Rhode Island as a result of its financial dependence on the Town. However, the activity and balance of the Center are deemed immaterial to the Government-wide financial statements as of and for the fiscal year ended June 30, 2010. Therefore, the activity of the Johnston Senior Citizens Center, Inc. has been omitted from the Town of Johnston, Rhode Island's June 30, 2010 financial statements, except for the appropriation expenditure of the Senior Center which is included as expenditures in the Town's General Fund. The omission of the Johnston Senior Citizens Center, Inc. has no material impact on the Government-wide financial statements of the Town of Johnston, Rhode Island. The Johnston Housing Authority did not meet the criteria indicated above and accordingly it is not considered a component unit of the Town of Johnston, Rhode Island.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

Government-Wide Financial Statements

The statement of net assets and statement of activities report information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. 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.

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 expenditure/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. Major individual governmental funds and enterprise funds are reported as separate columns in the fund financial statements. A fund is considered a major fund if it is the primary operating fund of the Town or meets the following criteria:

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

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

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

Special Revenue Funds

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

Capital Project Funds

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

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds (Continued)

Permanent Funds

Permanent Funds account for assets held by the Town pursuant to trust agreements. The principal portion of this fund type must remain intact, but the earnings may be used to achieve the objectives of the fund. The Town of Johnston, Rhode Island currently does not have any funds that meet the definition of Permanent Funds.

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. The Proprietary Funds include the Water Control Fund, Memorial Plat Sewer Fund, and the School Cafeteria Fund which are considered Enterprise Funds.

Fiduciary Funds (Not included in government wide statements)

Agency Funds

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

- Performance Bonds
- Student Activities funds

Private-Purpose Trust Funds

Private-Purpose trust funds are used to account for resources legally held in trust for use by parties outside of the Town, and can not be used at the Town's discretion or to support the Town's general operations. The net assets of this fund are utilized for the care and maintenance of cemeteries within the Town. The Town is not required to preserve any portion of the net assets. The Private-purpose trust funds are as follows:

- Daniel Elder Burial Fund
- Manton Perpetual Care
- Celina Esterbrook
- Sara Irons
- Kelly Burial Grounds
- Nicholas Smith
- Kimball Burial Ground
- Richardson Burial Ground
- C.T. Tourtellot

Pension Trust Funds

Pension trust funds are used to account for resources held in trust for future pension obligations of the Town. The Pension trust funds held at June 30, 2010 are as follows:

- Police Pension Trust Fund
- Fire Pension Trust Fund
- Pension for Unfunded Police and Fire Trust Funds

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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

Major and Non-Major Funds

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

<u>Fund</u>	<u>Brief Description</u>
Major:	
General Fund:	See above for description
Capital Project Funds:	The Town does not have any Capital Project Funds that meet the definition of being classified as a Major Fund at June 30, 2010.
Special Revenue Funds:	
School Unrestricted Fund	This fund is used to report all financial transactions of the Johnston School Department, which are not legally required to be accounted for separately.
Proprietary Funds:	
Water Control Fund	Accounts for the supply of public water to the Town of Johnston.
Memorial Plat Sewer Fund	Accounts for Memorial Plat sewer project of the Town of Johnston. This fund did not meet the criteria for reporting as a major fund however, management elected to present the fund as a major fund.
School Cafeteria Fund	Accounts for the operation of the school breakfast and lunch program of the Johnston School Department. This fund did not meet the criteria for reporting as a major fund however, management elected to present the fund as a major fund.
Non-Major:	
Special Revenue Funds:	School Restricted Funds, Community Development Block Grant, Byrne JAG Stimulus Grant, Police Special Account, Recreation Department, Substance Abuse Prevention Grant, Blue Riptide Grant, Police Detail, Youth Tobacco Grant, Historical Trust Fund, Fire Plan Review, Fire Prevention Grant, Memorial Library Fund, Byrne Grant, Fire Dept. Detail, State JAG Grant, Reserve for Health Care, OPEB, and Secure Our Schools.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Major and Non-Major Funds (Continued)

Non-Major (Continued):

Capital Project Funds:

1998 Capital Improvement Bond, Senior Center Grant, Autocad Map Digitizing, Police Equipment, School Improvements, West End Fire Station, Highland Ave. Drainage, High School Renovation, Middle School Renovation, Ferri School Renovation, West End Water, Unobligated Capital Fund, Sewer Project Capri & Bellaire, Rainone Gym Renovations, DAM Renovations, Pezza Property Acquisition, Champlin Community Park, Capital Lease, Police Station Construction, Open Space Grant, Winsor Hill School, Fire Station #1, Library Building, and Memorial Plat Sewer Project.

Measurement Focus

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

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. Substantially all other revenue (excluding municipal court fees and fines, special sewer assessments, and Fire Rescue Services) of the governmental funds is recognized utilizing the modified accrual method of accounting and as such it is recognized as it is earned and available. Municipal Court fines and fees and Fire Rescue Services are reported as receivable and deferred revenue until the amounts are collected. Special sewer assessments are reported as receivable and deferred revenue at the date of the assessment. The revenue for these assessments is then recognized annually over the term of the debt service obligation related to the project.
- (b) The proprietary fund and private purpose trust funds utilize "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. Fund equity is classified as net assets.
- (c) Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities both governmental and business-type 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, agency funds, and private purpose trust 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, operating grants and contributions, and capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the proprietary fund's principal operation. The principal operating revenues of the enterprise funds are charges for services provided in accordance with the fund's purpose. Operating expenses for the enterprise funds include the costs of providing the services, including administration and depreciation on capital assets. All other revenue and expense items not meeting these criteria are reported as nonoperating revenues and expenses.

Assets, Liabilities, and Fund Equity

Cash and Investments

Cash and cash equivalents are carried at cost. Cash equivalents include all highly liquid investments with an original maturity of three months or less when purchased. Substantially, all of the Town's cash and cash equivalents are held in public deposit institutions. Pursuant to Section 35-10-1 of the Rhode Island General Laws, as of October 1, 1991, public deposit institutions are required to insure accounts which hold public funds in excess of the amount which is guaranteed by FDIC. At times, the Town pools cash resources of its various funds to facilitate the management of cash and maximize investment returns.

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, and repurchase agreements.

Investments are stated at fair value.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Fund Equity (Continued)

Accounts Receivable

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. The allowance for uncollectible accounts receivable amounted to \$5,532,079 at June 30, 2010. The allowance for uncollectible accounts includes \$4,994,846 for property taxes, \$133,217 for Municipal Court fees and traffic fines, \$58,260 for special sewer assessment, \$336,811 for fire rescue services, and \$8,945 for enterprise fund (Water Fund) service fees. Major receivable balances for the governmental activities include property taxes (72% of balance). 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, sewer assessments, fire rescue services, municipal court fees and traffic fines, grants and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange 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 accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Property Taxes

Real and personal property taxes are based on values assessed as of each December 31 (lien date) and attach as an enforceable lien on property as of July 1 (levy date). Taxes may be paid in full or in equal quarterly installments on July 24, October 24, January 24, and April 24 following the levy date. Taxes due and unpaid after the respective due dates are subject to interest at a rate of 12% per annum calculated on the unpaid portion of the total tax. An automatic lien is placed on the taxpayer's property if payment has not been received by the tax due date. Property taxes levied are recorded as receivables in the fiscal year of the levy. Property tax revenues are recorded in accordance with the modified accrual basis of accounting in the fund financial statements.

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. Prepaids recorded in governmental fund types do not reflect current appropriated resources and, thus, an equivalent portion of the fund balance is reserved.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in certain governmental funds. Open encumbrances are reported as reservations of fund balances. Encumbrances do not constitute expenditures or liabilities under generally accepted accounting principles. (See note 2 for budgetary reporting of encumbrances).

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Fund Equity (Continued)

Bond Premiums and Issuance Costs

In the Government-Wide Statements, bond premiums and issuance costs are deferred and amortized over the term of the bonds using the straight-line method. Bond premiums are presented as deferred revenue whereas issuance costs are presented as other assets.

In the Governmental Fund financial statements, bond premiums and issuance costs are treated as period costs in the year issued. Bond issuance costs are included in debt service expenditures and bond premiums are reflected as other financing sources.

Property, Plant and Equipment

The accounting treatment over 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 as discussed below.

Government-Wide Statements

In the government-wide financial statements, long-lived assets are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets, which are recorded at their estimated fair value at the date of donation.

Capital assets are defined by the Town as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year.

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 Assets. Depreciation is provided over the estimated useful life using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings and improvements	20 – 50 years
Land improvements	20 years
Equipment	5 – 10 years
Vehicles	5 – 10 years
Infrastructure	40 – 100 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 in the same manner as in the government-wide statements.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Fund Equity (Continued)

Deferred Revenues

In the government-wide financial statements, deferred revenues represent funds received in advance of being earned/owed or receivables which will be collected and included in revenues of future fiscal years. In the General Fund, (of the fund financial statements), deferred revenues include property tax receivables which are assessed on December 31, 2008 and prior and are not collected within 60 days of June 30, 2010. Net deferred taxes included in the fund financial statements were approximately \$1,438,000 at June 30, 2010. In addition, deferred revenue in the General Fund (fund financial statements) included approximately \$258,600 for Municipal Court fees and traffic fines, \$411,700 for fire rescue services, and \$552,700 for special sewer assessment.

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.
 - Interfund services are reported as revenues in the seller fund and as expenditures or expenses in the purchasing fund.
- 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.
 - Interfund reimbursements are repayments from the fund responsible for particular expenditures or expenses to other funds that initially paid for them. Reimbursements are not displayed separately within the financial statements.

Equity Classifications

Government-Wide Statements

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

- (a) Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- (b) Restricted net assets - Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity Classifications (Continued)

Government-Wide Statements (Continued)

- (c) Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Fund Financial Statements

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

Compensated Absences

Employees are granted vacation and sick leave in varying amounts. Upon retirement, termination of death, certain employees are compensated for unused vacation and sick leave (subject to certain limitations) at their current rates of pay. The amount recorded is the unused days earned at the current rate of pay. In addition, qualifying employees may also receive severance compensation at the rate of 2 days pay for each year of service. For governmental activities the general fund is used to satisfy this liability as it becomes due, while each enterprise fund accounts for all its' settlement of business-type liabilities for compensated absences. Compensated absences are accrued at varying amounts based on the collective bargaining unit contracts of the various unions.

Reconciliation of Government-wide and Fund Financial Statements

The governmental fund Balance Sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide Statement of Net Assets. One element of that reconciliation explains that "long-term liabilities are not due and payable in the current period and therefore are not reported in the funds." The details of this \$69,020,014 are as follows:

Bonds payable and capital lease obligations.....	\$ 27,082,786
Net pension benefit obligation	5,772,000
Net OPEB obligation	28,237,757
Accrued claims and judgments.....	60,000
Compensated absences	<u>7,867,471</u>
Total.....	<u>\$ 69,020,014</u>

Another element of the reconciliation states that "deferred revenues (net of an allowance for uncollectibles) are recorded in the funds, but are not deferred under the measurement focus employed in the Statement of Net Assets." The details of this \$2,660,693 difference are as follows:

Deferred tax revenue (net of allowance \$4,994,846).....	\$ 1,437,765
Deferred municipal court fees (net of allowance \$133,217)	258,597
Deferred fire rescue fees (net of allowance \$336,811).....	411,659
Deferred sewer assessment revenue (net of allowance \$58,260)	<u>552,672</u>
Total.....	<u>\$ 2,660,693</u>

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances includes reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide Statement of Activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures." However, in the statement of activities the cost of those assets is capitalized and depreciated over the assets estimated useful life. The details of the \$3,742,845 are as follows:

Capital outlay expenditures reclassified to capital assets	\$ 6,488,613
Depreciation expense	<u>(2,745,768)</u>
Total	<u>\$3,742,845</u>

Another element of the reconciliation states that "the governmental funds report principal repayments on debt obligations as an expenditure." The details of the \$1,919,133 are as follows:

Principal payment of general obligation bonds.....	\$1,342,885
Principal payment of capital lease obligations.....	<u>576,248</u>
Total	<u>\$1,919,133</u>

Another element of the reconciliation relates to compensated absences and accrued claims and judgments and states that "the governmental fund reflects this activity when it is paid with measurable and available resources." The details of the \$165,388 are as follows:

Decrease in liability for compensated absences.....	\$ 157,388
Decrease in liability for claims and judgments.....	<u>8,000</u>
Total.....	<u>\$ 165,388</u>

Another element of that reconciliation states that, "Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in governmental funds." Also, the allowance adjustment on these receivables affects the revenue recorded in the Statement of Activities. The details of this \$360,141 are as follows:

Deferred tax revenue, net - ending	\$ 1,437,765
Deferred municipal court fees, net – ending	258,597
Deferred fire rescue, net – ending	411,659
Deferred sewer assessment, net – ending	552,672
Deferred tax revenue, net – beginning	(1,191,046)
Deferred municipal court fees – beginning	(255,350)
Deferred fire rescue fees, net – beginning.....	(264,639)
Deferred sewer assessment, net – beginning	<u>(589,517)</u>
Total.....	<u>\$ 360,141</u>

Another element of the reconciliation relates to the Net Pension Benefit Obligations and states that "the governmental fund reflects this activity when it will be paid with measurable and available resources." The decrease in net assets of \$(691,000) was comprised of the following:

Net pension benefit obligation – beginning of year.....	\$5,081,000
Net pension benefit obligation – end of year	<u>(5,772,000)</u>
Increase in net pension benefit obligation	<u>\$ (691,000)</u>

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

1. **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 the reconciliation relates to the Net OPEB Obligations and states that "the governmental fund reflects this activity when it will be paid with measurable and available resources." The decrease in net assets of \$(14,432,353) was comprised of the following:

Net OPEB obligation – beginning of year	\$ 13,805,404
Net OPEB obligation – end of year	<u>(28,237,757)</u>
Increase in net OPEB obligation	<u>\$(14,432,353)</u>

Recently Issued Accounting Standards

The following are recently issued governmental accounting standards which will be implemented by the Town in future years:

- ✓ GASB Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions, effective for the Town's fiscal year ending June 30, 2011.
- ✓ GASB Statement No. 57 – OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, full implementation effective for the Town's fiscal year ending June 30, 2011.
- ✓ GASB Statement No. 59 – Financial Instruments Omnibus, effective for the Town's fiscal year ending June 30, 2011.

The impact of these pronouncements on the Town's financial statements has not been determined.

During the fiscal year ended June 30, 2010 the Town implemented the following governmental accounting standards:

- ✓ GASB Statement No. 51 – Accounting and Financial Reporting for Intangible Assets.
- ✓ GASB Statement No. 53 – Accounting and Financial Reporting for Derivative Instruments.

The adoption of these standards did not have an effect on the Town's financial statements.

2. **BUDGETARY PROCESS**

(a) **Adoption**

It is the responsibility of the Mayor to submit a proposed budget for the following fiscal year to the Town Council on or before the first day of April each year. Public hearings are conducted on the proposed budget and shall enact the budget ordinance on or before the first day of May each year. Annual appropriated budgets are adopted for the General Fund and the School Department Unrestricted Fund, which is a Special Revenue Fund. All annual appropriations lapse at the fiscal year end. The Town Council during the last quarter of the budget year may revise the budget between departments other than the School Department.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

2. BUDGETARY PROCESS (Continued)

(b) General Fund

Actual General fund expenditures on the Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budgetary Basis) (RSI - 2) are adjusted to reflect the budgetary basis of accounting which differs from actual expenditures recognized for the General Fund in the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds (Exhibit B-2) in that activity related to long-term borrowings (\$3,208,104) is treated as other financing sources for GAAP purposes but is not reported for budgetary purposes. Similarly, payment to refunded bond escrow agent of \$3,100,000 and bond issuance costs of \$108,104 incurred on issuance of a bond refunding are treated as expenditures for GAAP purposes, but are not reported for budgetary purposes. As a result, both revenue and other financing sources and expenditures and other financing uses on GAAP basis of accounting exceed the budgetary basis by \$3,208,104.

(c) Special Revenue Funds

The actual revenues and expenditures of Special Revenue Funds included in the combined Statement of Revenues, Expenditures and Changes in Fund Balances – budget and actual – School Unrestricted Fund (RSI - 3) are presented on the budgetary basis of accounting which differs from actual revenues and expenditures recognized under GAAP (Exhibit B-2) in that encumbrances are considered to be expenditures for budgetary purposes but not for GAAP purposes.

Encumbrances for fiscal year 2010 were \$0 as compared to \$1,162 at June 30, 2009. Only the revenues and expenditures of special revenue funds which have legally adopted annual budgeted appropriations are included in the Required Supplementary Information. The Unrestricted School Fund is the only Special Revenue Fund which legally adopts an annual budget.

A reconciliation of the School Unrestricted Fund revenues and expenditures and other financing sources (uses), as reported on Exhibits B-2 and Required Supplementary Information, is presented below:

REVENUES

Total School Unrestricted revenues and other financing sources, from Exhibit B-2	\$49,307,631
Adjustments:	
State on behalf pension contribution not budgeted.....	<u>(1,747,060)</u>
Total budgetary basis revenues and other financing sources from RSI - 3	<u>\$47,560,571</u>

EXPENDITURES

Total School Unrestricted expenditures and other financing uses, from Exhibit B-2	\$48,796,861
Adjustments:	
Prior year encumbrances	(1,162)
Current year encumbrances.....	0
State on behalf pension contribution not budgeted.....	<u>(1,747,060)</u>
Total budgetary basis expenditures and other financing uses, from RSI - 3	<u>\$47,048,639</u>

The budget of the School Unrestricted Fund is prepared annually and submitted to the School Committee for approval. The amount of the annual transfer from the Town's General Fund to the School Unrestricted Fund is ultimately determined through the adoption of the General Fund budget by the Town Council.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

3. CASH AND INVESTMENTS

The State of Rhode Island requires that certain uninsured deposits be collateralized. Section 35-10.1-7 of the General Laws of the State of Rhode Island, dealing with the collateralization of public deposits, requires that all time deposits with maturities of greater than 60 days and all deposits in institutions that do not meet the minimum capital requirements of its Federal regulator must be collateralized. The Town does not have a formally adopted investment policy.

Deposits

The carrying amount of the Town's cash and cash equivalents at June 30, 2010 was \$13,313,789 (including Fiduciary Funds and net of cash overdraft of \$497,537) while the bank balance was \$15,128,361. Of the bank balance, \$1,009,463 was covered by federal depository insurance and \$14,118,898 was uninsured. The Town has entered into collateralization agreements with various financial institutions and as a result, \$13,690,827 of the uninsured balance at June 30, 2010 was collateralized by securities held by the financial institutions and/or third parties in the name of the Town. The remaining uninsured balance of \$428,071 was held in money market accounts/funds. These money market funds were held in the name of the Town of Johnston and included US Treasury Funds and Government Obligation Tax Managed Funds.

Restricted Cash Held in Escrow

Restricted cash of \$803,832 at June 30, 2010 represents cash held in escrow with RI Clean Water Finance Agency to be used for Memorial Plat Sewer Project.

Investments

At June 30, 2010 the Town's investments totaled \$35,976,277 (including those held in Fiduciary Funds) and consisted of the following:

	<u>Fair Value</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Rating</u>
Mutual Funds	<u>\$35,976,277</u>	N/A	N/A	N/A

Interest Rate Risk

As noted above, 100% of the Town's investments are held in mutual funds which do not bear specified interest rates. The rate of return on these investments is dependent on the operating results of the entities included in the portfolio of the mutual funds as well as overall economic conditions.

Concentration of Credit Risk

At June 30, 2010 the Town had a diversified portfolio and was not deemed to be concentrated in any one investment category. The mutual fund investments are maintained in a wide-variety of fund types/classifications enabling the Town to minimize its risk.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of financial institution failure, the Town's deposits and/or investments may not be returned. The Town does not believe that it has a significant custodial credit risk as substantially all investments securities (mutual funds) are registered and held in the name of the Town. Additionally, the Towns deposit policy requires that deposits be placed in financial institutions that are FDIC insured. The Town deposits are maintained in high rated financial institutions and the ratings of these institutions is reviewed by management on a periodic basis.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

4. RECEIVABLES

Taxes are assessed each December 31, and the levy thereon may be paid in full on or before July 24, or quarterly, on or before July 24, October 24, January 24, and April 24, without penalty, at the taxpayer's option. A 12% annual interest penalty is imposed on all overdue taxes.

Unpaid property taxes at June 30, 2010, include delinquent installments of the current and prior years. The Town does not record interest earned on delinquent taxes until payment is received.

Net property taxes levied for the fiscal year 2010 were based on an assessed value of approximately \$2,948,829,000 at December 31, 2008 and amounted to approximately \$63,658,400. Total collections through June 30, 2010, on the 2009 tax levy, amounted to approximately \$61,011,700, which represents approximately 95.8% of the net tax levy. Total collections including 60-day receipts (applicable to the 2009 tax levy) amounted to approximately \$61,729,500, which represents approximately 97% of net 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 on the Fund statements. Unpaid property taxes (\$7,221,888) as of June 30, 2010 are recorded as a receivable, net of an allowance for uncollectible property taxes of \$4,994,846. Those property taxes receivable, which were not collected within the 60 days immediately following June 30, 2010, are recorded as deferred revenue, net of the allowance of \$4,994,846 and amounted to \$1,437,765 at June 30, 2010. Property taxes recognized as revenue for the fiscal year ended June 30, 2010 (due to their collection within the 60 days immediately following June 30, 2010) amounted to \$789,277.

The allowance for uncollectible accounts is based on that portion of current and delinquent tax receivable, which is estimated to be doubtful of collection. This provision does not constitute an abandonment of claim or the cessation of collection effort.

Receivables at June 30, 2010 consisted of the following:

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Business-type Activities</u>	<u>Total</u>
Receivables:				
2009 tax year	\$2,601,182			\$2,601,182
2008 and prior years	4,620,706			4,620,706
Accounts	2,341,481		\$449,611	2,791,092
Miscellaneous		\$68,233		68,233
Gross receivables	9,563,369	68,233	449,611	10,081,213
Less: allowance for uncollectibles	(5,523,134)	0	(8,945)	(5,532,079)
Total receivables	\$4,040,235	\$68,233	\$440,666	\$4,549,134

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

5. INTERGOVERNMENTAL RECEIVABLE

Amounts due from the Federal Government and the State of Rhode Island consisted of the following at June 30, 2010:

General Fund:	
Rhode Island Solid Waste Management Corporation	\$ 960,265
State Fiscal Stabilization Funds (SFSF)	211,611
State of Rhode Island – Hotel Meals & Beverage tax	85,637
State of Rhode Island – Miscellaneous grants and fees	79,173
State of Rhode Island – Flood disaster reimbursement	162,165
State public service corporate tax	<u>305,274</u>
Total General Fund	<u>1,804,125</u>
Other Governmental Funds:	
State of Rhode Island:	
School Restricted Grant Funds – From State of Rhode Island	1,682,720
Community Development Block Grant	<u>44,342</u>
Total other governmental funds	<u>1,727,062</u>
Business-type Activities:	
Cafeteria Fund:	
From State of Rhode Island	<u>47,980</u>
Total intergovernmental receivables	<u>\$3,579,167</u>

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010 was as follows:

	<u>Balances</u> <u>7/1/09</u>	<u>Additions</u>	<u>Retirements &</u> <u>Transfers</u>	<u>Balances</u> <u>6/30/10</u>
Governmental Activity:				
Nondepreciable assets:				
Land	\$ 6,467,343	\$ 790,700 **	\$ 0	\$ 7,258,043
Construction in progress	1,511,020	5,701,476	1,064,590	6,147,906
Depreciable assets:				
Buildings, building improvements, and land improvements	37,255,681	47,316	0	37,302,997
Vehicles and equipment	7,437,319	787,137	0	8,224,456
Infrastructure	<u>52,327,797</u>	<u>1,000,958</u>	<u>0</u>	<u>53,328,755</u>
Total cost	<u>104,999,160</u>	<u>8,327,587</u>	<u>1,064,590</u>	<u>112,262,157</u>

** \$790,700 represents donated land reported in the Government-wide Statements, but not reported in the Fund Statements.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

6. CAPITAL ASSETS (Continued)

	<u>Balances</u> <u>7/1/09</u>	<u>Additions</u>	<u>Retirements &</u> <u>Transfers</u>	<u>Balances</u> <u>6/30/10</u>
Governmental Activity:				
Accumulated Depreciation:				
Buildings and improvements.....	(14,150,165)	(863,002)	0	(15,013,167)
Vehicles and equipment.....	(4,773,997)	(585,831)	0	(5,359,828)
Infrastructure.....	<u>(35,688,028)</u>	<u>(1,296,935)</u>	0	<u>(36,984,963)</u>
Total accumulated depreciation..	<u>(54,612,190)</u>	<u>(2,745,768)</u>	0	<u>(57,357,958)</u>
Net capital assets.....	<u>\$50,386,970</u>	<u>\$5,581,819</u>	<u>\$(1,064,590)</u>	<u>\$54,904,199</u>
Business- type Activities:				
Nondepreciable assets:				
Land.....	\$ 40,000	\$ 0	\$ 0	\$ 40,000
Construction in progress.....	32,490	0	32,490	0
Depreciable assets:				
Motor vehicles.....	37,477	0	0	37,477
Machinery and equipment.....	137,036	0	0	137,036
Water distribution.....	<u>11,665,735</u>	0	0	<u>11,665,735</u>
Total cost.....	<u>11,912,738</u>	0	32,490	<u>11,880,248</u>
Accumulated Depreciation:				
Motor vehicles.....	(37,477)	0	0	(37,477)
Machinery and equipment.....	(123,070)	(3,213)	0	(126,283)
Water distributions.....	<u>(2,363,976)</u>	<u>(116,657)</u>	0	<u>(2,480,633)</u>
Total accumulated depreciation..	<u>(2,524,523)</u>	<u>(119,870)</u>	0	<u>(2,644,393)</u>
Net capital assets.....	<u>\$9,388,215</u>	<u>\$(119,870)</u>	<u>\$(32,490)</u>	<u>\$9,235,855</u>

Depreciation expense for the year ended June 30, 2010 was charged to the following functions/programs of the Town:

Governmental Activities:

Education.....	\$ 632,345
Public safety.....	483,368
Public works.....	1,523,606
Library.....	4,648
Other.....	<u>101,801</u>
Total.....	<u>\$2,745,768</u>

Business Type Activities:

Water fund.....	\$ 116,657
School cafeteria fund.....	3,213
Total.....	<u>\$ 119,870</u>

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

6. CAPITAL ASSETS (Continued)

The following is a summary of Construction in Progress at June 30, 2010:

Governmental Activities:

Library Construction.....	\$1,500,225
Bus Garage.....	200,039
Memorial Plat Sewer Project	1,766,496
Fire Station	<u>2,681,146</u>
Total construction in progress – Governmental Activities	<u>\$6,147,906</u>

7. NOTES PAYABLE

On July 15, 2009 the Town entered into a Bond Anticipation Note (BAN) with RI Clean Water Finance Agency in the amount of \$685,000. On October 6, 2009 this BAN was repaid utilizing proceeds from the issuance of a \$2,500,000 general obligation bond. The BAN and bond were used to help finance the Memorial Plat Sewer construction project. Repayment of the bond will be through special assessments to the system users.

<u>Balance 7/1/2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 6/30/2010</u>
<u>\$0</u>	<u>\$685,000</u>	<u>\$685,000</u>	<u>\$0</u>

8. LONG-TERM DEBT

(a) General

The Rhode Island General Laws provide that no city or town shall without special statutory authority, incur any debt which would increase its aggregate indebtedness beyond three percent of the taxable property of the city or town. Tax anticipation notes are not included in the computation of debt limit. Debt may be incurred in excess of the three percent limit with the approval of the state director of administration. All of the Town's bonds and notes outstanding or authorized but unissued are either specifically excepted from the three percent debt limit or are within such limit.

The current three percent debt limit of the Town is approximately \$88,464,800, based on the net assessed valuation at December 31, 2008 of \$2,948,828,544. The entire \$26,045,756 of the Town's bonds payable is exempt from the calculation of its legal debt limit.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

8. LONG-TERM DEBT (Continued)

(b) At June 30, 2010 the Town's long-term debt outstanding and activity consisted of the following:

<u>Description</u>	<u>Date of Issue</u>	<u>Maturity Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Balance June 30, 2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2010</u>	<u>Due within one year</u>
Governmental Activities:									
General Obligation Bonds:									
2001 General Obligation Refunding Bond	11/1/2001	7/15/2012	\$ 2,910,000	2.15%-4.125%	\$ 1,110,000		\$ 260,000	\$ 850,000	\$ 270,000
1998 General Obligation Bond Series B	8/15/1998	8/15/2012	5,915,000	6.5%-5.05%	3,695,000		3,390,000	305,000	305,000
RI Clean Water Bond	4/25/2002	9/1/2022	750,000	0.661%	573,641		32,885	540,756	33,972
RI Clean Water Bond - Sewer Project	10/6/2009	9/1/2029	2,500,000	0.79%-3.08%	-	\$ 2,500,000		2,500,000	98,000
2004 General Obligation Bond	6/1/2004	6/1/2024	8,775,000	5%-5.25%	7,380,000		350,000	7,030,000	365,000
2005 General Obligation Bond	6/1/2005	6/1/2025	6,325,000	4%-4.75%	5,545,000		260,000	5,285,000	265,000
2007 General Obligation Bond - Senior Center	9/13/2007	9/1/2019	2,277,000	5.05%	2,135,000		150,000	1,985,000	155,000
2008 General Obligation Bond	9/9/2009	9/1/2029	4,430,000	3%-7%	1,430,000	3,000,000		4,430,000	65,000
2010 General Obligation Refunding Bond	6/29/2010	8/15/2018	3,120,000	2%-4%	-	3,120,000		3,120,000	-
Total bonds outstanding			\$ 37,002,000		21,868,641	8,620,000	4,442,885	26,045,756	1,556,972
Capital lease obligations:									
Town capital lease obligations:									
Capital lease obligation	2/15/2000	8/1/2009	\$ 500,000	6.25%	60,760		60,760	-	-
Capital lease obligation	10/21/2005	11/2/2009	390,000	3.44%	102,501		102,501	-	-
Capital lease obligation	10/21/2005	11/2/2013	360,000	3.73%	237,188		44,028	193,160	45,671
Capital lease obligation	6/21/2007	6/21/2010	167,809	4.28%	58,377		58,377	-	-
Capital lease obligation	6/21/2007	6/21/2012	125,000	4.60%	78,343		24,950	53,393	26,097
Capital lease obligation	9/27/2007	9/27/2010	290,888	3.93%	149,688		98,818	50,870	50,870
Capital lease obligation	11/29/2007	11/28/2010	142,484	3.93%	73,321		48,403	24,918	24,918
Capital lease obligation	12/28/2007	12/28/2010	113,364	3.93%	58,336		38,511	19,825	19,825
Capital lease obligation	4/14/2008	4/14/2011	299,851	3.93%	203,764		99,900	103,864	103,864
Capital lease obligation	1/25/2010	1/25/2015	591,000	3.30%	-	591,000		591,000	110,652
Total Town capital lease obligations			\$ 2,980,396		1,022,278	591,000	576,248	1,037,030	381,897
Compensated absences and severance estimate					8,024,859	1,564,963	1,722,351	7,867,471	1,600,000
Net pension benefit obligation					5,081,000	691,000		5,772,000	-
Net OPEB obligation					13,805,404	14,432,353		28,237,757	-
Claims and judgements					68,000		8,000	60,000	8,000
Governmental activities long-term liabilities					\$ 49,870,182	\$ 25,899,316	\$ 6,749,484	\$ 69,020,014	\$ 3,546,869

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

8. LONG-TERM DEBT (Continued)

(c) Debt Service Requirements

Presented below is a summary of debt service requirements, including interest, to maturity by years:

	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 1,938,869	\$1,328,275	\$ 3,267,144
2012	1,939,068	1,039,062	2,978,130
2013	1,984,472	967,666	2,952,138
2014	1,743,399	899,408	2,642,807
2015	1,754,688	832,393	2,587,081
2016 – 2020	8,763,500	3,040,549	11,804,049
2021 – 2025	6,670,790	1,258,225	7,929,015
2026 – 2030	2,288,000	227,822	2,515,822
Total	<u>\$27,082,786</u>	<u>\$9,593,400</u>	<u>\$36,676,186</u>

(d) Authorized But Unissued Debt

At June 30, 2010, the Town has a total of \$13,325,000 in authorized, unissued debt in accordance with RIGL 45-12-2, which consists of the following authorizations:

	<u>Authorized</u>	<u>Unissued</u>
Ordinance No. 2000-11 West End Water Extension	\$ 6,425,000	\$ 3,600,000
Ordinance No. 2005-19 Library	7,500,000	4,225,000
Ordinance No. 2009-07 Sewer Projects	8,000,000	5,500,000
Total	<u>\$21,925,000</u>	<u>\$13,325,000</u>

(e) Advanced Refundings and Defeased Debt

Proceeds of refunding bonds are deposited into an irrevocable escrow trust. The trust is held by an independent trustee and is invested in obligations of the United States Government which mature and bear interest in such amounts and at such times as will be sufficient to pay the principal and interest of the defeased bonds upon maturity. Accordingly, the escrow trust fund, as well as the defeased bonds, are not reflected in the financial statements of the Town of Johnston, Rhode Island.

On June 29, 2010 the Town issued \$3,120,000 of General Obligation Bonds with an average interest rate of 3.45% to advance refund \$3,100,000 of outstanding 1998 Capital Improvement bonds dated 8/15/1998 with an average interest rate of 5.23%. The refunding of this debt resulted in a reduction of total debt service payments of \$240,138 and a present value economic gain of approximately \$214,417.

As of June 30, 2010, the in-substance defeased bonds outstanding were \$3,100,000 and were excluded from the accompanying financial statements.

(f) Compensated Absences

Vested sick leave, accumulated vacation pay, and severance based on years of employment for Governmental Fund Types are paid upon retirement, termination, or death of qualified employees. Payment of these accrued benefits is made from the Town's General Fund. Vested sick leave, severance, and accumulated vacation pay for Governmental Fund Type employees at June 30, 2010 amounted to \$7,867,471 of which \$2,353,409 and \$5,514,062 is related to School and Town employees, respectively.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

8. LONG-TERM DEBT (Continued)

(g) Schedule of long-term debt by purpose at June 30, 2010 is as follows:

	<u>Amount</u>	<u>Percent</u>
School, public improvement, and public safety ...	\$ 26,045,756	38%
Town equipment and vehicle leases.....	1,037,030	2
Police and fire net pension benefit obligations	5,772,000	8
Net OPEB obligations	28,237,757	41
Claims and judgments – Town	60,000	0
Compensated absences and severance	7,867,471	11
Total.....	<u>\$ 69,020,014</u>	<u>100%</u>

9. OPERATING LEASES

The Town of Johnston entered into a three-year lease agreement on October 1, 1992. The agreement was for the Municipal Court facility and has been recorded as an operating lease. The annual rent was \$20,580 which was paid in monthly installments of \$1,715. The lease agreement expired on September 30, 1995, and since that time, the Town has been paying rent on a month to month basis. Total lease expense paid under this agreement was approximately \$35,000 for the year ended June 30, 2010.

In January 2006 the Town entered into a twelve (12) month lease agreement for a facility that would be used to house the West End fire station. The monthly rent under this agreement was \$2,000. Upon termination of this agreement the Town continued to rent the facility on a month to month basis through April 2007. Effective May 2007 the Town entered into a new two year lease agreement for this facility with a monthly rent of \$2,200 during the first year, and \$2,400 per month for the second year. Upon termination of this agreement the Town continued to rent the facility on a month to month basis through November 2010. For the year ended June 30, 2010 the Town incurred rent expense of approximately \$31,200 on this facility.

On August 1, 2007, the School Department entered into a sixty-month lease agreement for nineteen (19) units of equipment. The lease agreement requires a base monthly rental charge of \$5,612 for the first 2 months of each fiscal year and \$10,081 for the remaining 10 months. Lease expense incurred under the terms of this agreement was approximately \$107,000 for the fiscal year ended June 30, 2010.

On July 30, 2008, the School Department entered into a one year lease agreement for unimproved land and a parking lot located on Federal Way to be used for the parking and storage of buses. The lease commenced on August 1, 2008 and requires twelve monthly payments, in advance, of \$3,150. In August 2009, the School Department renewed the lease on a month-to-month basis. During the fiscal year ended June 30, 2010 total expenditures incurred under the terms of this agreement were approximately \$40,000.

On February 1, 2009 the Town entered into a twenty (20) year "license" agreement with the State of Rhode Island for premises located on Hartford Avenue in Johnston, Rhode Island to be used for construction, operation, maintenance and management of the new Fire Station #4. The license agreement expiring on January 31, 2029 includes an option to renew for an additional 20-year term.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

9. OPERATING LEASES (Continued)

The following is a schedule of future minimum lease payments due under the terms of the above-noted lease agreements.

Year Ended <u>June 30</u>	
2011	\$112,036
2012	112,036
2013	<u>5,612</u>
Total	<u>\$229,684</u>

10. INTERFUND BALANCES AND TRANSFERS

Interfund balances represent short-term advances from one fund (primarily the General Fund) to another fund. The advances may represent balances resulting from operating advances or reimbursement for expenditures paid by one fund on behalf of another fund. The composition of interfund balances at June 30, 2010 is as follows:

<u>Governmental Funds:</u>	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 1,058,289	\$ 7,250,344
School Unrestricted Fund	3,279,699	815,586
All non-major funds	<u>2,242,530</u>	<u>2,674,159</u>
Total governmental funds	6,580,518	10,740,089
Proprietary Funds:		
Water Fund	2,900,643	0
Internal Service Fund	974,926	0
Cafeteria Fund	<u>114,981</u>	<u>0</u>
Total proprietary funds	<u>3,990,550</u>	0
Fiduciary Funds:		
Pension Trust Funds	75,723	58,202
Agency Funds	<u>151,500</u>	<u>0</u>
Total fiduciary funds	<u>227,223</u>	<u>58,202</u>
TOTAL ALL FUNDS	<u>\$10,798,291</u>	<u>\$10,798,291</u>

The composition of interfund transfers for the year ended June 30, 2010 is as follows:

<u>Transfer Out</u>	<u>General Fund</u>	<u>School Unrestricted Fund</u>	<u>Non-major Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Total Transfer Out</u>
General Fund	\$ 0	\$47,560,571	\$ 530,642	\$ 0	\$48,091,213
School Unrestricted Fund	0	0	240,819	93,487	334,306
Non-major Governmental Funds	183,300	0	72,404	32,490	288,194
Proprietary Funds	<u>125,000</u>	<u>0</u>	<u>32,490</u>	<u>0</u>	<u>157,490</u>
Total transfer in	<u>\$ 308,300</u>	<u>\$47,560,571</u>	<u>\$ 876,355</u>	<u>\$ 125,977</u>	<u>\$48,871,203</u>

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

11. DEFINED BENEFIT PENSION PLANS

(a) Municipal Employees' Retirement System of the State of Rhode Island

Plan Description

The Town of Johnston participates in the Municipal Employees' Retirement System of the State of Rhode Island ("System"), an agent multiple employer defined benefit plan. The System includes a normal plan for general employees. All full-time Town and non-certified School Department general employees participate in the System.

The payroll for employees covered by the System for the year ended June 30, 2010 was approximately \$7,968,000 and the Town wide payroll was approximately \$52,523,000.

The following eligibility and benefit provisions are established by State Statute. The System generally provides retirement benefits equal to 2 percent of final average salary per year of service with a maximum benefit of 75 percent of final average salary. Final average salary is the three highest consecutive years of earned salary exclusive of overtime, bonuses or severance pay. Such benefits are available to members at least age 58 with 10 years of service or after 30 years regardless of age. The plan also provides non-service-connected disability benefits after 5 years of service, service-connected disability benefits with no minimum service requirement, survivors' benefits, and certain lump sum death benefits. Employees are vested in their retirement benefits after of 10 years of service. Benefits are established by State Statute.

Contributions Required and Contributions Made

General employees are required by State Statute to contribute 7 percent of their annual earnings until the maximum benefit (75 percent of final average salary) is accrued. The Town is required to contribute based on an actuarially computed amount and as provided by State Statute for each participating municipality. The actuarial method used is the entry age normal cost with part of each municipality's unfunded actuarial liability funded over a fixed amortization period and the balance funded over the projected future payroll of active members. Due to large fluctuations in the contribution rates of certain municipalities, the plan has adopted a procedure which would allow a unit the option of paying a smoothed contribution rate. The smoothed contribution rate equals the previous fiscal year's contribution rate plus the greater of 2 percent or one eighth of the increase in contribution rate plus the cost of any benefit improvements. The actuarially determined contribution amount for the Town was determined as described above and was based on an actuarial valuation as of June 30, 2007.

The annual required contribution for the Town which equals the annual pension cost for the year ended June 30, 2010 was approximately \$798,000 (\$428,000 on behalf of Town employees and \$370,000 for School employees). This contribution represents 10.03% of covered payroll. General employees were required to contribute approximately \$557,000 (\$299,000 from Town employees and \$258,000 for non-certified School employees). This contribution represents 7% of covered payroll.

There were no current year significant changes in actuarial assumptions, benefit provisions, or actuarial funding method that would significantly affect the contribution requirement. Significant actuarial assumptions follow and other actuarial information is presented in the required supplemental information section of these statements.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

11. DEFINED BENEFIT PENSION PLANS (Continued)

(a) Municipal Employees' Retirement System of the State of Rhode Island (Continued)

The actuarial methods and assumptions utilized for the valuation of the municipal employee's retirement system were as follows (unaudited):

Valuation date	6/30/2008
Actuarial Cost Method.....	Entry age normal cost
Amortization Method	Level percent closed - 30 year from 6/30/99
Asset Valuation Method.....	5 Year Smoothed Market Value
Investment Rate of Return.....	8.25% annual, compounded annually
Projected Salary Increase.....	4.5% to 9% compounded annually
Inflation adjustment.....	3%
Cost of Living adjustments.....	3% non-compounded
Participant Information (June 30, 2009)	273 Active; 181 Retired

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/10	\$798,000	100%	\$ 0
6/30/09	\$927,000	100%	\$ 0
6/30/08	\$939,800	100%	\$ 0

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 30, 2009 annual financial report, which may be obtained from the administrative offices of the State of Rhode Island Retirement Board, 40 Fountain Street, Providence, Rhode Island or on-line at <http://www.ersri.org>. This report is the most recent report available from the State who administers the Plan.

Funded Status of Plan

The required supplementary information which follows the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Listed below are the details of the funding progress of the General Municipal Employees' Pension Plan with a valuation date of June 30, 2009 which is the most recent report available from the State who administers this plan.

Actuarial value of assets - \$30,947,972
Actuarial accrued liability - \$37,747,077
Unfunded actuarial accrued liability (UAAL) - \$6,799,105
Funded Ratio - 82.0%
Annual covered payroll - \$8,196,113
UAAL as percentage of payroll - 83.0%

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

11. DEFINED BENEFIT PENSION PLANS (Continued)

(b) Teacher's Pension Plan

All full-time teachers as well as superintendents, principals, school nurses and certain other school officials ("classified employees") in the Johnston School District participate in the Employees Retirement System of the State of Rhode Island (ERSRI), a cost-sharing multiple-employer public employee retirement system. In addition to classified employees, the System covers substantially all employees of the State of Rhode Island. The payroll for Town certified employees covered by the System for the year ended June 30, 2010, was approximately \$23,100,000; total payroll for all School employees was approximately \$27,200,000.

Plan Description

The ERS was established under section two of chapter 2334 of the Rhode Island Public Laws of 1951 and placed under the management of the Retirement Board for the purpose of providing retirement allowances for employees of the State of Rhode Island under the provisions of chapters 8 to 10, inclusive, or title 36, and public school teachers under the provisions of chapters 15 to 17, inclusive, of title 16 of the Rhode Island General Laws. The plan provides a two tier benefit structure referred to as schedules A and B as follows:

Schedule A Benefits: Schedule A benefits are available to members who possess 10 years or more of contributory service on or before July 1, 2005. Schedule A provides unreduced benefits of 1.7% of earnings for each of the first ten years of service; 1.9% for each of the next ten years of service; 3.0% per year for each of the next fourteen years; and 2% for the 35th year. Joint and survivor options are available as well as the Service Retirement Allowance (SRA) Plus option that provides for the payment of a larger benefit before the attainment of age 62 and a reduced amount thereafter. The reduced amount is equal to the benefit before age 62, including cost-of-living increases, minus the member's estimated social security benefit payable at age 62. The maximum benefit is 80% of "final average" (FAC) earnings after 35 years of service. Final average earnings are the three highest consecutive years of earned salary excluding overtime, bonuses, or severance pays. Such benefits are available to members at least age 60 with 10 years of service, or after 28 years at any age. On the third January after retirement, a cost-of-living increase of 3% (compounded annually) is provided independent of actual changes in the consumer price index. The plan also provides nonservice-connected disability benefits after five years of service; service-connected disability pensions with no minimum service requirements; vested benefits after ten years of service; survivor's benefits for service connected death; and certain lump sum death benefits. For Schedule A members who are not grandfathered, i.e., members who had at least 10 years of creditable service at June 30, 2005 but who were not eligible to retire on September 30, 2009, benefits are based on Schedule A for services through September 30, 2009 and on Schedule B for services after September 30, 2009. Maximum benefit is 80% of FAC.

Schedule B Benefits: Schedule B benefits are provided to members who have less than 10 years of contributory service on or before July 1, 2005. For Schedule B members, the plan provides unreduced benefits of 1.6% of earnings for each of the first ten years of service; 1.8% for each of the next ten years; 2.0% per year for years 21 through 25 inclusive; 2.25% per year for years 26 through 30 inclusive; 2.5% per year for years 31 through 37 inclusive and 2.25% for the 38th year. Only single life, and joint and survivor options are available. The maximum benefit is 75% of his or her average highest three years of compensation after 38 years of service. Such benefits are available to members at least age 65 with 10 years of service, or after 29 years of service and age 59. Actuarially reduced retirement is available at age 55 and 20 years of service, the benefit is reduced actuarially for each month that the age of the member is less than sixty-five years. On the month following the third anniversary date of the retirement, and on the month following the anniversary date of each succeeding year, a cost of living increase of 3% (compounded annually) or the percentage of increase in the Consumer Price Index for all Urban Consumers (CPI-U) as published by the United States Department of Labor Statistics, determined as of September 30 of the prior calendar year, whichever is less is provided for Schedule B members.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

11. DEFINED BENEFIT PENSION PLANS (Continued)

(b) Teacher's Pension Plan (Continued)

Plan Description (Continued)

The ERS plan also provides a survivor benefit to public school teachers via a "Teachers Survivor Benefits Fund" in lieu of Social Security. The details of the survivor death benefits and other death benefits are provided in the financial section of the Annual Financial Report of the Employees' Retirement System of Rhode Island for the fiscal year ending June 30, 2009 which can be found at www.ersri.org.

Funding Policy

Rhode Island general laws set the contribution rates for participating plan employees at 9.5% of salary. Annual contributions by both employers and the State on behalf of those employees are determined by actuaries and assessed as percentage of participants' payroll. The School Department was required to contribute 11.25%, 11.89%, and 13.04% for all full-time employees for fiscal years 2010, 2009 and 2008, respectively. The required contributions include (a) normal costs; (b) payments to amortize the unfunded frozen actuarial accrued liability as of June 30, 1999 over 30 years; and (c) interest on the unfunded frozen actuarial liability. Normal cost is determined using the entry age normal cost method with frozen initial liability. A variety of significant actuarial assumptions are used to determine the standardized measure of the pension benefit obligation and these assumptions are summarized below:

- A. **Mortality** – 1994 Group Annuity Mortality Table
- B. **Investment return** – 8.25 percent, compounded annually.
- C. **Salary increase** - Salaries will increase at a rate of 4.5% to 13.25%, compounded annually.
- D. **Retirement age** – 75% of Schedule B members who reach the age of 59 with 29 years of service before age 65 are assumed to retire when first eligible. 75% of other members are expected to retire when first eligible, at age 65 with 10 years of service. Because of enactment of Article 7 in 2009, the retirement assumption was modified for members not eligible for retirement by October 1, 2009. Members who would have been assumed to retire prior to age 62 under the rules in effect before the enactment of Article 7 are assumed to retire when first eligible for an unreduced benefit under Article 7.
- E. **Cost of living adjustments** – Schedule A Members: 3.0% compounded annually.
Schedule B Members: 2.5%.

As prescribed by Rhode Island general law, the State pays the entire portion of the annual required contribution attributable to the costs of contributions deferred by the State in prior years plus 40% of contributions assessed to employers on payroll not reimbursable through Federal programs. For fiscal year 2010, actuarial required contributions were 19.01% of the participant's salary. This resulted in contribution rates paid by the State on behalf of the School Department of 7.76% of non-federally reimbursable payrolls totaling \$1,747,060 for the year ended June 30, 2010. The School Department contributed the remaining 11.25% of the required 19.01%.

The School Department does not have any investments on related party investments with the State Plan. The School Department's (employer) contribution represented approximately 1.3% of total (employer) contributions required of all participating entities for the fiscal year ended June 30, 2009 (latest available information).

The approximate amounts required and contributed to the plan are as follows:

<u>Years Ending June 30,</u>	<u>Employee</u>	<u>Employer</u>	<u>Percentage Contributed</u>
2010	\$2,199,100	\$2,652,300	100%
2009	\$2,015,300	\$2,557,000	100%
2008	\$1,995,200	\$2,818,300	100%

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

11. DEFINED BENEFIT PENSION PLANS (Continued)

(b) Teacher's Pension Plan (Continued)

Funding Policy (Continued)

In accordance with GASB 27, "Accounting for Pensions by State and Local Governmental Employers," the School District has determined that there is and has been no net pension obligation or assets related to the Plan.

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 30, 2009 annual financial report, which may be obtained from the administrative offices of the State of Rhode Island Retirement Board, 40 Fountain Street, Providence, Rhode Island. This report is the most recent report available from the State, who administers the Plan. The report can also be found at www.ersri.org.

(c) Police and Fire Pensions

Police and fire department employees are covered under a pay-as-you-go pension plan, except for firefighters hired after July 1, 1999 who are covered under the State of Rhode Island MERS retirement system. The pay-as-you-go retirement plans are considered, in the labor contracts, to be defined benefit plans although they currently are not set up to meet the specifications of a defined benefit plan.

Any police officer or fire fighter currently receiving a pension under the pay-as-you-go plan of the Town will also receive a cost of living allowance (COLA) equal to 50% of the increase awarded to current active police officers and fire fighters.

Police Pension Plan

The following reflects the retirement benefits schedule for members of the police department retiring after July 1, 1979.

<u>Years of Service</u>	<u>Percentage of Pay</u>
10 - 17	25%
18	45%
19	47 1/2%
20	50%
21	52%
22	54%
23	56%
24	58%
25 to 30 years	65% to 70%

Employees of the police department are required to contribute 6% of their annual salary and the Town must match 12% of the employees' annual salary.

Employees retiring prior to 10 years of service may withdraw from the retirement fund his or her 6% contribution as well as the Town's 12% contribution into the fund. Employees retiring between 10 and 18 years of service may either withdraw the 18% or leave the funds in tact until 20 years have passed and at that time the employee would receive a pension at the rate of 25% of his/her pay at the time of retirement (see above noted chart).

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

11. DEFINED BENEFIT PENSION PLANS (Continued)

(c) Police and Fire Pensions (Continued)

Police Pension Plan (Continued)

At June 30, 2010, approximately 71 active employees and 88 retirees were enrolled in the police pay-as-you-go pension plan. For the year ended June 30, 2010, contributions to the pension trust fund were approximately \$1,042,000, which consisted of approximately \$438,000 from the employees and \$604,000 from the Town. The Town's payroll for police officers covered under this plan was approximately \$4,952,000 and the Town's total payroll for the year ended June 30, 2010 was approximately \$52,523,000.

In addition to the active members noted above, the Town of Johnston, Rhode Island is also paying pension/retirement benefits out of the General Fund for former employees of the police department. Accordingly, there are no contributions being made on behalf of these retired employees. For the year ended June 30, 2010, the Town of Johnston paid retirement benefits of approximately \$2,409,600, out of the General Fund operating budget for these former police department employees. These payments are considered contributions towards the annual pension cost.

The Town's annual pension cost (APC) and net pension benefit obligation (NPO) for the police pension fund for the year ended June 30, 2010 was as follows:

Annual required contribution (ARC).....	\$3,464,000
Interest on net pension obligation.....	122,000
Adjustment to ARC	<u>(127,000)</u>
Annual pension cost.....	3,459,000
Town contributions made.....	<u>3,024,000</u>
Increase in net pension obligation	435,000
Net pension benefit obligation, June 30, 2009	<u>1,578,000</u>
Net pension benefit obligation, June 30, 2010.....	<u>\$2,013,000</u>

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Town Contribution</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2010	\$3,024,000	\$3,459,000	87%	\$2,013,000
6/30/2009	\$2,817,000	\$3,343,000	84%	\$1,578,000
6/30/2008	\$2,883,000	\$2,847,000	101%	\$1,092,000

Funded Status of Plan

The required supplementary information which follows the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Listed below are the details of the funding progress of the Municipal Police Pension Plan with a valuation date of July 1, 2009 which is the most recent report available from the State who administers this plan.

Actuarial value of assets - \$14,201,866	Actuarial accrued liability - \$51,411,601
Unfunded actuarial accrued liability (UAAL) - \$37,209,735	
Funded Ratio - 27.62%	
Annual covered payroll - \$5,142,023	
UAAL as percentage of payroll - 723.64%	

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

11. DEFINED BENEFIT PENSION PLANS (Continued)

(c) Police and Fire Pensions (Continued)

Fire Pension Plan

Effective July 1, 1992, the pension contribution for the pay-as-you-go fire pension plan of Johnston and the employees of the permanent fire department is 12% by the Town and 8% by the employees. The contribution is calculated on the employees' salary, holiday pay, longevity pay, incentive pay and overtime pay.

The firefighter pay-as-you-go fund provides retirement benefits as well as death and disability benefits. All members of the fire department hired before February 1, 1973 are eligible to participate. Participants in the plan are eligible to retire after 20 years of service and the attainment of age 55. Benefits are equal to 50% of the final average of the employee's three highest consecutive years of compensation based on weekly salary, longevity, holiday, clothing allowance, maintenance allowance, etc. Employees shall be able to accrue an additional 2 ½% in benefits for each year of service credited over 20 years up to a maximum of 30 years for a benefit of 75% of pay. The monthly retirement benefits will in no event exceed 70% of the final compensation. Employees are vested in their retirement benefits on completion of 10 years of service.

At June 30, 2010 approximately 39 active employees and 76 retirees were enrolled in the firefighters pay-as-you-go pension plan. During the year ended June 30, 2010, contributions to the fund were approximately \$740,000, which consisted of approximately \$296,000 from the employees and \$444,000 from the Town. The Town's payroll for fire department personnel covered under the plan was approximately \$3,698,000 and the Town's total payroll for the year ended June 30, 2010 was approximately \$52,523,000.

All firefighters who retire on disability receive sixty-six and two-thirds percent of their salary as defined in their collective bargaining agreement, at the time of disability. Personnel who retired prior to July 1, 1998 receive their pension payments from a private insurer. Any subsequent cost of living pension increases are paid by the Town. For personnel retiring after June 30, 1998, the Town pays their pension payments.

In addition to the contributions being made by and on behalf of the active members of the fire department, the Town of Johnston is also paying pension/retirement benefits out of the General Fund for former employees of the Fire Department. Accordingly, there are no contributions being made to the pension fund for these former employees. For the year ended June 30, 2010, the Town of Johnston paid retirement benefits approximately \$3,152,700, out of the General Fund operating budget for these former fire department employees. These payments are considered contributions towards the annual pension cost.

The Town's annual pension cost (APC) and net pension benefit obligation (NPO) for the fire pension fund for the year ended June 30, 2010 was follows:

Annual required contribution (ARC)	\$3,834,000
Interest on net pension obligation	272,000
Adjustment to ARC	<u>(261,000)</u>
Annual pension cost (APC)	3,845,000
Town contributions made	<u>3,589,000</u>
Increase in net pension obligation	256,000
Net pension benefit obligation, June 30, 2009	<u>3,503,000</u>
Net pension benefit obligation, June 30, 2010	<u>\$3,759,000</u>

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

11. DEFINED BENEFIT PENSION PLANS (Continued)

(c) Police and Fire Pensions (Continued)

Fire Pension Plan (Continued)

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Town Contribution</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2010	\$3,589,000	\$3,845,000	93%	\$3,759,000
6/30/2009	\$2,833,000	\$3,718,000	76%	\$3,503,000
6/30/2008	\$3,253,000	\$3,228,000	101%	\$2,576,000

The actuarial methods and assumptions utilized for the valuation of the police and fire pension funds as of a valuation date of July 1, 2009 were as follows (unaudited):

Actuarial Cost Method.....	Entry age normal cost
Amortization Method.....	Level percent of pay assuming 3.5% inflation, closed.
Remaining Amortization Period.....	20 years remaining as of July 1, 2009
Asset Valuation Method.....	Market Value
Investment Rate of Return.....	7.75% annual, net of investment expense
Projected Salary Increase.....	4.5% annually
Plan Membership.....	Total: Police – 153; Fire - 116

Funded Status of Plan

The required supplementary information which follows the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Listed below are the details of the funding progress of the Fire Pension Plan with a valuation date of July 1, 2009 which is the most recent report available from the State who administers this plan.

Actuarial value of assets - \$17,472,877
Actuarial accrued liability - \$65,098,078
Unfunded actuarial accrued liability (UAAL) - \$47,625,201
Funded Ratio – 26.84%
Annual covered payroll - \$3,398,303
UAAL as percentage of payroll – 1,401.44%

Post July 1, 1999 Fire Fighter Plan

The Town contributes to the Municipal Employee's Retirement System of the State of Rhode Island (the "System"), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participants. The fire fighters hired after July 1, 1999 are covered under Option D of the MERS Plan (20 year optional Police and Fire Plan). The Town's payroll for employees covered by the System for the year ended June 30, 2010 was approximately \$2,484,000, the Town's total payroll (subject to pension) for all fire department employees was approximately \$6,182,000. The Town's total payroll for the year ended June 30, 2010 was approximately \$52,523,000.

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TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

11. DEFINED BENEFIT PENSION PLANS (Continued)

(c) Police and Fire Pensions (Continued)

Post July 1, 1999 Fire Fighter Plan (Continued)

Covered employees are required to contribute 8% of their salary to the plan. The Town is required to contribute 8.99% of covered payroll. Total contributions to the plan were approximately \$421,000 which consisted of approximately \$222,000 by the Town and \$199,000 by employees.

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2010	\$222,000	100%	\$-0-
2009	\$192,000	100%	\$-0-
2008	\$163,800	100%	\$-0-

The actuarial methods and assumptions utilized for the valuation of the post July 1, 1999 Fire Fighter MERS Plan were as follows (unaudited):

Valuation date	6/30/2008
Actuarial Cost Method.....	Entry age normal cost
Amortization Method.....	Level percent closed 30 years from 6/30/1999
Asset Valuation Method.....	5 Year Smoothed Market Value
Investment Rate of Return.....	8.25% annual, compounded annually
Projected Salary Increase.....	4.75% to 14.75% compounded annually
Inflation adjustment.....	3%
Cost of Living Adjustments	3% non-compounded
Participant information (June 30, 2009)	45 Active members 1 Retired member

Funded Status of Plan

The required supplementary information which follows the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Listed below are the details of the funding progress of the Post July 1, 2000 Fire Employees Pension Plan with a valuation date of June 30, 2009 which is the most recent report available from the State who administers this plan.

- Actuarial value of assets - \$1,941,048
- Actuarial accrued liability - \$1,944,014
- Unfunded actuarial accrued liability (UAAL) - \$2,966
- Funded Ratio - 99.8%
- Annual covered payroll - \$2,316,237
- UAAL as percentage of payroll - 0.1%

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

12. POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB)

In addition to the pension benefits described in Note 11, the Town provides post employment health care benefits and life insurance in accordance with certain union contracts. These benefits are currently recognized on a pay-as-you go basis. A description of these OPEB benefits, by employee group, is described below:

Eligibility: Town employees are eligible for benefits after 10 years of service and age 58 or 26 years of service at any age. School Department Certified employees are eligible at 20 years of service. Family benefits are only offered if the certified employee retired prior to September 1997. Non-Certified employees are eligible at 15 years of service and age 58 or 25 years of service at any age. This includes individual or family benefits. However, if hired after September 1, 1999 the employee must have at least 20 years of service and have attained age 60 or 25 years of and age 55.

Benefit Types: Medical, Prescription Drug, and Vision.

Duration of Coverage: Lifetime

Dependent Benefits: Medical, Prescription Drug (if covered prior to retirement) and vision.

Dependent Coverage: Lifetime. (For school certified, family coverage is only offered if retired prior to September, 1997).

Retiree Contributions: Retiree and spouse do not contribute to the cost of the medical/prescription drug/vision coverage.

Additional information on the description of benefits and coverage is provided in the report of *Actuarial Valuation and Review of Other Postemployment Benefits (OPEB) as of June 30, 2008*. This report dated January 13, 2009 can be obtained by contacting the Town's Finance Department.

Funding Policy:

The Annual Required Contribution (ARC) for OPEB consists of two pieces: A Normal Cost (the cost of benefits earned each year which should be accrued in that year) plus a Past Service Cost (a catch-up accrual to amortize the unfunded accrued liability). The actuarial valuation selected a 30 year amortization period for past service costs (this is the maximum period allowed by GASB).

The ARC for the fiscal year ended June 30, 2010 was 19,180,430 and represents \$7,400,149 and \$11,780,281, for School and Town personnel, respectively.

The current year expenditures for these post-retirement benefits are recognized on a pay-as-you-go basis, as the monthly costs for the benefits become due. During the year ended June 30, 2010, expenditures of approximately \$4,472,600 were recognized for post-retirement benefits. Of this amount approximately \$2,261,000 was paid for 218 Town retirees, and \$2,211,600 was paid for 266 School retirees. Current year expenditures represent approximately 23.3% of the ARC.

As noted above the Town did not comply with the funding requirements for the fiscal year ended June 30, 2010 which were determined by the actuarial valuation report with a valuation date of June 30, 2008. As a result, the government-wide financial statements include a long-term liability of \$28,275,137 and an expense for this Net OPEB Obligation (NOO) of approximately \$14,469,733.

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TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

12. POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB) (Continued)

Funding Policy (Continued):

The NOO at June 30, 2010 was calculated as follows:

	Governmental Activities	Business-Type Activities
Annual Required Contribution	\$19,180,430	\$37,735
Interest on existing NOO	497,636	640
Adjustment to ARC	<u>(773,060)</u>	<u>(995)</u>
Annual OPEB cost.....	18,905,006	37,380
Contribution made during fiscal 2010.....	<u>(4,472,653)</u>	<u>0</u>
Net increase in NOO	14,432,353	37,380
NOO at June 30, 2009	<u>13,805,404</u>	<u>0</u>
NOO at June 30, 2010.....	<u>\$28,237,757</u>	<u>\$37,380</u>

Funded Status of Plan:

The required supplementary information which follows the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Listed below are the details of the funding progress of the OPEB Plan with a valuation date of June 30, 2008 which is the most recent report available from the actuary who was hired by the Town to value the plan.

Governmental Activities:

- Actuarial value of assets - \$0
- Actuarial accrued liability (AAL) - \$226,042,752
- Unfunded actuarial accrued liability (UAAL) - \$226,042,752
- Funded ratio - 0.00%
- Annual covered payroll - N/A
- UAAL as percent of payroll - N/A

Business-Type Activities:

- Actuarial value of assets - \$0
- Actuarial accrued liability (AAL) - \$202,748
- Unfunded actuarial accrued liability (UAAL) - \$202,748
- Funded ratio - 0.00%
- Annual covered payroll - N/A
- UAAL as percent of payroll - N/A

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of the valuation and on the pattern of sharing costs between the employer and plan members. The projection of benefits does not incorporate the potential effect 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, and the methods and assumptions use techniques designed to reduce short term volatility in accrued liabilities and the actuarial value of assets, if any. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and the actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial Assumptions:

- a. Valuation Date: June 30, 2008
- b. Actuarial Method: Projected Unit Credit
- c. Amortization Method: Payments increasing at 3.5%
- d. Amortization Period: 30 year closed (30 years remaining at June 30, 2008)
- e. Asset Valuation Method: Market Value
- f. Investment Rate of Return: 3.5%
- g. Inflation Rate - 3.5%
- h. Medical/Drug cost trend rate - 10.0% decreasing by .5% for 10 years to an ultimate level of 5.0% per year.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

12. POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB) (Continued)

Number of Participants:

At June 30, 2008 the total number of participants under the plan was 1,148. The plan participants include 439 current retirees (193 Town and 246 School) and 709 active employees (286 Town and 423 School).

13. FUND EQUITY BALANCES (DEFICITS)

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

(a) Fund Balances

Reservations of fund balances at June 30, 2010 were as follows:

General Fund:

Reserved for prepaids.....	\$ 878,783
Reserve for amounts due from other funds	932,457

School Unrestricted Fund:

Reserved for prepaids.....	51,514
Total reservation of fund balance	<u>\$1,862,754</u>

(b) Fund Deficits

The following individual funds had deficits for the year ended June 30, 2010, as follows:

Non-major Governmental Funds:

Special Revenue Funds:

School Restricted Fund	\$ 19,752
Byrne JAG Stimulus Grant	2,317
Police Special Account	49,083
Recreation Department	5,747
Substance Abuse Prevention Grant	5,068
Police Detail	19,811
Youth Tobacco Grant	2,400
Fire Department Detail	52,343

Capital Project Funds:

1998 Capital Improvement Bond	200,100
AutoCad Map Digitizing	14,244
School Improvements	10,900
West End Fire Station	1,923,255
Open Space Grant	58,160

**Total deficits non-major governmental activities for
the year ended June 30, 2010** **\$2,363,180**

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

13. FUND BALANCE (DEFICITS) (Continued)

(b) Fund Deficits (Continued)

The following funds had cumulative deficits as of June 30, 2010:

Non-major Governmental Funds:

Special Revenue Funds:

Byrne JAG Stimulus Grant.....	\$ 2,317
Fire Department Detail.....	52,343

Capital Project Funds:

Senior Center Grant.....	195,301
Middle School Renovation	121,497
Winsor Hill School.....	282,666
Fire Station #1.....	<u>278,333</u>

Total Cumulative Fund Deficits - Non-major

Governmental Funds	<u>\$932,457</u>
---------------------------------	-------------------------

The cumulative fund deficits of the capital project funds noted above are expected to be reduced in future years through the issuance of bonds and transfers from other funds.

14. RISK MANAGEMENT and HEALTH CARE MANAGEMENT FUND

Health Care

Effective July 1, 2008 the Town of Johnston established a Health Care Management Fund (an Internal Service Fund) to account for its health care coverage programs for current active and retire employees. In addition, effective July 1, 2008 the Town became a member of Rhode Island Municipal Insurance Corporation (RIMIC), a collaborative of various municipal entities, for health insurance claims. All departments of the Town participate in the self insurance program (cost plus basis) through RIMIC.

The Town currently maintains stop loss insurance to protect the taxpayers from catastrophic loss resulting from excessive health insurance claims. At June 30, 2010 the stop loss insurance contract covered all claims exceeding \$175,000 per individual on an annual basis. In addition, specific stop loss maximum for the Town for the year is maintained at approximately \$1,825,000.

The Town's Finance Department oversees the self-insured program for all Town employees and claims payment services are provided by Blue Cross and Blue Shield of Rhode Island (Plan Administration). All funds of the Town make payments to the Health Care Management Fund (an Internal Service Fund) based on actual claims or based on estimated working rates. Billings from the Health Care Management Fund to other Town funds for the fiscal year ended June 30, 2010 were approximately \$12,791,000 which represented approximately \$5,177,000 and \$7,614,000 for Town and School Department personnel, respectively. At June 30, 2010 the Town has estimated a liability for incurred but not reported claims (IBNR) based on actual claims paid subsequent to year end but related to claims incurred prior to June 30, 2010 as follows:

	<u>2010</u>	<u>2009</u>
IBNR at beginning of year.....	\$ 759,674	\$ 194,000
Claims incurred during the year.....	12,791,636	12,764,882
Claims paid during the year.....	<u>(13,089,315)</u>	<u>(12,199,208)</u>
IBNR at June 30.....	<u>\$ 461,995</u>	<u>\$ 759,674</u>

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

14. RISK MANAGEMENT and HEALTH CARE MANAGEMENT FUND (Continued)

Unemployment

The Town is self-insured for unemployment benefits.

Other Insurance

The Town is a member of the Rhode Island Inter-Local Risk Management Trust. This cooperative pool with other Rhode Island cities and towns provides insurance coverage for the Town's risks of loss.

The Trust provides all property and liability insurance coverage for the Town. Property and liability claims are subject to a \$2,500 per occurrence deductible with the exception of public officials' liability claims, which are subject to a \$5,000 per occurrence deductible. The Trust's self-insured retention levels range from \$100,000 to \$500,000 depending on the type of coverage provided. In addition to the self-insurance provided by the Trust, there is also reinsurance through third party sources for claims up to \$4,000,000.

The Trust is a non-profit organization which is governed by a Board of Trustees composed of officials of member organizations or their representatives. In addition to insurance coverage, the Trust provided risk management services with emphasis on loss control, risk management, education and training, claims administration and other services to its members.

Upon joining the Trust, members sign a participation agreement which outlines the rights and responsibilities of both members and the Trust. The agreement states that for premiums paid by members, the Trust will assume financial responsibility for member's losses up to a maximum amount of insurance purchased, minus member's deductible amounts. Additionally, should a member decide to withdraw from the Trust, the participation agreement requires three month notice and the payment of a severance penalty.

15. OTHER AGREEMENTS

- A. In March 1996, the Town entered into an agreement with the Rhode Island Solid Waste Management Corporation (the "Corporation"). The agreement shall remain in effect for as long as the Corporation, its successor or assigns owns or operates solid waste management facilities and landfills solid waste on the property in the Town.

The terms of the agreement are as follows:

1. Town received \$3,150,000 in April 1996 as settlement of all disputed amounts owed to the Town by the Corporation from the beginning of time up to the effective date of the agreement.
2. Annual payments shall be made to the Town in the amount of \$1,500,000 plus 3 1/2% of the Corporation's gross revenue. However, the annual payment must not be less than \$1,500,000 nor greater than 10% of the Corporation's gross revenue.
3. The annual payments are due on a quarterly basis beginning July 1, 1996. If the Corporation fails to make a payment within thirty (30) days after the due date, interest shall accrue from the expiration of the due date at the rate of six percent (6%) per annum.
4. For the contract year beginning April 1, 2001, and every five (5) years thereafter, the base payment in effect for the previous five (5) years shall be increased ten percent (10%).
5. Total revenue recognized under this agreement and recorded in the General Fund for the year ended June 30, 2010 was approximately \$3,727,000. In addition to the \$3.727 million the Town also recognized revenue for Tipping Fees of approximately \$299,000 during the fiscal year ended June 30, 2010.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

15. OTHER AGREEMENTS (Continued)

- B. In May 1999, the Town entered into an agreement with Reliant Energy Hope, L.P. ("Hope"). On June 26, 2002 this agreement was transferred to Rhode Island State Energy Statutory Trust 2000 (a Connecticut Statutory Trust) ("the Trust"). Therefore, the agreement is now held between the Town of Johnston and the Trust.

The Project is intended to provide significant benefits to industrial customers located in the industrial park site where the facility is constructed. Also, the Trust will provide significant additional benefits to the Town through arranging for the provision of discounted generation supply to the Town for use in its municipal facilities.

The agreement shall remain in effect for 17 years from the commencement of the Construction Phase or if the Construction Phase exceeds 2 years then the agreement will remain in effect for 15 years from the commencement of plant operations. The construction was completed and the plant began operating in November 2002.

The terms of the agreement are as follows:

1. An initial payment of \$950,000 was remitted as a project impact fee, (received in fiscal 2000).
2. On the first anniversary of the Host Community Impact Fee Initial Payment Date, the sum of \$1,000,000 (received in fiscal 2001).
3. On the second anniversary of the Host Community Impact Fee Initial Payment Date, the sum of \$1,000,000 (received in fiscal 2002).
4. If the Trust decides to discontinue the development of the facility prior to the commencement of the operational period this agreement shall terminate upon receipt by the Town of notice of such termination for the Trust.
5. Total revenue received under this agreement and recorded as tax revenue in the General Fund was \$2,500,000 for the year ended June 30, 2010.

Tax stabilization payments shall be made on January 31 as follows:

2011.....	\$ 2,500,000
2012.....	2,500,000
2013.....	2,500,000
2014.....	2,500,000
2015.....	2,500,000
2016.....	2,500,000
Total.....	<u>\$15,000,000</u>

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

16. COMMITMENTS, CONTINGENCIES AND LITIGATION

The School has contracted to have bus service provided for students through the last day of school in June 2010, with an option to renew the contract for up to an additional two years. Total costs incurred under this contract were approximately \$3,195,000 for the year ended June 30, 2010. In August 2010 the School renewed the contract for an additional year through August 2011. Estimated costs to be incurred over the additional 1-year life of this contract are approximately \$1,966,000.

Liabilities for legal cases and other claims against governmental funds are recorded in the governmental funds when the ultimate liability can be estimated and such cases are expected to be settled with available expendable resources.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally, the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.

At June 30, 2010, the Town had several other lawsuits pending. These lawsuits include personal injury, claims, automobile claims, zoning appeals, grievances, and tax valuation matters. The total maximum damages being sought from the Town are not known as the Town's insurance carrier is expected to incur most of the cost of these claims. At June 30, 2010, the liability, if any, resulting from these claims was not determinable.

During the year ended June 30, 1998, the Town purchased annuities for 25 retired firefighters. The annuity contracts are to be used to pay the pension obligations to these firefighters. The Town does not have access to these funds and they are not subject to general creditors of the Town. As a result, the investments and obligations are omitted from the financial statements. However, the Town may be liable to the retirees in the event that the insurance company cannot meet the obligations. The cost of living benefits for negotiated contracts that exceed the value of the annuities are paid annually by the Town from appropriated funds.

In March 2003, the Town received a commitment from 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 \$250,000 non-restoring line-of-credit. The proceeds of the loan shall be used by the Town for the establishment and operation of a Community Septic System Loan Program. The Program provides for the Town to make loans to property owners of the Town for the repair or replacement of failed or failing septic systems. The individual loans to be made to property owners shall be underwritten by the Town with the assistance of the Rhode Island Housing Mortgage Finance Corporation (RIHMFC). RIHMFC, on behalf of the Town shall perform all administrative functions related to servicing the individual loans, including disbursing loans to property owners and collecting and remitting borrower loan payments. The loan has a zero interest rate to the Town and 4% to property owners. The Town is only required to make principal repayments in the event that individual property owners default on their loans. As of June 30, 2010, the outstanding balance was approximately \$43,000 while the amount available under this program was approximately \$14,000.

In February 2008, the Town received another commitment from the Rhode Island Clean Water Finance Agency to finance the Town's Community Septic System Loan Program. The loan agreement provides the Town with an additional \$250,000 non-restoring line-of-credit, with the same terms and purpose as the loan received in 2003 (as described above). As of June 30, 2010, there was no outstanding balance on this loan and the entire loan amount of \$250,000 was available under this program.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

16. COMMITMENTS, CONTINGENCIES AND LITIGATION (Continued)

In October 2006, the Town reached an agreement with a former employee for payments of retirement compensation. Under the terms of the agreement, the Town will make a monthly payment of approximately \$700 for the remainder of the employee's life. The Town estimated the original present value of this long-term liability to be approximately \$82,000. The present value of this obligation at June 30, 2010 was approximately \$60,000. The liability has been recorded in the Government-Wide statements at June 30, 2010. The liability is not recorded in the Fund Statements as it is not expected to be paid with current measurable and available resources.

At June 30, 2010 the Town had several contractual construction commitments totaling approximately \$2,656,700 related to the following capital projects:

Library project	\$ 1,683,900
Memorial Plat Sewer Project	656,100
Bus Storage Garage	250,400
West End Fire Station	66,300
Total	<u>\$2,656,700</u>

17. SUBSEQUENT EVENT

On October 12, 2010 the Town Council passed a Resolution authorizing issuance of \$8,400,000 in Special Obligation Tax Increment Bonds for financing the Town Center redevelopment project. In accordance with the Town Council Resolution #2010-28, the Town signed a Tax Increment Financing (TIF) agreement for \$8,400,000 on approximately December 23, 2010.

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TOWN OF JOHNSTON, RHODE ISLAND

REQUIRED SUPPLEMENTARY INFORMATION



TOWN OF JOHNSTON, RHODE ISLAND

**Required Supplementary Information
Schedule of Funding Progress for Pension Plans
June 30, 2010
UNAUDITED**

	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Funding Excess (Deficit)	Funded Ratio	Covered Payroll	Funding Excess (Deficit) as A percentage of Covered Payroll
General municipal employees							
pension plan.....	6/30/2007	\$ 28,777,664	\$ 33,643,759	\$ (4,866,095)	85.5%	\$ 9,037,436	-53.8%
	6/30/2008	\$ 31,206,540	\$ 35,051,692	\$ (3,845,152)	89.0%	\$ 8,570,160	-44.9%
	6/30/2009	\$ 30,947,972	\$ 37,747,077	\$ (6,799,105)	82.0%	\$ 8,196,113	-83.0%
Post July 1, 2000 Fire employees							
pension plan.....	6/30/2007	\$ 1,312,361	\$ 1,299,565	\$ 12,796	101.0%	\$ 1,565,638	0.8%
	6/30/2008	\$ 1,711,089	\$ 1,599,225	\$ 111,864	107.0%	\$ 1,663,174	6.7%
	6/30/2009	\$ 1,941,048	\$ 1,944,014	\$ (2,966)	99.8%	\$ 2,316,237	-0.1%

The information included in the above schedule of funding progress was obtained from the annual actuarial valuation reports of the State of Rhode Island's Employee Retirement System for each of the dates indicated.

Pension Trust Funds

Municipal police							
pension plan.....	7/1/2005	\$ 11,455,511	\$ 37,167,194	\$ (25,711,683)	30.82%	\$ 3,850,625	-667.73%
	7/1/2007	\$ 15,515,997	\$ 44,530,429	\$ (29,014,432)	34.84%	\$ 4,815,217	-602.56%
	7/1/2009	\$ 14,201,866	\$ 51,411,601	\$ (37,209,735)	27.62%	\$ 5,142,023	-723.64%
Fire pension plan.....							
	7/1/2005	\$ 13,549,265	\$ 44,078,961	\$ (30,529,696)	30.74%	\$ 4,295,487	-710.74%
	7/1/2007	\$ 20,662,996	\$ 55,191,527	\$ (34,528,531)	37.44%	\$ 4,588,641	-752.48%
	7/1/2009	\$ 17,472,877	\$ 65,098,078	\$ (47,625,201)	26.84%	\$ 3,398,303	-1401.44%

The information included in the above schedule of funding progress (for the Pension Trust Funds) was obtained from actuarial valuation reports provided by an independent actuary engaged by the Town. The years presented are the only years for which reports are available.

TOWN OF JOHNSTON, RHODE ISLAND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND - BUDGETARY BASISFOR THE YEAR ENDED JUNE 30, 2010
UNAUDITED

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Tax revenues:				
Current year	\$ 60,581,641	\$ 60,581,641	\$ 61,729,512	\$ 1,147,871
1st preceding year	1,650,029	1,650,029	1,493,400	(156,629)
2nd preceding year	0	0	206,549	206,549
All other preceding years	0	0	49,834	49,834
Abatements	(100,000)	(100,000)	(173,810)	(73,810)
Power plant tax treaty	2,500,000	2,500,000	2,500,000	0
Total revenues	64,631,670	64,631,670	65,805,485	1,173,815
Departmental fees and revenue:				
Business licenses and registration	65,000	65,000	62,725	(2,275)
Non business licenses and fees	260,000	260,000	107,982	(152,018)
Infrastructure fees	4,000	4,000	12,460	8,460
Inspection fees:				
Mechanical	50,000	50,000	54,081	4,081
Plumbing	23,000	23,000	17,736	(5,264)
Building	410,000	410,000	282,979	(127,021)
Electrical	73,000	73,000	60,806	(12,194)
Engineering fees	7,000	7,000	3,945	(3,055)
Public works	1,000	1,000	277	(723)
DPW - release and discharge of liens	4,800	4,800	62,071	57,271
Zoning board	60,000	60,000	65,073	5,073
Sewer maintenance fees	3,000	3,000	10,562	7,562
Planning board fees	65,000	65,000	52,027	(12,973)
Tax collector's fees	35,000	35,000	108,524	73,524
Investment and interest income	190,000	190,000	85,225	(104,775)
Sewer plan review and permit fees	2,000	2,000	0	(2,000)
Municipal court fees	635,000	635,000	461,752	(173,248)
Entertainment licenses	1,500	1,500	2,100	600
Marriage, death, and birth certificates	20,000	20,000	24,690	4,690
Stamps	250,000	250,000	197,496	(52,504)
Advertising	15,000	15,000	17,329	2,329
Recording/probate land evidence	250,000	250,000	239,716	(10,284)
Probate fees	40,000	40,000	35,556	(4,444)
Police fees	2,500	2,500	4,522	2,022
VIN number check	7,400	7,400	16,608	9,208
Fire rescue fees	25,000	25,000	5,424	(19,576)
Fire plan review fees	75,000	75,000	0	(75,000)
Methane gas	117,000	117,000	112,979	(4,021)
Tipping fees	425,000	425,000	299,125	(125,875)
Cell phone towers	150,000	150,000	180,017	30,017
Sewer service fees	45,000	45,000	36,604	(8,396)
Interest and penalties on property tax	500,000	500,000	593,671	93,671
Fire rescue fees	860,000	860,000	929,889	69,889
Total departmental fees and revenue	4,671,200	4,671,200	4,143,951	(527,249)

(Continued)

TOWN OF JOHNSTON, RHODE ISLAND**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND - BUDGETARY BASIS****FOR THE YEAR ENDED JUNE 30, 2010
UNAUDITED**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Positive (Negative)</u>
State and federal aid grants:				
State aid - school	9,637,703	9,637,703	8,971,462	(666,241)
State Fiscal Stabilization Funds (SFSF)	0	0	529,448	529,448
School Housing aid	300,000	300,000	511,312	211,312
State MV phase-out	5,064,868	5,064,868	4,341,586	(723,282)
Solid waste in lieu of taxes	4,159,435	4,159,435	3,726,691	(432,744)
Public service corporation tax	247,561	247,561	305,274	57,713
Meals and beverage tax	417,071	417,071	436,838	19,767
Library aid	105,464	105,464	105,464	0
Grant revenue	0	0	191,606	191,606
Total state and federal aid grants	<u>19,932,102</u>	<u>19,932,102</u>	<u>19,119,681</u>	<u>(812,421)</u>
Miscellaneous	<u>537,500</u>	<u>537,500</u>	<u>519,642</u>	<u>(17,858)</u>
School miscellaneous	<u>680,000</u>	<u>680,000</u>	<u>930,646</u>	<u>250,646</u>
Total revenues before other financing sources	<u>90,452,472</u>	<u>90,452,472</u>	<u>90,519,405</u>	<u>66,933</u>
Other financing sources:				
Transfer from other funds	295,000	295,000	308,300	13,300
Total other financing sources	<u>295,000</u>	<u>295,000</u>	<u>308,300</u>	<u>13,300</u>
Total revenues and other financing sources	<u>90,747,472</u>	<u>90,747,472</u>	<u>90,827,705</u>	<u>80,233</u>

(Continued)

TOWN OF JOHNSTON, RHODE ISLAND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND - BUDGETARY BASIS (CONTINUED)FOR THE YEAR ENDED JUNE 30, 2010
UNAUDITED

	Originally Adopted Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Legislative, judicial and general administrative:				
Town Council:				
Salaries	32,700	32,700	32,700	0
FICA	2,685	2,685	2,685	0
Health Insurance	16,431	16,431	14,291	2,140
Life Insurance	251	251	206	45
Retirement town's share	1,986	1,986	1,685	301
Department	5,100	5,100	0	5,100
Telephone	2,500	2,500	1,653	847
Office	100	100	59	41
Town Sargent salary	2,400	2,400	2,400	0
Claims	2,500	2,500	0	2,500
Total Town Council	66,653	66,653	55,679	10,974
Mayor:				
Salaries:				
Mayor	75,000	75,000	75,289	(289)
Chief of Staff salary	65,000	65,000	59,687	5,313
Full time salaries	45,500	45,500	45,675	(175)
FICA	14,191	14,191	13,755	436
Health Insurance	30,511	30,511	25,736	4,775
Life Insurance	376	376	315	61
Retirement town's share	18,605	18,605	9,868	8,737
Office	2,000	2,000	2,773	(773)
Telephone	1,200	1,200	690	510
Department expense	4,000	4,000	2,180	1,820
Total Mayor	256,383	256,383	235,968	20,415
Courts:				
Probate	7,500	7,500	7,529	(29)
FICA	574	574	576	(2)
Health Insurance	15,255	15,255	12,549	2,706
Life Insurance	125	125	10	115
Department	300	300	80	220
Total Courts	23,754	23,754	20,744	3,010
Canvassers:				
Salaries:				
Board	6,000	6,000	5,625	375
Full time salaries	68,811	68,811	68,683	128
FICA	5,723	5,723	5,587	136
Health Insurance	36,237	36,237	30,261	5,976
Life Insurance	251	251	206	45
Retirement town's share	6,902	6,902	6,818	84
Office	2,250	2,250	3,084	(834)
Department expense	500	500	353	147
Total Canvassers	126,674	126,674	120,617	6,057
Legal:				
Salaries	52,000	52,000	52,200	(200)
Paralegal	5,000	5,000	0	5,000
Health Insurance	0	0	1,175	(1,175)
FICA	4,361	4,361	3,993	368
Retirement town's share	0	0	5,296	(5,296)
Life Insurance	125	125	96	29
Legal services	273,000	273,000	591,459	(318,459)
Claims, judgments and settlements	25,000	25,000	119,404	(94,404)
Office	3,800	3,800	383	3,417
Total Legal	363,286	363,286	774,006	(410,720)

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND - BUDGETARY BASIS (CONTINUED)FOR THE YEAR ENDED JUNE 30, 2010
UNAUDITED

	Originally Adopted Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Legislative, judicial and general administrative (continued):				
Town Clerk:				
Full-time salaries	156,490	156,490	157,943	(1,453)
Deputy clerk	5,250	5,250	6,470	(1,220)
FICA	12,373	12,373	12,380	(7)
Health Insurance	57,220	57,220	46,642	10,578
Life Insurance	502	502	425	77
Retirement town's share	15,696	15,696	15,899	(203)
Stenographer	20,000	20,000	13,361	6,639
Department	2,000	2,000	1,554	446
Operating	64,200	64,200	70,813	(6,613)
Total Town Clerk	333,731	333,731	325,487	8,244
Zoning Board:				
Salaries	8,800	8,800	8,513	287
FICA	673	673	651	22
Stenographer	5,100	5,100	5,771	(671)
Department	5,000	5,000	489	4,511
Total Zoning Board	19,573	19,573	15,424	4,149
Zoning Board of Appeals:				
Board salaries	8,800	8,800	0	8,800
FICA	673	673	0	673
Total Zoning Board of Appeals	9,473	9,473	0	9,473
Total legislative, judicial, and general administrative	1,199,527	1,199,527	1,547,925	(348,398)
Financial Administration:				
Finance:				
Salaries	496,554	496,554	458,714	37,840
FICA	37,986	37,986	34,019	3,967
Health Insurance	112,514	112,514	92,928	19,586
Life Insurance	1,254	1,254	1,084	170
Retirement town's share	49,804	49,804	45,745	4,059
Office	4,200	4,200	4,433	(233)
Audit	35,000	35,000	33,643	1,357
Consulting fee	150,000	150,000	144,750	5,250
Department	14,200	14,200	14,399	(199)
Dues, publications, and subscriptions	1,000	1,000	340	660
Equipment service	2,300	2,300	1,525	775
Payroll processing	36,000	36,000	35,200	800
Training	2,000	2,000	1,240	760
Fiscal advisor	5,000	5,000	900	4,100
Computer contracts	8,900	8,900	8,802	98
Postage	9,400	9,400	11,145	(1,745)
Conference fees	250	250	90	160
Bank fees	40,000	40,000	16,233	23,767
Telephone	15,000	15,000	19,123	(4,123)
Tax collection fees	90,000	90,000	76,715	13,285
Total financial administration	1,111,362	1,111,362	1,001,028	110,334
Assessor:				
Full-time salaries	134,588	120,978	122,061	(1,083)
Part/over time	500	14,110	7,479	6,631
FICA	10,334	10,334	9,772	562
Health Insurance	11,454	11,454	9,091	2,363
Life Insurance	376	376	315	61
Retirement town's share	12,134	12,134	12,178	(44)
Processing tax roll	7,500	7,500	19,144	(11,644)
Consulting fee	600	600	2,550	(1,950)
Computer service contracts	8,000	8,000	8,000	0
Equipment service contract	2,000	2,000	2,391	(391)
Office	4,000	4,000	5,586	(1,586)
Department expense	500	500	504	(4)
Statistical update	150,000	150,000	169,701	(19,701)
Total assessor	341,986	341,986	368,772	(26,786)

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND - BUDGETARY BASIS (CONTINUED)FOR THE YEAR ENDED JUNE 30, 2010
UNAUDITED

	Originally Adopted Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Public safety:				
Police Department:				
Salaries	4,118,128	4,118,128	4,320,867	(202,739)
Overtime salaries	483,500	483,500	531,526	(48,026)
Holiday salaries	197,547	197,547	226,717	(29,170)
Training and college	50,000	50,000	54,472	(4,472)
Training and accreditation	5,000	5,000	5,399	(399)
Part-time salaries	42,765	42,765	44,051	(1,286)
JARE Overtime salaries	160,000	160,000	166,037	(6,037)
FICA	413,800	413,800	490,094	(76,294)
Health Insurance	999,368	999,368	662,490	336,878
Life Insurance	7,900	7,900	11,012	(3,112)
Severance pay	150,000	150,000	412,816	(262,816)
Gasoline	100,000	100,000	130,285	(30,285)
Arms and ammunition	10,000	10,000	9,931	69
Clothing and maintenance	134,750	134,750	130,250	4,500
Firearm allowance	36,000	36,000	40,000	(4,000)
Police pension	2,667,326	2,667,326	2,409,627	257,699
Bureau of criminal investigation	12,500	12,500	14,157	(1,657)
Office	2,800	2,800	15,536	(12,736)
Department - chief	2,500	2,500	5,118	(2,618)
Retirement	535,143	535,143	665,906	(130,763)
Retiree health insurance	834,248	834,248	933,251	(99,003)
Retiree life insurance	6,644	6,644	3,530	3,114
Dues and publications	1,400	1,400	988	412
Radio maintenance	2,500	2,500	2,116	384
Vehicle repair	13,000	13,000	64,149	(51,149)
Equipment rental	1,500	1,500	3,784	(2,284)
Computer service contracts	32,000	32,000	24,580	7,420
Equipment maintenance	5,000	5,000	5,105	(105)
Explorer	9,000	9,000	8,700	300
Heating	15,000	15,000	7,838	7,162
Electric	35,000	35,000	25,110	9,890
Telephone	45,000	45,000	53,048	(8,048)
Water	5,000	5,000	11,216	(6,216)
Rent	1,800	1,800	1,800	0
Automobile lease purchase	152,066	152,066	170,431	(18,365)
Department	12,000	12,000	20,164	(8,164)
Recruits expense	0	0	20,679	(20,679)
Longevity	254,686	254,686	238,226	16,460
Animal control	10,000	10,000	7,469	2,531
Bidding and advertising	2,500	2,500	0	2,500
Total police department	11,567,371	11,567,371	11,948,475	(381,104)
Municipal Court:				
Full time salaries	142,859	142,859	142,866	(7)
FICA	10,929	10,929	10,737	192
Health Insurance	38,327	38,327	32,870	5,457
Life Insurance	376	376	315	61
Retirement town's share	13,577	13,577	13,496	81
Postage	500	500	487	13
Utilities	5,700	5,700	5,433	267
Office	1,200	1,200	911	289
Rent	32,400	32,400	31,399	1,001
Building maintenance	1,280	1,280	669	611
Telephone	1,440	1,440	1,130	310
Service contracts	6,100	6,100	5,512	588
Department	3,500	3,500	3,682	(182)
Total municipal court	258,188	258,188	249,507	8,681

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND - BUDGETARY BASIS (CONTINUED)FOR THE YEAR ENDED JUNE 30, 2010
UNAUDITED

	Originally Adopted Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Public safety (continued):				
Fire department:				
Department salaries	4,660,261	4,660,261	4,448,811	211,450
Holiday salaries	269,967	269,967	247,254	22,713
Sick time salaries	20,000	20,000	16,339	3,661
FICA	535,348	535,348	566,324	(30,976)
Health Insurance	1,139,202	1,139,202	955,550	183,652
Life Insurance	38,784	38,784	36,747	2,037
Severance pay	0	0	8,477	(8,477)
Radio maintenance and supplies	20,000	20,000	13,629	6,371
Fire prevention	7,500	7,500	7,508	(8)
Sanitary supplies	20,000	20,000	19,293	707
Clothing and allowance	161,200	161,200	151,700	9,500
Fire alarm	10,000	10,000	7,916	2,084
First aid and ambulance service	55,000	55,000	50,863	4,137
Gasoline	90,000	90,000	72,114	17,886
Office	10,000	10,000	13,810	(3,810)
Longevity	487,978	487,978	487,705	273
Overtime salaries	1,652,000	1,652,000	2,318,522	(666,522)
Haz-Mat stipend	46,280	46,280	44,066	2,214
Fire pension	2,487,328	2,487,328	3,152,686	(665,358)
SCBA operations	9,000	9,000	7,385	1,615
Utilities	77,000	77,000	83,564	(6,564)
Telephone	38,500	38,500	29,500	9,000
Postage	250	250	486	(236)
Rent	32,400	32,400	33,166	(766)
Hydrants	150,000	150,000	139,871	10,129
Military leave	0	0	5,000	(5,000)
Hazardous materials	13,000	13,000	5,195	7,805
Fire chief department	4,280	4,280	2,817	1,463
Retirement	549,286	549,286	677,657	(128,371)
Retiree health care	767,750	767,750	874,337	(106,587)
Retiree life insurance	2,011	2,011	47	1,964
Training and college	30,000	30,000	50,385	(20,385)
Equipment rental	261,370	261,370	368,796	(107,426)
Department expense	1,200	1,200	26,616	(25,416)
Building maintenance	7,000	7,000	5,137	1,863
Fire fighter equipment and supplies	34,300	34,300	117,266	(82,966)
Total fire department	13,688,195	13,688,195	15,046,539	(1,358,344)
Emergency Management:				
Salaries	6,000	6,000	750	5,250
FICA	459	459	57	402
Telephone	500	500	0	500
Office supplies	100	100	50	50
Total emergency management	7,059	7,059	857	6,202
Total public safety	25,520,813	25,520,813	27,245,378	(1,724,565)
Public works department:				
Streets and highways:				
Salaries	755,953	755,953	646,045	109,908
Overtime	91,350	91,350	92,100	(750)
FICA	64,819	64,819	55,482	9,337
Health Insurance	182,027	182,027	147,713	34,314
Life Insurance	2,257	2,257	1,863	394
Retirement town's share	75,821	75,821	62,966	12,855
Snow removal	220,000	220,000	198,084	21,916
Drainage	5,000	5,000	3,628	1,372
Street lighting	500,000	500,000	377,545	122,455
Street and traffic control	10,000	10,000	9,440	560
Street and highway materials	50,000	50,000	91,835	(41,835)
Equipment maintenance	2,500	2,500	367	2,133
Total streets and highways	1,959,727	1,959,727	1,667,068	272,659

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND - BUDGETARY BASIS (CONTINUED)FOR THE YEAR ENDED JUNE 30, 2010
UNAUDITED

	Originally Adopted Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Public works department (Continued):				
Building maintenance:				
Salaries	200,074	200,074	192,416	7,658
Overtime	7,105	7,105	7,118	(13)
Severance	0	0	21,063	(21,063)
FICA	15,849	15,849	16,583	(734)
Health Insurance	56,916	56,916	46,928	9,988
Life Insurance	627	627	585	42
Retirement town's share	20,067	20,067	19,193	874
Building supplies	47,750	47,750	51,467	(3,717)
Department expense	500	500	267	233
Total building maintenance	348,888	348,888	355,620	(6,732)
Public Works Administration:				
Salaries	242,539	242,539	240,653	1,886
Overtime	500	500	389	111
FICA	18,592	18,592	18,703	(111)
Health Insurance	30,511	30,511	24,777	5,734
Life Insurance	627	627	535	92
Retirement town's share	15,500	15,500	15,207	293
Emergency management	0	0	5,760	(5,760)
Garbage collections	1,531,772	1,531,772	1,290,203	241,569
Recycling bins	7,000	7,000	1,077	5,923
Safety equipment	6,000	6,000	4,255	1,745
Tree Removal	13,000	13,000	13,345	(345)
Gasoline	90,160	90,160	80,842	9,318
Leased equipment	177,898	177,898	72,043	105,855
Telephone	23,610	23,610	25,416	(1,806)
Utilities	44,800	44,800	38,371	6,429
Office expense	9,350	9,350	9,127	223
Department	2,500	2,500	4,288	(1,788)
Uniforms	15,100	15,100	9,471	5,629
Total Public Works Administration	2,229,459	2,229,459	1,854,462	374,997
Sewer Department:				
Service salaries	126,986	126,986	97,935	29,051
FICA	9,714	9,714	7,422	2,292
Health Insurance	20,973	20,973	16,692	4,281
Life Insurance	251	251	115	136
Retirement town's share	10,831	10,831	7,973	2,858
Department	750	750	3,465	(2,715)
Total sewer department	169,505	169,505	133,602	35,903
Waste water management:				
Part time salaries	8,925	8,925	5,633	3,292
FICA	1,234	1,234	967	267
Postage	600	600	365	235
Bidding and advertising	800	800	572	228
Board salaries	7,200	7,200	7,000	200
Total waste water management	18,759	18,759	14,537	4,222

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND - BUDGETARY BASIS (CONTINUED)FOR THE YEAR ENDED JUNE 30, 2010
UNAUDITED

	Originally Adopted Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Public works department (Continued):				
Fleet maintenance:				
Salaries	216,011	216,011	152,912	63,099
Overtime salaries	15,000	15,000	21,251	(6,251)
FICA	17,672	17,672	13,152	4,520
Health Insurance	71,866	71,866	59,980	11,886
Life Insurance	878	878	755	123
Retirement town's share	21,666	21,666	15,214	6,452
Vehicle repair - Utility	1,500	1,500	3,794	(2,294)
Vehicle repair - Police	35,000	35,000	48,407	(13,407)
Vehicle repair - Fire	65,000	65,000	78,563	(13,563)
Vehicle repair - Highway	70,000	70,000	89,716	(19,716)
Vehicle repair - Inspectors	1,000	1,000	0	1,000
Department	300	300	0	300
Total fleet maintenance	515,893	515,893	483,744	32,149
Utilities:				
Salaries	180,804	180,804	188,936	(8,132)
Overtime salaries	35,000	35,000	41,752	(6,752)
Severance pay	0	0	49,255	(49,255)
FICA	16,509	16,509	21,257	(4,748)
Health Insurance	56,610	56,610	46,473	10,137
Life Insurance	627	627	515	112
Retirement town's share	18,135	18,135	18,544	(409)
Heat	250	250	245	5
Materials	1,000	1,000	259	741
Sewer pumping station maintenance	35,000	35,000	46,756	(11,756)
Pump station electric	14,000	14,000	13,598	402
Sewer Damage Claims	87,000	87,000	0	87,000
Repairs-sewer systems	15,000	15,000	8,025	6,975
Total utilities	459,935	459,935	435,615	24,320
Inspector's fees:				
Salaries	35,429	35,429	29,576	5,853
Overtime	300	300	389	(89)
Plumbing inspector	14,687	14,687	14,743	(56)
Building inspector	19,760	19,760	8,436	11,324
Electrical inspector	14,687	14,687	14,743	(56)
Mechanical inspector-reliant	7,800	7,800	3,928	3,872
Building official	53,500	53,500	50,862	2,638
FICA	14,624	14,624	12,780	1,844
Health Insurance	35,932	35,932	29,774	6,158
Life Insurance	251	251	295	(44)
Retirement town's share	8,325	8,325	12,569	(4,244)
Dues, publications and subscriptions	150	150	100	50
Office	4,000	4,000	4,794	(794)
Leased equipment	800	800	0	800
Minimum housing officer	45,000	45,000	45,173	(173)
Department	2,800	2,800	1,974	826
Capital Purchases	2,700	2,700	0	2,700
Total inspector's office	260,745	260,745	230,136	30,609

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND - BUDGETARY BASIS (CONTINUED)FOR THE YEAR ENDED JUNE 30, 2010
UNAUDITED

	Originally Adopted Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Public works department (Continued):				
Parks and recreation:				
Park salaries	500,014	500,014	466,114	33,900
Recreation salaries	163,594	163,594	117,348	46,246
Overtime salaries	5,000	5,000	15,775	(10,775)
Severance pay	0	0	11,196	(11,196)
FICA	51,148	51,148	47,000	4,148
Health Insurance	199,329	199,329	161,070	38,259
Life Insurance	2,006	2,006	1,646	360
Retirement town's share	66,560	66,560	53,377	13,183
Equipment maintenance and supplies	3,000	3,000	2,681	319
Park maintenance	21,000	21,000	26,274	(5,274)
Vehicle repairs	6,000	6,000	5,734	266
Equipment lease	3,200	3,200	3,608	(408)
Recreation supplies	400	400	297	103
Utilities	31,000	31,000	43,800	(12,800)
Gasoline	14,000	14,000	17,274	(3,274)
Telephone	7,700	7,700	10,534	(2,834)
Uniforms	4,000	4,000	2,880	1,120
Office	1,500	1,500	1,531	(31)
Day camp	1,000	1,000	960	40
Parking rental	5,000	5,000	5,000	0
Department	6,000	6,000	6,446	(446)
Total parks and recreation	1,091,451	1,091,451	1,000,545	90,906
Total public works	7,054,362	7,054,362	6,195,329	859,033
Municipal land trust:				
Employee benefits	551	551	551	0
Board salaries	7,200	7,200	7,200	0
Total Municipal land trust	7,751	7,751	7,751	0
Human resources:				
General Public Assistance:				
Salaries	15,350	15,350	15,361	(11)
FICA	1,175	1,175	1,175	0
Life Insurance	125	125	10	115
Department	1,000	1,000	424	576
Food stamps and holidays	1,000	1,000	1,000	0
Total general public assistance	18,650	18,650	17,970	680
Personnel:				
Full time salaries	29,496	29,496	29,610	(114)
FICA	2,256	2,256	2,240	16
Health Insurance	15,257	15,257	11,940	3,317
Life Insurance	125	125	96	29
Retirement town's share	2,958	2,958	2,965	(7)
Board Salaries	0	0	450	(450)
Department	800	800	479	321
Total personnel	50,892	50,892	47,780	3,112
Total human resources	69,542	69,542	65,750	3,792

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND - BUDGETARY BASIS (CONTINUED)FOR THE YEAR ENDED JUNE 30, 2010
UNAUDITED

	Originally Adopted Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Miscellaneous appropriations:				
Liability insurance and workman's compensation	1,100,000	1,100,000	1,056,637	43,363
FICA	0	0	14,539	(14,539)
Retirement	0	0	9,604	(9,604)
Health Insurance	971,718	971,718	1,008,147	(36,429)
Stop - loss health insurance	250,000	250,000	250,000	0
Dues, publications, and subscriptions	3,000	3,000	0	3,000
Sealer of weights and measures	6,000	6,000	6,000	0
Tree warden	600	600	0	600
Contingency	5,000	5,000	2,173	2,827
Human needs program	0	0	4,988	(4,988)
Rent	3,800	3,800	3,800	0
Unemployment compensation	1,500	1,500	17,992	(16,492)
Police/Fire Pension Actuarial	20,000	20,000	48,807	(28,807)
Johnston Senior Citizen Center, Inc.	221,411	221,411	210,343	11,068
Tri-Town	30,000	30,000	30,000	0
Utilities	26,000	26,000	25,682	318
Equipment lease	20,145	20,145	20,145	0
Blue cross reimbursements	210,000	210,000	168,992	41,008
Total miscellaneous appropriations	2,869,174	2,869,174	2,877,849	(8,675)
Planning and Assessment Board:				
Planning Board:				
Salaries	115,007	115,007	99,965	15,042
Overtime	500	500	1,009	(509)
Board salaries	7,200	7,200	7,200	0
FICA	8,836	8,836	9,441	(605)
Life Insurance	251	251	205	46
Health Insurance	0	0	588	(588)
Retirement town's share	9,954	9,954	7,938	2,016
Severance pay	0	0	15,386	(15,386)
Stenographer	6,000	6,000	5,711	289
Department	500	500	365	135
Office	1,500	1,500	1,111	389
Bidding and advertising	6,000	6,000	1,766	4,234
Total planning board	155,748	155,748	150,685	5,063
Assessment Board:				
Board salaries	2,550	2,550	2,550	0
FICA	195	195	195	0
Total assessment board	2,745	2,745	2,745	0
Total planning and assessment board	158,493	158,493	153,430	5,063

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND - BUDGETARY BASIS (CONTINUED)FOR THE YEAR ENDED JUNE 30, 2010
UNAUDITED

	Originally Adopted Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Library:				
Full time salaries	269,609	269,609	271,926	(2,317)
Part time salaries	106,171	106,171	91,305	14,866
Overtime	500	500	0	500
FICA	28,785	28,785	31,811	(3,026)
Health Insurance	73,714	73,714	58,094	15,620
Life Insurance	895	895	854	41
Retirement Town's share	27,295	27,295	27,227	68
Severance pay	0	0	44,555	(44,555)
Dues and publications	34,251	34,251	36,180	(1,929)
Computer service contracts	18,500	18,500	24,053	(5,553)
Postage	1,600	1,600	1,068	532
Bidding and advertising	250	250	0	250
Auto expense	500	500	433	67
Conferences	200	200	130	70
Sanitary supplies	500	500	500	0
Printing	500	500	0	500
Heat	5,000	5,000	2,615	2,385
Electric	13,000	13,000	8,708	4,292
Telephone	4,000	4,000	1,289	2,711
Water	1,200	1,200	1,302	(102)
Building Maintenance	2,500	2,500	4,704	(2,204)
Office supplies	4,000	4,000	3,729	271
Department expense	3,500	3,500	3,579	(79)
Total library	596,470	596,470	614,062	(17,592)
Debt service:				
Principal	1,342,885	1,342,885	1,342,885	0
Master lease principal payment	285,633	285,633	0	285,633
Interest	982,544	982,544	980,083	2,461
Total debt service	2,611,062	2,611,062	2,322,968	288,094
Total expenditures before other financing uses:	41,540,542	41,540,542	42,400,242	(859,700)
Other budgeted financing uses:				
Transfer to School - Town appropriation	37,129,015	37,129,015	37,129,015	0
Transfer to School - Deficit reduction	1,760,212	1,760,212	0	1,760,212
Transfer to School - State aid and miscellaneous receipts	10,317,703	10,317,703	9,902,108	415,595
Transfer to School - Federal SFSF	0	0	529,448	(529,448)
Transfer to Non-Major Governmental Funds	0	0	530,642	(530,642)
Total other budgeted financing uses	49,206,930	49,206,930	48,091,213	1,115,717
Total expenditures and other budgeted financing uses	90,747,472	90,747,472	90,491,455	256,017
Net change in fund balance	\$ -	\$ -	\$ 336,250	\$ 336,250

(CONCLUDED)

TOWN OF JOHNSTON, RHODE ISLAND

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - BUDGETARY BASIS
SCHOOL UNRESTRICTED FUND
YEAR ENDED JUNE 30, 2010
UNAUDITED**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:				
Expenditures:				
Salaries	\$ 25,583,494	\$ 25,422,357	\$ 25,295,791	\$ 126,566
Employee benefits	11,993,068	12,180,816	11,680,784	500,032
Purchased services	8,882,283	8,855,672	8,744,794	110,878
Supplies and materials	1,435,718	1,435,718	1,091,267	344,451
Other	39,343	39,343	17,316	22,027
Capital outlay	-	-	125,200	(125,200)
Total expenditures	47,933,906	47,933,906	46,955,152	978,754
Excess (deficiency) of revenues over (under) expenditures	(47,933,906)	(47,933,906)	(46,955,152)	978,754
Other financing sources (uses):				
Transfer from Town of Johnston General Fund	37,129,015	37,129,015	37,129,015	-
Transfer from Town General Fund - State Aid	10,124,891	10,124,891	8,971,462	(1,153,429)
Transfer from Town General Fund - Federal SFSP	-	-	529,448	529,448
Transfer from Town General Fund - Medicaid & Other	680,000	680,000	930,646	250,646
Transfer from other funds	-	-	(93,487)	(93,487)
Total other financing sources (uses)	47,933,906	47,933,906	47,467,084	(466,822)
 NET CHANGE IN FUND BALANCES	 \$ -	 \$ -	 \$ 511,932	 \$ 511,932

TOWN OF JOHNSTON, RHODE ISLAND

**Required Supplementary Information
Schedule of Funding Progress for OPEB Plans
Pay-As-You-Go Assumptions
June 30, 2010
UNAUDITED**

	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Funding Excess (Deficit)	Funded Ratio	Covered Payroll	Funding Excess (Deficit) as A percentage of Covered Payroll
Governmental Activities:							
General municipal employees.....	6/30/2008	\$0	\$ 137,698,237	\$ (137,698,237)	0%	N/A	N/A
School Department employees.....	6/30/2008	0	88,344,515	(88,344,515)	0%	N/A	N/A
Total Governmental Activities		\$0	\$ 226,042,752	\$ (226,042,752)	0%		
Business-Type Activities:							
Water Department employees.....	6/30/2008	\$0	\$ 202,748	\$ (202,748)	0%	N/A	N/A
Total Business-Type Activities		\$0	\$ 202,748	\$ (202,748)	0%		

The information included in the above schedule of funding progress (for the OPEB Trust Funds) was obtained from actuarial valuation reports provided by an independent actuary engaged by the Town. The years presented are the only years for which reports are available.

TOWN OF JOHNSTON, RHODE ISLAND

OTHER SUPPLEMENTARY INFORMATION



TOWN OF JOHNSTON, RHODE ISLAND

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes. The following funds are considered Special Revenue Funds at June 30, 2010:

****School Restricted Funds**

Community Development Block Grant
Byrne JAG Stimulus Grant
Police Special Account
Recreation Department
Substance Abuse Prevention Grant
Blue Riptide Grant
Police Detail
Youth Tobacco Grant
Historical Trust Fund

Fire Plan Review

Fire Prevention Grant
Memorial Library Fund
Byrne Grant
Fire Department Detail
State JAG Grant
Reserve Healthcare Fund
OPEB
Secure Our Schools

****School Restricted Funds are comprised of the following:**

Preschool IDEA Section 619
Preschool IDEA Section 619 – ARRA
IDEA Part B
IDEA Part B - ARRA
Title I
Title I - ARRA
Title V
Homeland Security
Title IV
Title II
Title III

E2T2 - ARRA
RISCA
Literacy
MCI Project
RI Education Foundation
Walmart Grant
Donation & Miscellaneous Grant
Perkins Vocational
General Assembly
Champlin MS
Feinstein

TOWN OF JOHNSTON, RHODE ISLAND

NONMAJOR GOVERNMENTAL FUNDS (Continued)

CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds. Funding sources include debt proceeds, intergovernmental sources, third party contributions and General Fund operating transfers. The following funds are considered Capital Project Funds at June 30, 2010:

1998 Capital Improvement Bond
Senior Center Grant
AutoCad Map Digitizing
Police Equipment
School Improvements
West End Fire Station
Highland Avenue Drainage
High School Renovation
Middle School Renovation
Ferri School Renovation
West End Water
Unobligated Capital Fund

Sewer Project Capri & Bellaire
Rainone Gym Renovations
DAM Renovations
Pezza Property Acquisition
Champlin Community Park
Capital Lease
Police Station Construction
Open Space Grant
Winsor Hill School
Fire Station #1
Library Building
Memorial Plat Sewer Project

TOWN OF JOHNSTON, RHODE ISLAND

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2010

SPECIAL REVENUE FUNDS

	School Restricted Fund	Community Development Block Grant	Byrne JAG Stimulus Grant	Police Special Account	Recreation Department	Substance Abuse Prevention Grant	Blue Riptide Grant	Police Detail	Youth Tobacco Grant	Historical Trust Fund
ASSETS										
Cash and cash equivalents		\$ 895		\$ 79,895						\$ 338,752
Restricted cash held in escrow								\$ 68,233		
Accounts and other receivables										
Due from federal & state governments	\$ 1,682,720	44,342								
Due from other funds	22,614					\$ 7,694	\$ 4,292	248,735		2,948
TOTAL ASSETS	\$ 1,705,334	\$ 45,237	\$ -	\$ 79,895	\$ -	\$ 7,694	\$ 4,292	\$ 316,968	\$ -	\$ 341,700
LIABILITIES AND FUND BALANCE										
LIABILITIES										
Accounts payable	\$ 63,857					\$ 7,694				
Due to federal & state governments				\$ 1,611						
Due to other funds	1,615,869	\$ 44,342	\$ 2,317							
Deferred revenue	3,195	895								
TOTAL LIABILITIES	1,682,921	45,237	2,317	1,611	\$ -	7,694	\$ -	\$ -	\$ -	\$ -
FUND BALANCES										
Unreserved	22,413	0	(2,317)	78,284	0	0	4,292	316,968	0	341,700
TOTAL FUND BALANCES	22,413	0	(2,317)	78,284	0	0	4,292	316,968	0	341,700
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,705,334	\$ 45,237	\$ -	\$ 79,895	\$ -	\$ 7,694	\$ 4,292	\$ 316,968	\$ -	\$ 341,700

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2010**

SPECIAL REVENUE FUNDS

	Fire Plan Review	Fire Prevention Grant	Memorial Library Fund	Byrne Grant	Fire Dept. Detail	State JAG Grant	Reserve Health Care	OPEB	Secure Our Schools	Total Special Revenue Fund
ASSETS										
Cash and cash equivalents			\$ 133,442					\$ 100,368		\$ 653,352
Restricted cash held in escrow										0
Accounts and other receivables										68,233
Due from federal & state governments										1,727,062
Due from other funds	\$ 361,394	\$ 7,810					\$ 171,370		\$ 30,791	857,648
TOTAL ASSETS	\$ 361,394	\$ 7,810	\$ 133,442	\$ -	\$ -	\$ -	\$ 171,370	\$ 100,368	\$ 30,791	\$ 3,306,295
LIABILITIES AND FUND BALANCE										
LIABILITIES										
Accounts payable			\$ 250							\$ 71,801
Due to federal & state governments										1,611
Due to other funds					\$ 52,343					1,714,871
Deferred revenue										4,090
TOTAL LIABILITIES	\$ -	\$ -	250	\$ -	52,343	\$ -	\$ -	\$ -	\$ -	1,792,373
FUND BALANCES										
Unreserved	361,394	7,810	133,192	-	(52,343)	0	171,370	100,368	30,791	1,513,922
TOTAL FUND BALANCES	361,394	7,810	133,192	0	(52,343)	0	171,370	100,368	30,791	1,513,922
TOTAL LIABILITIES AND FUND BALANCES	\$ 361,394	\$ 7,810	\$ 133,442	\$ -	\$ -	\$ -	\$ 171,370	\$ 100,368	\$ 30,791	\$ 3,306,295

TOWN OF JOHNSTON, RHODE ISLAND

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2010**

CAPITAL PROJECT FUNDS

	1998 Capital Improvement Bond	Senior Center Grant	AutoCad Map Digitizing	Police Equipment	School Improvements	West End Fire Station	Highland Ave Drainage	High School Renovation	Middle School Renovation	Ferri School Renovation	West End Water	Unobligated Capital Fund	Sewer Project Capri & Bellaire
ASSETS													
Cash and cash equivalents	\$ 549,455					\$ 1,201							
Restricted cash held in escrow													
Accounts and other receivables													
Due from federal & state governments													
Due from other funds				\$ 9,586		87,114	\$ 113,069	\$ 622,298		\$ 86,747	\$ 47,384	\$ 45,327	\$ 108
TOTAL ASSETS	\$ 549,455	\$ -	\$ -	\$ 9,586	\$ -	\$ 88,315	\$ 113,069	\$ 622,298	\$ -	\$ 86,747	\$ 47,384	\$ 45,327	\$ 108
LIABILITIES AND FUND BALANCE													
LIABILITIES													
Accounts payable	\$ 90,890					\$ 4,920							
Due to federal & state governments													
Due to other funds		\$ 195,301							\$ 121,497				
Deferred revenue													
TOTAL LIABILITIES	90,890	195,301	\$ -	\$ -	\$ -	4,920	\$ -	\$ -	121,497	\$ -	\$ -	\$ -	\$ -
FUND BALANCES													
Unreserved	458,565	(195,301)	0	9,586	0	83,395	113,069	622,298	(121,497)	86,747	47,384	45,327	108
TOTAL FUND BALANCES	458,565	(195,301)	0	9,586	0	83,395	113,069	622,298	(121,497)	86,747	47,384	45,327	108
TOTAL LIABILITIES AND FUND BALANCES	\$ 549,455	\$ -	\$ -	\$ 9,586	\$ -	\$ 88,315	\$ 113,069	\$ 622,298	\$ -	\$ 86,747	\$ 47,384	\$ 45,327	\$ 108

TOWN OF JOHNSTON, RHODE ISLAND

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2010

CAPITAL PROJECT FUNDS

	Rainone Gym Renovations	DAM Renovations	Pezza Property Acquisition	Champlin Community Park	Capital Lease	Police Station Construction	Open Space Grant	Winsor Hill School	Fire Station #1	Library Building	Memorial Plat Sewer Project	Total Capital Project Funds	Total Nonmajor Government Funds
ASSETS													
Cash and cash equivalents			\$ 5,839		\$ 68,874					\$ 2,160,161		\$ 2,785,530	\$ 3,438,882
Restricted cash held in escrow											\$ 803,832	803,832	803,832
Accounts and other receivables												-	68,233
Due from federal & state governments												-	1,727,062
Due from other funds	\$ 17,021	\$ 57,745	37,297	\$ 60,283		\$ 200,903						1,384,882	2,242,530
TOTAL ASSETS	\$ 17,021	\$ 57,745	\$ 43,136	\$ 60,283	\$ 68,874	\$ 200,903	\$ -	\$ -	\$ -	\$ 2,160,161	\$ 803,832	\$ 4,974,244	\$ 8,280,539
LIABILITIES AND FUND BALANCE													
LIABILITIES													
Accounts payable										\$ 281,055	\$ 44,812	\$ 421,677	\$ 493,478
Due to federal & state governments												-	1,611
Due to other funds								\$ 282,666	\$ 278,333	3,475	78,016	959,288	2,674,159
Deferred revenue												-	4,090
TOTAL LIABILITIES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 282,666	\$ 278,333	\$ 284,530	\$ 122,828	\$ 1,380,965	\$ 3,173,338
FUND BALANCES													
Unreserved	17,021	57,745	43,136	60,283	68,874	200,903	0	(282,666)	(278,333)	1,875,631	681,004	3,593,279	5,107,201
TOTAL FUND BALANCES	17,021	57,745	43,136	60,283	68,874	200,903	0	(282,666)	(278,333)	1,875,631	681,004	3,593,279	5,107,201
TOTAL LIABILITIES AND FUND BALANCES	\$ 17,021	\$ 57,745	\$ 43,136	\$ 60,283	\$ 68,874	\$ 200,903	\$ -	\$ -	\$ -	\$ 2,160,161	\$ 803,832	\$ 4,974,244	\$ 8,280,539

TOWN OF JOHNSTON, RHODE ISLAND

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the year ended June 30, 2010

	SPECIAL REVENUE FUNDS									
	School Restricted Fund	Community Development Block Grant	Byrne JAG Stimulus Grant	Police Special Account	Recreation Department	Substance Abuse Prevention Grant	Blue Riptide Grant	Police Detail	Youth Tobacco Grant	Historical Trust Fund
REVENUES										
Federal and state grants	\$ 3,045,970	\$ 96,217	\$ 46,085	\$ 30,804		\$ 30,777	\$ 26,115			
Investment income				1,098	\$ 38					\$ 1,723
Other	10,580				12,843			\$ 574,243		33,980
Total revenues	3,056,550	96,217	46,085	31,902	12,881	30,777	26,115	574,243	\$ -	35,703
EXPENDITURES										
Current:										
Education	3,317,121									
Other expenses		96,217	41,037	4,071	25,194	35,845	26,115	444,054		6,861
Bond issuance cost										
Capital outlays			7,365	76,914						
Total expenditures	3,317,121	96,217	48,402	80,985	25,194	35,845	26,115	444,054	-	6,861
Excess (deficiency) of revenues over (under) expenditures	(260,571)	0	(2,317)	(49,083)	(12,313)	(5,068)	0	130,189	0	28,842
Other financing sources (uses):										
Issuance of bonds and lease purchase obligations										
Transfers in	240,819				6,566					
Transfers out								(150,000)	(2,400)	
Total other financing sources	240,819	0	0	0	6,566	0	0	(150,000)	(2,400)	0
Net change in fund balances	(19,752)	0	(2,317)	(49,083)	(5,747)	(5,068)	0	(19,811)	(2,400)	28,842
Fund balances (deficits) - July 1, 2009	42,165	0	0	127,367	5,747	5,068	4,292	336,779	2,400	312,858
Fund balances (deficits) - June 30, 2010	\$ 22,413	\$ -	\$ (2,317)	\$ 78,284	\$ -	\$ -	\$ 4,292	\$ 316,968	\$ -	\$ 341,700

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the year ended June 30, 2010

	SPECIAL REVENUE FUNDS									
	Fire Plan Review	Fire Prevention Grant	Memorial Library Fund	Byrne Grant	Fire Dept. Detail	State JAG Grant	Reserve Health Care	OPEB	Secure Our Schools	Total Special Revenue Funds
REVENUES										
Federal and state grants				\$ 14,300		\$ 27,983				\$ 3,318,251
Investment income			\$ 738					\$ 368		3,965
Other	\$ 43,578	\$ 10,200	3,141		\$ 20,891					709,456
Total revenues	43,578	10,200	3,879	14,300	20,891	27,983	\$ -	368	\$ -	4,031,672
EXPENDITURES										
Current:										
Education										3,317,121
Other expenses	12,736	3,410	1,681	14,300	67,478	22,715				801,714
Bond issuance cost										-
Capital outlays						5,268				89,547
Total expenditures	12,736	3,410	1,681	14,300	67,478	27,983	-	-	-	4,208,382
Excess (deficiency) of revenues over (under) expenditures	30,842	6,790	2,198	0	(46,587)	0	0	368	0	(176,710)
Other financing sources (uses):										
Issuance of bonds and lease purchase obligations										
Transfers in					14,244					261,629
Transfers out					(20,000)					(172,400)
Total other financing sources	0	0	0	0	(5,756)	0	0	0	0	89,229
Net change in fund balances	30,842	6,790	2,198	0	(52,343)	0	0	368	0	(87,481)
Fund balances (deficits) - July 1, 2009	330,552	1,020	130,994	0	0	0	171,370	100,000	30,791	1,601,403
Fund balances (deficits) - June 30, 2010	\$ 361,394	\$ 7,810	\$ 133,192	\$ -	\$ (52,343)	\$ -	\$ 171,370	\$ 100,368	\$ 30,791	\$ 1,513,922

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the year ended June 30, 2010

	CAPITAL PROJECT FUNDS												
	1998 Capital Improvement Bond	Senior Center Grant	AutoCad Map Digitizing	Police Equipment	School Improvements	West End Fire Station	Highland Ave Drainage	High School Renovation	Middle School Renovation	Ferri School Renovation	West End Water	Unobligated Capital Fund	Sewer Project Capri & Bellaire
REVENUES													
Federal and state grants													
Investment income	\$ 2,785					\$ 7,923	\$ 1,099	\$ 1,540	\$ 1,913	\$ 893	\$ 127		\$ 108
Other													
Total revenues	<u>2,785</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>7,923</u>	<u>1,099</u>	<u>1,540</u>	<u>1,913</u>	<u>893</u>	<u>127</u>	<u>\$ -</u>	<u>108</u>
EXPENDITURES													
Current:													
Education													
Other expenses	76,922												
Bond issuance cost													
Capital outlays	<u>200,039</u>					<u>2,381,178</u>							
Total expenditures	<u>276,961</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,381,178</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(274,176)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(2,373,255)</u>	<u>1,099</u>	<u>1,540</u>	<u>1,913</u>	<u>893</u>	<u>127</u>	<u>0</u>	<u>108</u>
Other financing sources (uses):													
Issuance of bonds and lease purchase obligations													
Transfers in	74,076					450,000							
Transfers out			(14,244)		(10,900)								
Total other financing sources	<u>74,076</u>	<u>0</u>	<u>(14,244)</u>	<u>0</u>	<u>(10,900)</u>	<u>450,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net change in fund balances	<u>(200,100)</u>	<u>0</u>	<u>(14,244)</u>	<u>0</u>	<u>(10,900)</u>	<u>(1,923,255)</u>	<u>1,099</u>	<u>1,540</u>	<u>1,913</u>	<u>893</u>	<u>127</u>	<u>0</u>	<u>108</u>
Fund balances (deficits) - July 1, 2009	<u>658,665</u>	<u>(195,301)</u>	<u>14,244</u>	<u>9,586</u>	<u>10,900</u>	<u>2,006,650</u>	<u>111,970</u>	<u>620,758</u>	<u>(123,410)</u>	<u>85,854</u>	<u>47,257</u>	<u>45,327</u>	<u>0</u>
Fund balances (deficits) - June 30, 2010	<u>\$ 458,565</u>	<u>\$ (195,301)</u>	<u>\$ -</u>	<u>\$ 9,586</u>	<u>\$ -</u>	<u>\$ 83,395</u>	<u>\$ 113,069</u>	<u>\$ 622,298</u>	<u>\$ (121,497)</u>	<u>\$ 86,747</u>	<u>\$ 47,384</u>	<u>\$ 45,327</u>	<u>\$ 108</u>

TOWN OF JOHNSTON, RHODE ISLAND

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the year ended June 30, 2010**

	CAPITAL PROJECT FUNDS												
	Rainone Gym Renovations	DAM Renovations	Pezza Property Acquisition	Champlin Community Park	Capital Lease	Police Station Construction	Open Space Grant	Winsor Hill School	Fire Station #1	Library Building	Memorial Plat Sewer Project	Total Capital Project Funds	Total Nonmajor Government Funds
REVENUES													
Federal and state grants				\$ 68,144								\$ 68,144	\$ 3,386,395
Investment income			\$ 895		\$ 5			\$ 1,619	\$ 1,618	\$ 10,984		31,509	35,474
Other										236,390		236,390	945,846
Total revenues	\$ -	\$ -	895	68,144	5	\$ -	\$ -	1,619	1,618	247,374	\$ -	336,043	4,367,715
EXPENDITURES													
Current:													
Education													3,317,121
Other expenses					16,901							93,823	895,537
Bond issuance cost										120,367	52,500	172,867	172,867
Capital outlays				88,991	505,230			-		1,264,773	1,766,496	6,206,707	6,296,254
Total expenditures	-	-	-	88,991	522,131	-	-	-	-	1,385,140	1,818,996	6,473,397	10,681,779
Excess (deficiency) of revenues over (under) expenditures	0	0	895	(20,847)	(522,126)	0	0	1,619	1,618	(1,137,766)	(1,818,996)	(6,137,354)	(6,314,064)
Other financing sources (uses):													
Issuance of bonds and lease purchase obligations					591,000					3,122,275	2,500,000	6,213,275	6,213,275
Transfers in				58,160							32,490	614,726	876,355
Transfers out							(58,160)				(32,490)	(115,794)	(288,194)
Total other financing sources	0	0	0	58,160	591,000	0	(58,160)	0	0	3,122,275	2,500,000	6,712,207	6,801,436
Net change in fund balances	0	0	895	37,313	68,874	0	(58,160)	1,619	1,618	1,984,509	681,004	574,853	487,372
Fund balances (deficits) - July 1, 2009	17,021	57,745	42,241	22,970	0	200,903	58,160	(284,285)	(279,951)	(108,878)	0	3,018,426	4,619,829
Fund balances (deficits) - June 30, 2010	\$ 17,021	\$ 57,745	\$ 43,136	\$ 60,283	\$ 68,874	\$ 200,903	\$ -	\$ (282,666)	\$ (278,333)	\$ 1,875,631	\$ 681,004	\$ 3,593,279	\$ 5,107,201

TOWN OF JOHNSTON

EXHIBIT 3

**Combining Balance Sheet
School Restricted Funds
Reported as Nonmajor Governmental Funds
June 30, 2010**

SPECIAL REVENUE FUNDS											
ASSETS	<u>Preschool IDEA Section 619</u>	<u>Preschool IDEA Section 620-ARRA</u>	<u>Idea Part B</u>	<u>Idea Part B-ARRA</u>	<u>Title I</u>	<u>Title I-ARRA</u>	<u>Title V</u>	<u>Homeland Security</u>	<u>Title IV</u>	<u>Title II</u>	<u>Title III</u>
Intergovernmental receivable	\$ 6,143	\$ 18,214	\$ 360,581	\$ 799,730	\$ 361,121	\$ 33,039			\$ 7,573	\$ 71,997	\$ 3,018
Due from other funds											
TOTAL ASSETS	\$ 6,143	\$ 18,214	\$ 360,581	\$ 799,730	\$ 361,121	\$ 33,039	\$ -	\$ -	\$ 7,573	\$ 71,997	\$ 3,018
Liabilities:											
Accounts payable			\$ 47,124	\$ 10,176		\$ 4,412				\$ 1,738	\$ 407
Due to other funds	\$ 6,143	\$ 18,214	\$ 313,457	\$ 789,554	\$ 358,001	\$ 28,627			\$ 7,573	\$ 70,259	\$ 2,611
Deferred revenue					3,120						
Total liabilities	6,143	18,214	360,581	799,730	361,121	33,039	\$ -	\$ -	7,573	71,997	3,018
Fund balances:											
Unreserved, undesignated	0	0	0	0	0	0	0	0	0	0	0
Total fund balances	0	0	0	0	0	0	0	0	0	0	0
TOTAL LIABILITIES AND FUND BALANCE	\$ 6,143	\$ 18,214	\$ 360,581	\$ 799,730	\$ 361,121	\$ 33,039	\$ -	\$ -	\$ 7,573	\$ 71,997	\$ 3,018

TOWN OF JOHNSTON

EXHIBIT 3 (CONTINUED)

**Combining Balance Sheet
School Restricted Funds
Reported as Nonmajor Governmental Funds
June 30, 2010**

SPECIAL REVENUE FUNDS												
ASSETS	<u>E2T2-ARRA</u>	<u>RISCA</u>	<u>Literacy</u>	<u>MCI Project</u>	<u>RI Education Foundation</u>	<u>Walmart Grant</u>	<u>Donation & Misc Grant</u>	<u>Perkins Vocational</u>	<u>General Assembly</u>	<u>Champlin MS</u>	<u>Feinstein Elementary</u>	<u>Total School Restricted Funds</u>
Intergovernmental receivable								\$ 21,304				\$ 1,682,720
Due from other funds	\$ 1,090			\$ 10	\$ 150	\$ 150	\$ 2,286		\$ 719	\$ 163	\$ 18,046	22,614
TOTAL ASSETS	\$ -	\$ 1,090	\$ -	\$ 10	\$ 150	\$ 150	\$ 2,286	\$ 21,304	\$ 719	\$ 163	\$ 18,046	\$ 1,705,334
Liabilities:												
Accounts payable												\$ 63,857
Due to other funds								\$ 21,430				1,615,869
Deferred revenue										\$ 61	\$ 14	3,195
Total liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	21,430	\$ -	61	14	1,682,921
Fund balances:												
Unreserved, undesignated	0	1,090	0	10	150	150	2,286	(126)	719	102	18,032	22,413
Total fund balances	0	1,090	0	10	150	150	2,286	(126)	719	102	18,032	22,413
TOTAL LIABILITIES AND FUND BALANCE	\$ -	\$ 1,090	\$ -	\$ 10	\$ 150	\$ 150	\$ 2,286	\$ 21,304	\$ 719	\$ 163	\$ 18,046	\$ 1,705,334

(Concluded)

TOWN OF JOHNSTON

EXHIBIT 4

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
School Restricted Funds
Reported as Nonmajor Governmental Funds
For the year ended June 30, 2010**

	SPECIAL REVENUE FUNDS										
	Preschool IDEA Section 619	Preschool IDEA Section 620-ARRA	Idea Part B	Idea Part B-ARRA	Title I	Title I-ARRA	Title V	Homeland Security	Title IV	Title II	Title III
Revenues:											
Federal and state grants	\$ 29,170	\$ 18,214	\$ 900,546	\$ 799,730	\$ 715,664	\$ 230,401	\$ 1,898	\$ 12,119	\$ 16,528	\$ 247,599	\$ 8,134
Other revenue											
Total revenues	29,170	18,214	900,546	799,730	715,664	230,401	1,898	12,119	16,528	247,599	8,134
Expenditures:											
Current:											
Salaries	19,105	6,409	485,752	240,289	433,008	75,790			14,370	202,882	2,927
Employee benefits	8,110	67	228,870	131,014	133,506	25,899			208	44,717	43
Purchased services		2,200	142,159	16,927			1,898	9,714			1,155
Supplies and materials	1,955	9,538	43,765	411,500	149,150	128,712		2,405	1,950		4,009
Capital outlays											
Total expenditures	29,170	18,214	900,546	799,730	715,664	230,401	1,898	12,119	16,528	247,599	8,134
Excess (deficiency) of revenues over (under) expenditures	0	0	0	0	0	0	0	0	0	0	0
Other financing sources:											
Transfers in from School Unrestricted Fund											
Total other financing sources	0	0	0	0	0	0	0	0	0	0	0
Net change in fund balances	0	0	0	0	0	0	0	0	0	0	0
Fund balances, July 1, 2009	0	0	0	0	0	0	0	0	0	0	0
Fund balances, June 30, 2010	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

(Continued)

TOWN OF JOHNSTON

EXHIBIT 4 (CONCLUDED)

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
School Restricted Funds
Reported as Nonmajor Governmental Funds
For the year ended June 30, 2010**

	SPECIAL REVENUE FUNDS											
	<u>E2T2-ARRA</u>	<u>RISCA</u>	<u>Literacy</u>	<u>MCI Project</u>	<u>RI Education Foundation</u>	<u>Walmart Grant</u>	<u>Donation & Misc Grant</u>	<u>Perkins Vocational</u>	<u>General Assembly</u>	<u>Champlin MS</u>	<u>Feinstein Elementary</u>	<u>Total School Unrestricted Funds</u>
Revenues:												
Federal and state grants	\$ 39,444	\$ 2,344		\$ 10				\$ 24,169				\$ 3,045,970
Other revenue							\$ 930				\$ 9,650	10,580
Total revenues	39,444	2,344	\$ -	10	\$ -	\$ -	930	24,169	\$ -	\$ -	9,650	3,056,550
Expenditures:												
Current:												
Salaries			240,819					21,000			200	1,742,551
Employee benefits								304				572,738
Purchased services		432									550	175,035
Supplies and materials	39,444	822					14,527	2,991			16,029	826,797
Capital outlays												0
Total expenditures	39,444	1,254	240,819	0	0	0	14,527	24,295	0	0	16,779	3,317,121
Excess (deficiency) of revenues over (under) expenditures	0	1,090	(240,819)	10	0	0	(13,597)	(126)	0	0	(7,129)	(260,571)
Other financing sources:												
Transfers in from School Unrestricted Fund			240,819									240,819
Total other financing sources	0	0	240,819	0	0	0	0	0	0	0	0	240,819
Net change in fund balances	0	1,090	0	10	0	0	(13,597)	(126)	0	0	(7,129)	(19,752)
Fund balances, July 1, 2009	0	0	0	0	150	150	15,883	0	719	102	25,161	42,165
Fund balances, June 30, 2010	\$ -	\$ 1,090	\$ -	\$ 10	\$ 150	\$ 150	\$ 2,286	\$ (126)	\$ 719	\$ 102	\$ 18,032	\$ 22,413

TOWN OF JOHNSTON, RHODE ISLAND

PENSION TRUST FUNDS

The Pension Trust Funds of the Town of Johnston are used to administer pension plans for employees not currently covered by the plans administered by the State of Rhode Island. At June 30, 2010 the following funds are reported as Pension Trust Funds:

- Police Pension
 - Fire Pension
 - Pension for Unfunded Police and Fire Trust Funds
-

TOWN OF JOHNSTON, RHODE ISLAND

**Combining Statement of Net Assets
Pension Trust Funds
June 30, 2010**

	<u>Police Pension</u>	<u>Fire Pension</u>	<u>Pension For Unfunded Police & Fire Trust Funds</u>	<u>Totals Pension Trusts</u>
ASSETS				
Cash and cash equivalents	\$ 33,875	\$ 25,203	\$ 427,780	\$ 486,858
Investments	13,353,948	17,196,620	5,425,709	35,976,277
Due from governmental funds	15,922		59,801	75,723
TOTAL ASSETS	13,403,745	17,221,823	5,913,290	36,538,858
LIABILITIES				
Due to governmental funds		58,202		58,202
Total liabilities	0	58,202	0	58,202
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	\$ 13,403,745	\$ 17,163,621	\$ 5,913,290	\$ 36,480,656

TOWN OF JOHNSTON, RHODE ISLAND

**Combining Statement of Changes in Net Assets
Pension Trust Funds
For the year ended June 30, 2010**

	<u>Police Pension</u>	<u>Fire Pension</u>	<u>Pension For Unfunded Police & Fire Trust Funds</u>	<u>Total Pension Trusts</u>
Additions:				
Contributions:				
Employer	\$ 530,589	\$ 443,740	\$ 73,338	\$ 1,047,667
Plan members	260,457	295,826	177,676	733,959
Total contributions	<u>791,046</u>	<u>739,566</u>	<u>251,014</u>	<u>1,781,626</u>
Investment income				
Net dividends, interest, and increase in fair value	1,083,845	2,089,688	627,063	3,800,596
Net investment income	<u>1,083,845</u>	<u>2,089,688</u>	<u>627,063</u>	<u>3,800,596</u>
Total additions and changes in fair value	<u>1,874,891</u>	<u>2,829,254</u>	<u>878,077</u>	<u>5,582,222</u>
Deductions:				
Administration expenses	3,760			3,760
Pension expenses	232,493	84,696	496,062	813,251
Total deductions	<u>236,253</u>	<u>84,696</u>	<u>496,062</u>	<u>817,011</u>
Net increase in plan assets	1,638,638	2,744,558	382,015	4,765,211
Net assets held in trust for pension benefits:				
Beginning of year	<u>11,765,107</u>	<u>14,419,063</u>	<u>5,531,275</u>	<u>31,715,445</u>
End of year	<u>\$ 13,403,745</u>	<u>\$ 17,163,621</u>	<u>\$ 5,913,290</u>	<u>\$ 36,480,656</u>

TOWN OF JOHNSTON, RHODE ISLAND

PRIVATE PURPOSE TRUST FUNDS

Private-Purpose Trust Funds are used to account for resources legally held in trust for use by parties outside of the Town, and can not be used at the Town's discretion or to support the Town's general obligations. The net assets of these funds are utilized for the care and maintenance of cemeteries within the Town. The following funds are considered Private-Purpose Funds at June 30, 2010:

- Daniel Elder Burial Fund
 - Manton Perpetual Care
 - Celina Esterbrook
 - Sara Irons
 - Kelly Burial Grounds
 - Nicholas Smith
 - Kimball Burial Ground
 - Richardson Burial Ground
 - C.T. Tourtellot
-

TOWN OF JOHNSTON

**Combining Statement of Net Assets
Private Purpose Trust Funds
June 30, 2010**

	<u>Daniel Elder Burial Fund</u>	<u>Manton Perpetual Care</u>	<u>Celina Ester Brook</u>	<u>Sara Irons</u>	<u>Kelly Burial Grounds</u>	<u>Nicholas Smith</u>	<u>Kimball Burial Ground</u>	<u>Richardson Burial Ground</u>	<u>C.T. Tourtellot</u>	<u>Total Private Purpose Funds</u>
ASSETS										
Cash and cash equivalents	\$ 915	\$ 3,968	\$ 3,466	\$ 1,443	\$ 3,768	\$ 1,881	\$ 4,721	\$ 1,430	\$ 1,746	\$ 23,338
	<hr/>									
NET ASSETS										
Held in trust for perpetual care	\$ 915	\$ 3,968	\$ 3,466	\$ 1,443	\$ 3,768	\$ 1,881	\$ 4,721	\$ 1,430	\$ 1,746	\$ 23,338
	<hr/>									

TOWN OF JOHNSTON

**Combining Statement of Changes in Net Assets
Private Purpose Trust Funds
For the year ended June 30, 2010**

	Daniel Elder Burial Fund	Manton Perpetual Care	Celina Ester Brook	Sara Irons	Kelly Burial Grounds	Nicholas Smith	Kimball Burial Ground	Richardson Burial Ground	C.T. Tourtellot	Total Private Purpose Funds
REVENUES:										
Investment income	\$ 1	\$ 1	\$ 1	\$ 1	\$ 2	\$ 1	\$ 3	\$ 1	\$ 1	\$ 12
EXPENDITURES	0	0	0	0	0	0	0	0	0	0
INCREASE IN NET ASSETS	1	1	1	1	2	1	3	1	1	12
NET ASSETS - JULY 1, 2009	914	3,967	3,465	1,442	3,766	1,880	4,718	1,429	1,745	23,326
NET ASSETS - JUNE 30, 2010	\$ 915	\$ 3,968	\$ 3,466	\$ 1,443	\$ 3,768	\$ 1,881	\$ 4,721	\$ 1,430	\$ 1,746	\$ 23,338

TOWN OF JOHNSTON, RHODE ISLAND

AGENCY FUNDS

Agency funds are used to account for assets held by the government as an agent for individuals, private organizations, and other governments. The following funds are reported in this section:

Performance Bonds – To account for funds which are deposited by contractors and land developers and held by the Town until the project is completed and all aspects of the contract are met.

Student Activities Funds – To account for funds held in various school programs.

TOWN OF JOHNSTON, RHODE ISLAND

**Statement of Changes in Assets and Liabilities
Agency Funds
Year ended June 30, 2010**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<u>STUDENT ACTIVITY FUNDS</u>				
Assets:				
Cash and cash equivalents	\$ 192,304	\$ 170,358	\$ 165,714	\$ 196,948
Other receivables	5,807		5,807	-
Total assets	\$ 198,111	\$ 170,358	\$ 171,521	\$ 196,948
Liabilities:				
Due to student groups	\$ 198,111	\$ 170,358	\$ 171,521	\$ 196,948
<u>PERFORMANCE BONDS</u>				
Assets:				
Cash and cash equivalents	\$ 226,387	\$ 102	\$ 38	\$ 226,451
Due from governmental funds	151,500			151,500
Total assets	\$ 377,887	\$ 102	\$ 38	\$ 377,951
Liabilities:				
Deposits held in custody for others	\$ 377,887	\$ 102	\$ 38	\$ 377,951
<u>Total - All Agency Funds</u>				
Assets:				
Cash and cash equivalents	\$ 418,691	\$ 170,460	\$ 165,752	\$ 423,399
Other receivables	5,807	-	5,807	-
Due from governmental funds	151,500			151,500
Total assets	\$ 575,998	\$ 170,460	\$ 171,559	\$ 574,899
Liabilities:				
Due to student groups	\$ 198,111	\$ 170,358	\$ 171,521	\$ 196,948
Deposits held in custody for others	377,887	102	38	377,951
Total liabilities	\$ 575,998	\$ 170,460	\$ 171,559	\$ 574,899

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TOWN OF JOHNSTON, RHODE ISLAND

OTHER EXHIBITS

**TOWN OF JOHNSTON, RHODE ISLAND
SCHEDULE OF PROPERTY TAXES RECEIVABLE
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

<u>Year</u>	<u>Mill Rate</u>	<u>Property Taxes Receivable July 1, 2009</u>	<u>Current Year Assessment</u>	<u>Transfers Addendums (Net)</u>	<u>Abatements and Adjustments</u>	<u>Amount to be Collected</u>	<u>Collections Net of Refunds</u>	<u>Property Taxes Receivable June 30, 2010</u>
2009			\$ 63,658,365	\$ 39,490	\$ 84,935	63,612,920	\$ 61,011,738	\$ 2,601,182
2008	\$18.91	\$ 2,250,460		344,390	35,344	2,559,506	2,043,668	515,838
2007	\$17.84	646,831		5,607	9,433	643,005	301,326	341,679
2006	\$17.41	295,257		1,173	4,485	291,945	25,136	266,809
2005	\$16.99	273,235		1,241	2,320	272,156	11,716	260,440
2004	\$16.40	281,118		3,640	658	284,100	5,783	278,317
2003	\$26.30	484,368		283		484,651	2,530	482,121
2002	\$25.10	507,965		15	184	507,796	1,236	506,560
2001	\$23.79	393,785		1,393	404	394,774	5,661	389,113
2000	\$27.06	395,223		52		395,275	3,276	391,999
1999	\$27.06	364,226		17		364,243	1,923	362,320
1998	\$25.89	339,943				339,943	1,919	338,024
1997	\$20.90	91,096			5	91,091		91,091
1996	\$20.90	93,998			417	93,581		93,581
1995	\$20.90	114,070			5	114,065		114,065
1994	\$20.90	91,120			422	90,698		90,698
1993	\$34.64	95,419				95,419		95,419
1992	\$32.90	2,637			5	2,632		2,632
Subtotal		6,720,751	\$ 63,658,365	\$ 397,301	\$ 138,617	\$ 70,637,800	\$ 63,415,912	7,221,888
Less: estimated allowance for uncollectable accounts		<u>4,630,000</u>						<u>4,994,846</u>
Net property taxes receivable		\$ 2,090,751						\$ 2,227,042

(CONTINUED)

**TOWN OF JOHNSTON, RHODE ISLAND
SCHEDULE OF PROPERTY TAXES RECEIVABLE
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

<u>Schedule of Net Assessed Property Value by Category</u>			<u>Reconciliation of Current Year Property Tax Revenue</u>	
<u>Description of Property</u>	<u>Assessed December 31, 2008</u>			
	<u>Valuations</u>	<u>Levy</u>		
Real property	\$ 3,276,657,823	\$ 53,483,461	Collections net of refunds in 2010	\$ 63,415,912
Motor vehicles	203,973,937	4,177,971	Revenue received 60 days subsequent to fiscal year ending June 30, 2010	<u>789,277</u>
Tangible property	103,896,810	5,996,933	Subtotal	<u>64,205,189</u>
Wholesale and retail inventory	-		Prior year revenue received in current year (2009 60 day rule)	<u>(899,704)</u>
Total	3,584,528,570	63,658,365	Current year property tax revenue	<u>\$ 63,305,485</u>
Exemptions and adjustments	635,700,026			
Net assessed value	<u>\$ 2,948,828,544</u>	<u>\$ 63,658,365</u>		

(CONCLUDED)

TOWN OF JOHNSTON, RHODE ISLAND

SINGLE AUDIT SECTION

This section contains information regarding federal grant activity for the year ended June 30, 2010, which was audited in accordance with generally accepted auditing standards and "Government Auditing Standards" issued by the Comptroller General of the United States and under the guidelines of the Single Audit Act of 1984 as amended by the Single Audit Act Amendments of 1996 and the United States Office of Management and Budget's Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations."

TOWN OF JOHNSTON, RHODE ISLAND

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Expenditures
U.S. Department of Education		
Pass through RI Department of Education:		
Title I	84.010A	\$ 715,664
Title II	84.367A	247,599
Title III	84.365A	8,134
Drug Free Schools	84.186A	16,528
Title V	84.298A	1,898
IDEA Part B	84.027A	900,546
IDEA Sec 619 - Preschool	84.173A	29,170
Perkins Vocational Education	84.048A	24,170
State Fiscal Stabilization Fund (SFSF)	84.394	529,448
Title I - ARRA	84.389	230,401
IDEA Part B - ARRA	84.391	799,730
IDEA Sec 619 Preschool - ARRA	84.392	18,214
E2T2-MCI - ARRA	84.386	39,444
Total U.S. Department of Education		<u>3,560,946</u>
U.S. Department of Housing and Urban Development		
Pass Through State Governor's Office of Housing, Energy and Intergovernmental Relations:		
Community Development Block Grant	14.219	<u>96,217</u>
U.S. Department of Homeland Security		
Pass Through from Rhode Island Emergency Management Agency:		
Homeland Security	97.067	<u>12,119</u>
Total U.S. Department of Homeland Security		<u>12,119</u>
U.S. Department of Justice		
Direct Program:		
Byrne Memorial Justice Assistance Grant-ARRA	16.804	46,085
Pass Through the State of Rhode Island:		
Byrne Memorial Justice Assistance Grant	16.738	14,300
Byrne Memorial Justice Assistance Grant-ARRA	16.804	27,983
Total U.S. Department of Justice		<u>88,368</u>
U.S. Department of Agriculture		
Pass Through RI Department of Education:		
National School Lunch Program	10.555	488,057
Food Commodity	10.556	58,685
Total U.S. Department of Agriculture		<u>546,742</u>
U.S. Department of Transportation		
Pass Through RI Department of Transportation:		
Seatbelt Enforcement Grant	20.604	<u>26,115</u>
U.S. Environmental Protection Agency		
Pass Through RI Clean Water Finance Agency:		
Capitalization Grants for Clean Water State Revolving Funds-ARRA	66.458	<u>377,369</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$ 4,707,876</u>

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2010**

1. General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the Town of Johnston, Rhode Island. All federal awards received from federal agencies are included on the Schedule of Expenditures of Federal Awards. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

2. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting. The accompanying Schedule of Expenditures of Federal Awards also includes \$58,685 for the value of food commodities which is reported as a component of the Federal School Lunch Program. These commodities are not reported in revenue or expenses of the Business-Type Activities for financial statement purposes.

3. Determination of Major Programs

The determination of major federal financial assistance programs was based upon the overall level of expenditures for all federal programs for the Town of Johnston, Rhode Island. As such, the threshold for determining Type A and Type B programs is defined as those with program expenditures greater than \$300,000 or 3 percent of total expenditures when the total expenditures are over \$10,000,000. For the fiscal year ended June 30, 2010, the following programs were considered a major program:

Federal Stabilization Funds	CFDA #84.394
IDEA Part B.....**	CFDA #84.027A
IDEA Part B – Stimulus.....**	CFDA #84.391
Early Learning –preschool.....**	CFDA #84.173A
Early Learning -preschool - Stimulus..**	CFDA #84.392
Title I	CFDA #84.010A
Title I - Stimulus	CFDA #84.389
Title II	CFDA #84.367
Clean Water State Revolving Funds.....	CFDA #66.458

** These programs are in a cluster and therefore are considered one program for compliance requirements.

*** These programs are in a cluster and therefore are considered one program for compliance requirements.

**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 Mayor and
Members of the Town Council
Town of Johnston
Johnston, Rhode Island

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Johnston, Rhode Island as of and for the year ended June 30, 2010, which collectively comprise the Town of Johnston, Rhode Island's basic financial statements and have issued our report thereon dated December 30, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 Town of Johnston's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs (noted as items 2010-1 through 2010-4) to be material weaknesses.

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.

Boston
Newton
Taunton
Concord

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Town of Johnston, Rhode Island in a separate letter dated December 30, 2010.

The Town of Johnston's responses to the findings, comments, and recommendations identified in our audit are described in a separate correspondence titled *Communications of Matters Prescribed by Statement on Auditing Standards #115* for the fiscal year ended June 30, 2010. We did not audit the Town of Johnston's responses and, accordingly, we express no opinion on them.

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



Providence, Rhode Island
December 30, 2010

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A
DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Honorable Mayor and
Members of the Town Council
Town of Johnston
Johnston, Rhode Island

Compliance

We have audited the Town of Johnston, Rhode Island's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town of Johnston, Rhode Island's major federal programs for the year ended June 30, 2010. The Town of Johnston, Rhode Island's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Town of Johnston, Rhode Island's management. Our responsibility is to express an opinion on the Town of Johnston, Rhode Island's compliance based on our audit.

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

As described in items 2010-5 and 2010-8 in the accompanying schedule of findings and questioned costs, the Town of Johnston did not comply with the requirements regarding allowable costs that are applicable to its Title I and Title II Programs, and requirements regarding procurement that are applicable to its Clean Water State Revolving Funds program. Compliance with such requirements is necessary, in our opinion, for the Town of Johnston to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the Town of Johnston complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Boston

Newton

Taunton

Concord

Internal Control Over Compliance

Management of the Town of Johnston, Rhode Island is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Johnston, Rhode Island's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Johnston, Rhode Island's internal control over compliance.

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2010-6 and 2010-7 to be significant deficiencies.

The Town of Johnston's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs for Findings 2010-6 and 2010-7. We did not audit Town of Johnston, Rhode Island's responses and, accordingly, we express no opinion on the responses.

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



Providence, Rhode Island
December 30, 2010

TOWN OF JOHNSTON, RHODE ISLAND

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010**

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expressed an unqualified opinion on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Johnston, Rhode Island.
2. Four deficiencies in internal control over financial reporting have been identified and are described in Part B below as items 2010-1 through 2010-4, all of which are considered to be material weaknesses.
3. No instances of noncompliance material to the financial statements of the Town of Johnston, Rhode Island were disclosed during the audit.
4. Two instances of significant deficiencies in internal control over compliance with requirements applicable to major federal programs were identified and are described in Part B below as items 2010-6 and 2010-7.
5. The auditors' report on compliance for the major federal award programs for the Town of Johnston, Rhode Island expresses a qualified opinion.
6. Audit findings relative to the major federal award programs for the Town of Johnston are reported in Part C of this schedule.
7. The programs tested as major programs were:

Federal Stabilization Funds	CFDA #84.394
IDEA Part B.....**	CFDA #84.027A
IDEA Part B – ARRA.....**	CFDA #84.391
Early Learning –preschool.....**	CFDA #84.173A
Early Learning -preschool - ARRA.....**	CFDA #84.392
Title I	CFDA #84.010A
Title I - ARRA.....***	CFDA #84.389
Title II	CFDA #84.367
Clean Water State Revolving Funds.....	CFDA #66.458

** Represents a cluster for compliance purposes.

*** Represents a cluster for compliance purposes.

8. The threshold for distinguishing Type A and B programs is described in Note 3 to the Schedule of Expenditures of Federal Awards.
9. The Town of Johnston, Rhode Island was determined not to be a low-risk auditee.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

B. FINDINGS -- RELATED TO AUDIT OF FINANCIAL STATEMENTS

Current Year Findings:

- 2010-1:** During the fiscal year ended June 30, 2010 we noted control weaknesses over the reviewing and maintenance of the general ledger accounting records. During our audit field work we proposed a number of journal entries to management, including approximately \$1.9M of expenses not recorded in the Capital Projects funds. These proposed entries have been approved and recorded by management of the Town. The journal entries, individually (and in the aggregate), were material to the Town's financial statements as of and for the fiscal year ended June 30, 2010. The significant number of audit adjustments is an indication of a weakness in controls and procedures over the maintenance and review of the general ledger accounting records.
- 2010-2:** During our review of the internal control policies and procedures practiced by the Town's Finance Department, we noted that the Town is lacking controls over the processing of accounts payable and the related disbursing of funds. The accounts payable clerk currently has access to all aspects of the respective transactions. The accounts payable clerk is responsible for entering the vendor invoices into the general ledger system, processing checks for payment, and mailing out the payments. In completing these tasks the payables clerk has total access to the blank check stock and the electronic signature stamp.
- 2010-3:** Governmental Accounting Standards Statement #34 requires governmental entities to prepare a government-wide financial statement utilizing the full accrual basis of accounting. Accordingly, the government-wide statements include all long-term debt obligations (i.e. compensated absences) and capital assets of the governmental activities as well as those reported in the business-type activities. During our audit we noted that the Town of Johnston (including the School Department) does not have adequate policies or procedures in place for maintaining and updating these records.
- 2010-4:** The Town receives various grants which are reported as non-major governmental funds in the Fund financial statements. Some of these grants are administered by personnel outside of the Town's Finance Department (i.e. Police Department personnel). During our audit process we noted that the Town does not have a central location for maintaining all grant agreements or related financial reports. The lack of controls, including monitoring and following-up on old outstanding items may result in the material misstatement of the assets and liabilities reported in the government-wide and non-major governmental fund statements.

Prior Year Findings:

- 2009-1:** During the fiscal year ended June 30, 2009 we noted that the Town had control weaknesses over review and maintenance of the general ledger accounting records. At the commencement of the audit field work management provided trial balances for the numerous funds maintained by the Town. Upon initial review of these trial balances we noted instances where the trial balance reports were out of balance and fund balance was not in agreement with the balance reported as of the end of the previous fiscal year. In addition, as a result of our audit procedures we proposed a significant number of journal entries to management. These proposed entries have been approved and recorded by management of the Town. These journal entries, in the aggregate, were material to the Town's financial statements. The significant number of audit adjustments and the lack of a balanced trial balance is an indication of a lack of controls and procedures over the maintenance and review of the general ledger accounting records. **Status:** See current year finding 2010-1.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

B. FINDINGS -- RELATED TO AUDIT OF FINANCIAL STATEMENTS (Continued)

Prior Year Findings (Continued):

- 2009-2:** During our review of the internal control policies and procedures practiced by the Town's Finance Department, we noted that the Town is lacking controls over the processing of accounts payable and the related disbursing of funds. In addition, we also noted a lack of controls over the processing of payroll transactions. The accounts payable clerk and payroll clerk currently have access to all aspects of the respective transactions. The accounts payable clerk is responsible for entering the vendor invoices into the general ledger system, processing checks for payment, and mailing out the payments. In completing these tasks the payable's clerk has total access to the blank check stock and the electronic signature stamp. Similarly, the payroll clerk processes the bi-weekly payroll, posts the payroll transactions to the general ledger and distributes all payroll checks. The Town does not currently have procedures in place requiring the payroll reports to be reviewed and approved or to have the payroll checks delivered to someone independent of the payroll processing function. **Status:** See current year finding 2010-2.
- 2009-3:** Governmental Accounting Standards Statement #34 requires governmental entities to prepare a government-wide financial statement utilizing the full accrual basis of accounting. Accordingly, the government-wide statements include all long-term debt obligations (i.e. compensated absences) and capital assets of the governmental activities as well as those reported in the business-type activities. During our audit we noted that the Town of Johnston (including the School Department) does not have adequate policies or procedures in place for maintaining and updating these records. **Status:** See current year finding 2010-3.
- 2009-4:** The Town receives various grants which are reported as non-major governmental funds in the Fund financial statements. Some of these grants are administered by personnel outside of the Town's Finance Department (i.e. Police Department personnel). During our audit process we noted that there were grant receivables and deferred revenue which have been outstanding for several years and were reversed during fiscal year ended June 30, 2009 without any supporting documentation. We also noted that the Town does not have a central location for maintaining all grant agreements or related financial reports. The lack of controls, including monitoring and following-up on old outstanding items may result in the material misstatement of the assets and liabilities reported in the government-wide and non-major governmental fund statements. **Status:** See current year finding 2010-4.
- 2009-5:** During our audit we noted that the Town segregated credit balances on tax receivables into a separate liability account at June 30, 2009. Per our inquiry of Town personnel we noted that some of these credit balances were the result of overpayments made by taxpayers, duplicate payments made by the mortgage company and the taxpayer, and credits generated upon the abatement of tax assessments or changes in property valuations. As a result of our audit procedures we noted that the liability was understated due to the reversal of a number of credit balances which were outstanding as of the beginning of the fiscal year. Upon further examination it was determined that the credit balances should not have been reversed. We believe that this error resulted due to a lack of controls and procedures for monitoring credit balances on receivable accounts. **Status:** Management has corrected the prior year errors and no new instances were identified during fiscal 2010.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

B. FINDINGS -- RELATED TO AUDIT OF FINANCIAL STATEMENTS (Continued)

Prior Year Findings (Continued):

2009-6: Effective July 1, 2008 (early implementation) the Johnston School Department began maintaining its general ledger accounting records in accordance with the Uniform Chart of Accounts (UCOA) as established by the Rhode Island Department of Education and Rhode Island General Law. However, during our examination of the School Department's compliance with the UCOA requirements we noted the following: instances where expenditure transactions were not properly allocated; Funds which were required to be reported separately were reported as part of the School's Unrestricted/General Fund; and instances where invalid/unauthorized accounts were utilized. **Status:** Pending results of separate UCOA compliance testing not completed as of the date of this report.

C. FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS

Current Year Findings:

2010-5: Payroll Allocation

Title I (CFDA #84.010A) & Title II (CFDA #84.367)

Criteria: The Johnston School Department receives direct federal funding as well as federal funding passed through the State of Rhode Island. During our audit we noted instances where payroll records supporting cost allocations to federal programs were not being maintained in accordance with the requirements of OMB Circular A-87. The circular requires that payroll costs charged to federally funded programs be supported as follows:

- Salaries and wages for employees working 100% of their time on a single Federal award or cost objective must be supported by periodic certifications. These certifications must be prepared at least semi-annually and must be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.
- Salaries and wages for employees working on multiple activities or cost objectives must be supported by (a) personnel activity reports that reflect an after-the-fact distribution of the actual activity of the employee, (b) they must account for the total activity for which an employee is compensated, (c) they must be prepared at least monthly and must coincide with one or more pay periods, and (d) they must be signed by the employee.

Effect of Condition: Failure to properly document and allocate payroll expenses to their corresponding program(s) may result in excess costs (\$10,032 for the fiscal year ended June 30, 2010) being charged to a federally funded program.

Cause of Condition: The Johnston School Department does not have an adequate policy or procedure requiring employees charged to federally funded programs to maintain time records or complete certifications in accordance with the requirements of OMB Circular A-87. The School Department did maintain records in the employee personnel files which note the position held by the employee however an actual time allocation of their hours worked was not maintained.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

C. FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS (Continued)

Current Year Findings (Continued):

2010-5: Payroll Allocation (Continued)

Title I (CFDA #84.010A) & Title II (CFDA #84.367)

Recommendation: We recommend that the management of the Johnston School Department develop and enforce a policy requiring all federally funded employees to maintain time records in accordance with the provisions of OMB Circular A-87 and that the policy include an internal audit function requiring someone independent of the federal program to review time records on a periodic basis for compliance.

Corrective Action: The School Department has changed the current time sheets to ensure that the employees working on multiple activities between grants are properly charging time to appropriate grant. The signatures continue to be part of that document. The School Department will also ensure that next year timesheets have the appropriate grant on the document submitted for payment.

2010-6: Eligibility

Title I (CFDA #84.010A)

Criteria: Federal regulations require that Title I funds be used to provide services and benefits to children who are economically disadvantaged. Entities receiving Federal funds must have adequate procedures in place to determine which schools are eligible to participate in the program. When determining eligibility the Johnston School Department selected the number of children eligible for free and reduced price lunches as the poverty measure. During our audit we noted instances where free and reduced price lunch records supporting eligibility determination were not being maintained.

Effect of Condition: Failure to properly determine eligibility of the Title I schools may result in ineligible schools being allocated federal funds.

Cause of Condition: The Johnston School Department does not have policies and procedures for maintaining documentation to support the eligibility determination.

Recommendation: We recommend that the management of the Johnston School Department develop and enforce a policy requiring maintenance of documentation to support free and reduced price lunches which in turn determine Title I eligibility.

Corrective Action: The School Department will develop policies and procedures to ensure the safeguarding and maintenance of all documentation used to support eligibility determination.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

C. FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS (Continued)

Current Year Findings (Continued):

2010-7: Davis-Bacon Act

Capitalization Grants for Clean Water State Revolving Funds (CFDA #66.458)

Criteria: Federal regulations require entities receiving federal funds to have procedures in place to ensure compliance with the Davis-Bacon Act. The Act requires that all laborers and mechanics employed by contractors and subcontractors on projects funded directly by or assisted in whole or in part by and through the Federal government shall be paid wages at rates not less than those prevailing on projects of a character similar in the locality as determined by the Secretary of Labor. During our audit we noted that the Town does not have controls over review of the certified payroll forms.

Effect of Condition: Failure to establish and implement proper controls over Davis-Bacon requirements could result in non-compliance with federal regulations.

Cause of Condition: The Town does not have controls in place to ensure compliance with the Davis-Bacon requirements. During our audit, we noted that there was lack of adequate review related to the Certified Weekly Payroll forms.

Recommendation: We recommend the Town develop and implement a policy and procedure for ensuring compliance with the Davis-Bacon requirements. The policy should include an internal audit function requiring a review of the Certified Weekly Payroll Forms to be performed on a regular basis.

Corrective Action: The Town will take this into consideration in developing and implementing a formal policy and procedure for Davis-Bacon Requirements. It is important to note that the Town makes every effort possible to be in compliance with the Davis- Bacon Act. The review or the internal audit function requiring a review of the certified weekly payroll forms that needs to be performed on a regular basis will be performed by the Controller.

2010-8: Procurement – Competitive Bids

Capitalization Grants for Clean Water State Revolving Funds (CFDA #66.458)

Criteria: Federal and State regulations provide guidance for the purchasing of goods and services. During our audit, we noted an instance where documentation could not be provided to substantiate compliance with the procurement requirements.

Effect of Condition: Failure to maintain adequate bid documentation resulted in non-compliance with federal regulations.

Cause of Condition: Management was unable to provide documentation to substantiate compliance with procurement requirements.

Recommendation: We recommend that the Town review their current policy and procedure for documenting compliance with Federal and State procurement requirements. We further recommend that a copy of all procurement documentation be maintained in a central location within the Finance Department.

Corrective Action: The Town will begin to maintain in a central location within the Finance Department all competitive bids. The Town for the most part currently practices this procedure with few exceptions. The Town has reviewed its current policy and procedure for documentation as it relates to Federal and State procurement requirements with the Town Solicitor and the Town believes it is compliant with Federal and State requirements.

(CONCLUDED)

TOWN OF JOHNSTON, RHODE ISLAND

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2010**

C. FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS

Prior Year Findings:

**2009-7: Title I (CFDA #84.010A),
IDEA Part B (CFDA #84.027A),
IDEA Sec 619 – Preschool (CFDA #84.173A)**

Criteria: The Johnston School Department receives direct federal funding as well as federal funding passed through the State of Rhode Island. During our audit we noted instances where payroll records supporting cost allocations to federal programs were not being maintained in accordance with the requirements of OMB Circular A-87. The circular requires that payroll costs charged to federally funded programs be supported as follows:

- Salaries and wages for employees working 100% of their time on a single Federal award or cost objective must be supported by periodic certifications. These certifications must be prepared at least semi-annually and must be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.
- Salaries and wages for employees working on multiple activities or cost objectives must be supported by (a) personnel activity reports that reflect an after-the-fact distribution of the actual activity of the employee, (b) they must account for the total activity for which an employee is compensated, (c) they must be prepared at least monthly and must coincide with one or more pay periods, and (d) they must be signed by the employee.

Effect of Condition: Failure to properly document and allocate payroll expenses to their corresponding program(s) may result in excess costs being charged to a federally funded program.

Cause of Condition: The Johnston School Department does not have an adequate policy or procedure requiring employees charged to federally funded programs to maintain time records or complete certifications in accordance with the requirements of OMB Circular A-87. The School Department did maintain records in the employee personnel files which note the position held by the employee however an actual time allocation of their hours worked was not maintained.

Status: Title I - see current year finding 2010-5; IDEA Part B and IDEA Sec 619 - cleared.

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