

TOWN OF JOHNSTON, RHODE ISLAND

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED
JUNE 30, 2011**

TOWN OF JOHNSTON, RHODE ISLAND

INTRODUCTORY SECTION

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-

TOWN OF JOHNSTON, RHODE ISLAND

**FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011**

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TOWN OF JOHNSTON, RHODE ISLAND

**TOWN OFFICIALS
JUNE 30, 2011**

MAYOR

Joseph M. Polisena

TOWN COUNCIL

Robert V. Russo, Esq., President

Stephanie P. Manzi, Vice President

Ernest F. Pitochelli

David J. Santilli

Eileen Fuoco

SCHOOL COMMITTEE

Janice D. Mele, Chairperson

Robert A. Lafazia, Vice Chairperson

Lorraine C. Iafrate

Joseph W. Rotella

Susan M. Mansolillo

DEPARTMENT DIRECTORS

Richard S. Tamburini – Police Chief
Doug Jeffrey – 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
Arnold Vecchione – Director of Public Works

Timothy McLaughlin – Fire Chief
Vincent Baccari, Jr. – Town Clerk
Sharyn Difazio – Tax Collector
Kim Gallonio – Tax Assessor
Dr. Bernard DiLullo, Jr. – Superintendent of Schools
Melissa Devine – School Business Manager

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TOWN OF JOHNSTON, RHODE ISLAND

FINANCIAL SECTION

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

REPORT OF INDEPENDENT AUDITORS

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, 2011, 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, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 30, 2011 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.

Needham

Boston

Concord

Taunton

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 67, pages 68 through 79, and page 80, 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, 2011

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, 2011.

Financial Highlights

- The liabilities of the Town of Johnston exceeded its assets as of June 30, 2011 by \$2,018,639. This represents a decrease in total net assets of \$14,225,699 from June 30, 2010.
- As of June 30, 2011, the Town of Johnston's governmental activities reported total net assets (deficit) of (\$14,615,455). The net assets are comprised of \$30,861,977 invested in capital assets net of related debt and an unrestricted net asset deficit of (\$45,477,432) versus an unrestricted net asset deficit of (\$28,376,728) at June 30, 2010. Also included in this deficit is the negative change in net assets, (\$14,334,119), for the fiscal year ended June 30, 2011 for governmental activities as shown in Exhibit A-2.
- As of June 30, 2011, the total fund balance of the Town's General Fund was \$5,942,108 versus \$5,417,613 (as restated) last year. This June 30, 2011 fund balance includes non-spendable fund balance of \$980,309 and unassigned fund balance of \$4,961,799. The difference is an increase in the fund balance of \$524,495 for the fiscal year ended June 30, 2011.
- As of June 30, 2011, the total fund balance of the School Unrestricted Fund was \$1,305,730. The School Unrestricted fund balance at June 30, 2010 was \$987,238. The net change in fund balance in the School Unrestricted fund balance for 2011 was \$318,492.
- The Town's Bond Ratings were elevated in August 2009 by the bond rating agencies of Standard & Poor's and Moody's Investor Services. The elevation of the bond ratings from Standard & Poor's in August 2009 was the first upgrade received from this agency since 2002. The elevation of the bond ratings from Moody's Investor Services in August 2009 was the first upgrade received from this agency since 2001. Currently, the Town's Bond ratings are "A-" with Standard and Poor's and "A2" with Moody's Investor Services. The bond ratings of the Town remained unchanged during fiscal year ending June 30, 2011.

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.

During fiscal year ended June 30, 2011 the Town implemented Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which required the reclassification of fund balance reporting on the Town's financial position for governmental funds.

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, sewer, cafeteria and summer school 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 68 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 66 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 81 through 92.

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 four Proprietary Funds, which it has classified as major Enterprise Funds to account for its Water, Sewer, School Cafeteria (food service), and Summer School 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 93 through 97.

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 66 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 67 through 80.

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 81 through 97. In addition, supplementary information also includes schedules of property taxes receivable which are included on pages 98 and 99.

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, liabilities exceeded assets by \$2,018,639 at the close of 2011.

TOWN OF JOHNSTON, RHODE ISLAND

NET ASSETS

As of June 30, (in 000's)

| | Governmental Activities | | Business Activities | | Total | Total |
|--|----------------------------|-----------|------------------------|----------|------------|-----------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Current and Other Assets | \$ 19,791 | \$ 19,509 | \$ 5,711 | \$ 3,520 | \$ 25,502 | \$ 23,029 |
| Capital Assets | 53,437 | 54,904 | 10,978 | 9,236 | 64,415 | 64,140 |
| Total Assets | 73,228 | 74,413 | 16,689 | 12,756 | 89,917 | 87,169 |
| Current Liabilities | 10,216 | 9,221 | 1,708 | 198 | 11,924 | 9,419 |
| Long-Term Liabilities | 77,628 | 65,473 | 2,384 | 70 | 80,012 | 65,543 |
| Total Liabilities | 87,844 | 74,694 | 4,092 | 268 | 91,936 | 74,962 |
| Net Assets: | | | | | | |
| Invested in capital assets, net of related debt | 30,862 | 28,095 | 9,116 | 9,236 | 39,978 | 37,331 |
| Unrestricted | (45,478) | (28,376) | 3,481 | 3,252 | (41,997) | (25,124) |
| Total Net Assets | \$(14,616) | \$ (281) | \$12,597 | \$12,488 | \$ (2,019) | \$ 12,207 |

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 \$30,861,977. 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 (\$14,225,699) during the current fiscal year. Of this amount, governmental activities accounted for (\$14,334,119) of the decrease while business-type activities accounted for an increase of \$108,420. The most significant reason for the decrease in the governmental activities was the increase in OPEB liability for fiscal year ended June 30, 2011 of \$11,444,134 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 11 on pages 57 through 59. The OPEB Liability increased from \$28,237,757 at June 30, 2010 to \$39,681,891 at June 30, 2011.

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 2011 represents the ninth 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 | Governmental Activities | Business- type Activities | Business- type Activities | Total | Total |
|---------------------------------------|----------------------------|----------------------------|---------------------------------|---------------------------------|-------------------|------------------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Revenues: | | | | | | |
| Program Revenues: | | | | | | |
| Charges for Services, Fees & Licenses | \$ 5,770 | \$ 5,468 | \$ 1,660 | \$ 1,411 | \$ 7,430 | \$ 6,879 |
| Operating Grants and Contributions | 14,308 | 14,818 | 519 | 488 | 14,827 | 15,306 |
| Capital Grants and Contributions | 166 | 1,123 | | | 166 | 1,123 |
| General Revenues: | | | | | | |
| Property taxes | 68,355 | 66,052 | | | 68,355 | 66,052 |
| Other taxes | 4,010 | 8,374 | | | 4,010 | 8,374 |
| Grants and aid not restricted | 1,016 | 948 | | | 1,016 | 948 |
| Unrestricted investment earnings | 97 | 121 | | | 97 | 121 |
| Miscellaneous | 1,245 | 880 | | | 1,245 | 880 |
| Transfers | 144 | 32 | (144) | (32) | 0 | 0 |
| Total Revenues | 95,111 | 97,816 | 2,035 | 1,867 | 97,146 | 99,683 |
| Expenses: | | | | | | |
| Leg., Judicial, and General admin. | 2,400 | 3,952 | | | 2,400 | 3,952 |
| Financial administration | 949 | 1,019 | | | 949 | 1,019 |
| Assessors office | 241 | 373 | | | 241 | 373 |
| Public safety | 38,963 | 34,672 | | | 38,963 | 34,672 |
| Federal Coordinator | 0 | 0 | | | 0 | 0 |
| Public works | 8,070 | 7,503 | | | 8,070 | 7,503 |
| Human resources | 62 | 67 | | | 62 | 67 |
| Miscellaneous | 2,706 | 2,858 | | | 2,706 | 2,858 |
| Planning and assessment board | 169 | 160 | | | 169 | 160 |
| Library | 567 | 629 | | | 567 | 629 |
| Education | 53,993 | 57,245 | | | 53,993 | 57,245 |
| Other | 316 | 996 | | | 316 | 996 |
| Interest on long-term debt | 1,010 | 1,078 | | | 1,010 | 1,078 |
| Water fund | | | 884 | 781 | 884 | 781 |
| Sewer fund | | | 63 | 0 | 63 | 0 |
| School cafeteria fund | | | 976 | 1,022 | 976 | 1,022 |
| Summer school fund | | | 3 | 0 | 3 | 0 |
| Total expenses | 109,446 | 110,552 | 1,926 | 1,803 | 111,372 | 112,355 |
| Increase (decrease) in net assets | (14,335) | (12,736) | 109 | 64 | (14,226) | (12,672) |
| Net assets beginning of year | (281) | 12,455 | 12,488 | 12,424 | 12,207 | 24,879 |
| Net assets end of year | \$(14,616) | \$ (281) | \$ 12,597 | \$ 12,488 | \$ (2,019) | \$ 12,207 |

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 unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of June 30, 2011, the Town of Johnston's governmental funds (page 14) reported combined ending fund balances of \$8,601,923.

The General Fund is the chief operating fund of the Town of Johnston, excluding its school department. As of June 30, 2011, the total fund balance of the general fund was \$5,942,108 of which \$4,961,799 was unassigned. The Town's General Fund also has \$980,309 of non-spendable fund balance as of June 30, 2011.

The fund balance of the general fund increased by \$524,495 in fiscal year 2011 as reported on page 16 of the report. Actual revenues and other sources were more than budgeted revenues in the general fund by \$2,383,678 (see page 69). Increases in actual revenues versus budgeted revenues were realized in total tax revenues \$849,845, in state and federal aid grants \$1,119,868 (which includes state fiscal stabilization funds of \$448,366), in school miscellaneous revenue \$331,737, and in other financing sources \$309,362. Expenditures and other financing uses were \$1,078,603 more than appropriated amounts (see page 78). Departmental expenditures which exceeded budgeted expenditures were Legal \$457,914, Police \$519,121, Fire \$177,430, Streets & Highways \$261,467, miscellaneous appropriations \$244,030, and Debt Service Costs \$300,725.

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 \$48,955,038 including a state on-behalf payment to the teacher's pension fund of \$1,543,032 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, Sewer Fund, School Cafeteria Fund, and the School Summer School 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 \$183,510, Sewer Fund experienced a surplus (before transfers) of \$69,638, School Cafeteria Fund experienced a deficit of (\$1,801), and the Summer School Fund experienced a surplus of \$1,112. The June 30, 2011 Net Assets of the Water Fund are \$12,546,906, the June 30, 2011 Net Assets of the Sewer Fund are \$50,599, the June 30, 2011 Net Assets (deficit) of the School Cafeteria Fund is (\$1,801), while the June 30, 2011 Net Assets of the Summer School Fund are \$1,112.

Financial Analysis of the Government's Funds (Continued)

General Fund Budgetary Highlights – In fiscal year ended June 30, 2011 the Town was able to run an operating surplus of \$524,495. 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 through 2011 have a material compound effect of lost revenues not only in current fiscal year of 2011 but also 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, 2011, amounts to \$64,415,514 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 \$275,460 comprised of acquisitions of capital assets of \$3,224,981 (net of transfers and construction in progress placed in service in 2011) less current year depreciation expense of \$2,928,791 and dispositions of \$20,730 (net of accumulated depreciation, transfers and construction in progress placed in service in 2011).

Additional information on the Town of Johnston's capital assets can be found in Note 6 (pages 41 to 43) 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 | |
|---|-------------------------|-----------|--------------------------|----------|-----------|-----------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Land | \$ 7,258 | \$ 7,258 | \$ 40 | \$ 40 | \$ 7,298 | \$ 7,298 |
| Buildings, improvements and land improvements | 28,011 | 22,240 | | | 28,011 | 22,240 |
| Vehicle and equipment | 2,866 | 2,865 | 8 | 11 | 2,874 | 2,876 |
| Water distributions | | | 9,068 | 9,185 | 9,068 | 9,185 |
| Infrastructure | 15,252 | 16,393 | 1,862 | | 17,114 | 16,393 |
| Construction in progress | 50 | 6,148 | | | 50 | 6,148 |
| Total | \$ 53,437 | \$ 54,904 | \$ 10,978 | \$ 9,236 | \$ 64,415 | \$ 64,140 |

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 Municipal Court.

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 \$24.5 million entirely backed by the full faith and credit of the government. In addition, the Town had long-term lease commitments outstanding of \$655,133 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 \$73,979,647 based on a net assessed value of \$2,465,988,235 at December 31, 2009, which significantly exceeds the Town of Johnston's current outstanding general obligation debt. It is important to note this is the third 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 \$39,681,891 at June 30, 2011 an increase of \$11,444,134 from fiscal year ending June 30, 2010.

Town of Johnston's

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

| | Governmental Activities | | Business-type Activities | | Total | |
|-----------------------------|------------------------------------|-----------------|-------------------------------------|-------------|-----------------|-----------------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| General Obligation Bonds | \$22,087 | \$26,046 | \$ 2,402 | | \$24,489 | \$26,046 |
| Town capital leases | 655 | 1,037 | | | 655 | 1,037 |
| Compensated absences | 7,663 | 7,867 | 39 | | 7,702 | 7,867 |
| Net Pension Obligation | 10,837 | 5,772 | | | 10,837 | 5,772 |
| Net OPEB Obligation | 39,682 | 28,238 | 48 | | 39,730 | 28,238 |
| Claims & Judgments | 52 | 60 | | | 52 | 60 |
| Total long-term debt | \$80,976 | \$69,020 | \$2,489 | | \$83,465 | \$69,020 |

Additional information on the Town of Johnston's long-term debt obligations can be found in note 7 (pages 43 to 46) to the financial statements. In addition, details of the OPEB obligation can be found in Note 11, pages 57 through 59, and in required supplementary information page 80.

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 \$1,305,730 at June 30, 2011. 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 2011 and upcoming fiscal years in order to build a cumulative fund balance for the general fund at a minimal of 8% of the operating budget, as prescribed by the Financial Recovery Plan, 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 through 2011 as well as the potential cuts upcoming in 2012 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, 1385 Hartford Avenue, Johnston, RI 02919.

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TOWN OF JOHNSTON, RHODE ISLAND

BASIC FINANCIAL STATEMENTS



TOWN OF JOHNSTON, RHODE ISLANDStatement of Net Assets
June 30, 2011

| | Governmental Activities | Business-type Activities | Total |
|---|----------------------------|-----------------------------|-----------------------|
| ASSETS: | | | |
| Current Assets: | | | |
| Cash and cash equivalents | \$ 13,170,442 | \$ 26,599 | \$ 13,197,041 |
| Restricted cash held in escrow | | 787,079 | 787,079 |
| Accounts and other receivables, net | 4,824,135 | 2,116,374 | 6,940,509 |
| Due from federal and state governments | 3,266,142 | 57,936 | 3,324,078 |
| Inventory | | 14,931 | 14,931 |
| Prepays | 1,023,717 | | 1,023,717 |
| Internal balances | (2,659,874) | 2,659,874 | 0 |
| Total Current Assets | 19,624,562 | 5,662,793 | 25,287,355 |
| Noncurrent assets: | | | |
| Deferred charges - bond issuance | 166,565 | 47,887 | 214,452 |
| Capital Assets, not being depreciated | 7,308,012 | 40,000 | 7,348,012 |
| Capital Assets, net of accumulated depreciation | 46,129,317 | 10,938,185 | 57,067,502 |
| Total Noncurrent Assets | 53,603,894 | 11,026,072 | 64,629,966 |
| TOTAL ASSETS | 73,228,456 | 16,688,865 | 89,917,321 |
| LIABILITIES: | | | |
| Current Liabilities: | | | |
| Accounts payable | 2,049,722 | 85,011 | 2,134,733 |
| Accrued expenses | 1,887,531 | | 1,887,531 |
| Advanced taxes | 1,695,925 | | 1,695,925 |
| Due to federal and state governments | 213,982 | | 213,982 |
| Due to fiduciary funds | 131,945 | | 131,945 |
| Unearned revenue | 889,256 | 1,518,033 | 2,407,289 |
| Current portion of compensated absences | 1,500,000 | 5,000 | 1,505,000 |
| Current portion of capital lease obligations | 188,973 | | 188,973 |
| Current portion of bonds and notes payable | 1,650,095 | 100,000 | 1,750,095 |
| Current portion of claims and judgments | 8,000 | | 8,000 |
| Total Current Liabilities | 10,215,429 | 1,708,044 | 11,923,473 |
| Noncurrent Liabilities: | | | |
| Compensated absences | 6,162,742 | 34,088 | 6,196,830 |
| Net pension benefit obligation | 10,837,000 | | 10,837,000 |
| Net OPEB obligation | 39,681,891 | 47,917 | 39,729,808 |
| Capital lease obligations | 466,160 | | 466,160 |
| Bonds and notes payable | 20,436,689 | 2,302,000 | 22,738,689 |
| Claims and judgments | 44,000 | | 44,000 |
| Total Noncurrent Liabilities | 77,628,482 | 2,384,005 | 80,012,487 |
| TOTAL LIABILITIES | 87,843,911 | 4,092,049 | 91,935,960 |
| NET ASSETS: | | | |
| Invested in capital assets net of related debt | 30,861,977 | 9,115,985 | 39,977,962 |
| Unrestricted | (45,477,432) | 3,480,831 | (41,996,601) |
| TOTAL NET ASSETS | \$ (14,615,455) | \$ 12,596,816 | \$ (2,018,639) |

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, 2011

| Functions/Programs: | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Assets | | |
|--|-----------------------|---------------------------------|-----------------------------|-----------------------------|--|-----------------------------|-----------------------|
| | Expenses | Charges for | Operating | Capital | Governmental Activities | Business-type Activities | Total |
| | | Services, Fees, and Licenses | Grants and Contributions | Grants and Contributions | | | |
| Governmental activities: | | | | | | | |
| Legislative, judicial, and general administrative | \$ 2,399,817 | \$ 268,869 | | | \$ (2,130,948) | | \$ (2,130,948) |
| Financial administration | 948,844 | 33,420 | | | (915,424) | | (915,424) |
| Assessors office | 241,180 | | | | (241,180) | | (241,180) |
| Public safety | 38,962,354 | 2,920,036 | \$ 111,727 | \$ 38,955 | (35,891,636) | | (35,891,636) |
| Public works | 8,070,203 | 426,830 | 26,573 | 55,375 | (7,561,425) | | (7,561,425) |
| Human resources | 62,153 | | | | (62,153) | | (62,153) |
| Miscellaneous | 2,706,360 | 166,450 | | 59,772 | (2,480,138) | | (2,480,138) |
| Planning and assessment board | 168,843 | 355,573 | | | 186,730 | | 186,730 |
| Library | 567,222 | | 98,501 | 12,463 | (456,258) | | (456,258) |
| Education | 53,993,479 | 1,158,875 | 13,636,958 | | (39,197,646) | | (39,197,646) |
| Other | 316,000 | 440,288 | 434,171 | | 558,459 | | 558,459 |
| Interest on long-term debt | 1,009,540 | | | | (1,009,540) | | (1,009,540) |
| Total governmental activities | 109,445,995 | 5,770,341 | 14,307,930 | 166,565 | (89,201,159) | | (89,201,159) |
| Business-type activities: | | | | | | | |
| Water fund | 883,599 | 1,067,109 | | | | \$ 183,510 | 183,510 |
| Sewer fund | 63,578 | 118,423 | 14,793 | | | 69,638 | 69,638 |
| School cafeteria fund | 975,584 | 469,453 | 504,330 | | | (1,801) | (1,801) |
| Summer school fund | 3,308 | 4,420 | | | | 1,112 | 1,112 |
| Total business-type activities | 1,926,069 | 1,659,405 | 519,123 | - | - | 252,459 | 252,459 |
| Total | \$ 111,372,064 | \$ 7,429,746 | \$ 14,827,053 | \$ 166,565 | (89,201,159) | 252,459 | (88,948,700) |
| General revenues: | | | | | | | |
| Property taxes | | | | | 68,354,917 | | 68,354,917 |
| Other taxes | | | | | 4,010,209 | | 4,010,209 |
| Grants and aid not restricted for a specific program | | | | | 1,016,129 | | 1,016,129 |
| Unrestricted investment earnings | | | | | 96,785 | | 96,785 |
| Miscellaneous | | | | | 1,244,961 | | 1,244,961 |
| Transfers | | | | | 144,039 | (144,039) | - |
| Total general revenues | | | | | 74,867,040 | (144,039) | 74,723,001 |
| Change in Net Assets | | | | | (14,334,119) | 108,420 | (14,225,699) |
| Net Assets - beginning | | | | | (281,336) | 12,488,396 | 12,207,060 |
| Net Assets - ending | | | | | \$ (14,615,455) | \$ 12,596,816 | \$ (2,018,639) |

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

TOWN OF JOHNSTON, RHODE ISLAND

Balance Sheet
Governmental Funds
June 30, 2011

| | General Fund | School Unrestricted Fund | Other Governmental Funds | Total Governmental Funds |
|--|----------------------|--------------------------------|--------------------------------|--------------------------------|
| ASSETS: | | | | |
| Cash and cash equivalents | \$ 11,392,295 | \$ 627,610 | \$ 662,411 | \$ 12,682,316 |
| Accounts and other receivables, net | 4,824,135 | | | 4,824,135 |
| Due from federal and state governments | 1,756,315 | 273,046 | 1,236,781 | 3,266,142 |
| Prepays | 980,309 | 43,408 | | 1,023,717 |
| Due from other funds | 345,772 | 2,212,730 | 924,618 | 3,483,120 |
| TOTAL ASSETS | \$ 19,298,826 | \$ 3,156,794 | \$ 2,823,810 | \$ 25,279,430 |
| LIABILITIES AND FUND BALANCES: | | | | |
| LIABILITIES: | | | | |
| Accounts payable | \$ 357,871 | \$ 580,627 | \$ 65,210 | \$ 1,003,708 |
| Accrued expenses | 977,431 | 727,545 | | 1,704,976 |
| Advanced taxes | 1,695,925 | | | 1,695,925 |
| Due to federal & state governments | 212,371 | | 1,611 | 213,982 |
| Due to other funds | 6,369,174 | 542,892 | 1,198,393 | 8,110,459 |
| Deferred revenues | 3,743,946 | | 204,511 | 3,948,457 |
| TOTAL LIABILITIES | 13,356,718 | 1,851,064 | 1,469,725 | 16,677,507 |
| FUND BALANCES: | | | | |
| Non-spendable | 980,309 | 43,408 | | 1,023,717 |
| Restricted | | | 1,124,593 | 1,124,593 |
| Committed | | 1,262,322 | 229,827 | 1,492,149 |
| Unassigned | 4,961,799 | | (335) | 4,961,464 |
| TOTAL FUND BALANCES | 5,942,108 | 1,305,730 | 1,354,085 | 8,601,923 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 19,298,826 | \$ 3,156,794 | \$ 2,823,810 | \$ 25,279,430 |

(Continued)

TOWN OF JOHNSTON, RHODE ISLAND

*Balance Sheet
Governmental Funds
June 30, 2011*

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

| | |
|---|------------------------|
| Total Fund Balances (B-1) | \$ 8,601,923 |
| Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and therefore are not reported in the funds. | 53,437,329 |
| 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. | 166,565 |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund statements. | (80,975,550) |
| 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. | 3,228,119 |
| 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. | 1,277,632 |
| 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. | (168,918) |
| Accrued interest payable on long-term debt obligations is recorded in the statement of net assets for governmental activities, but is not recorded in the fund statements. | <u>(182,555)</u> |
| Total Net Assets (A-1) | <u>\$ (14,615,455)</u> |

(Concluded)

TOWN OF JOHNSTON, RHODE ISLAND

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2011**

| | General Fund | School Unrestricted Fund | Other Governmental Funds | Total Governmental Funds |
|---|---------------------|--------------------------------|--------------------------------|--------------------------------|
| REVENUES: | | | | |
| Property taxes | \$ 67,863,639 | | | \$ 67,863,639 |
| Departmental fees and revenues | 4,065,775 | | | 4,065,775 |
| State and federal grants | 5,489,037 | \$ 9,569,746 | \$ 2,786,014 | 17,844,797 |
| Medicaid reimbursement | | 978,012 | | 978,012 |
| Investment income | 83,971 | | 12,814 | 96,785 |
| State on behalf pension contributions | | 1,543,032 | | 1,543,032 |
| Other miscellaneous | 1,694,142 | 53,725 | 200,732 | 1,948,599 |
| TOTAL REVENUES | 79,196,564 | 12,144,515 | 2,999,560 | 94,340,639 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Legislative, judicial, and general administrative | 1,594,101 | | | 1,594,101 |
| Financial administration | 955,598 | | | 955,598 |
| Assessors office | 244,793 | | | 244,793 |
| Public safety | 25,105,700 | | | 25,105,700 |
| Public works | 6,650,262 | | | 6,650,262 |
| Human resources | 63,933 | | | 63,933 |
| Miscellaneous | 2,706,360 | | | 2,706,360 |
| Planning and assessment review | 162,643 | | | 162,643 |
| Library | 575,427 | | | 575,427 |
| Education | | 48,853,579 | 2,549,091 | 51,402,670 |
| Other | 595,663 | | 309,404 | 905,067 |
| Debt Service: | | | | |
| Principal | 1,504,643 | | | 1,504,643 |
| Interest | 1,173,865 | | | 1,173,865 |
| Capital: | | | | |
| Capital expenditures | 497,238 | 101,459 | 2,505,056 | 3,103,753 |
| TOTAL EXPENDITURES | 41,830,226 | 48,955,038 | 5,363,551 | 96,148,815 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES) | 37,366,338 | (36,810,523) | (2,363,991) | (1,808,176) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 287,172 | 37,129,015 | 877,677 | 38,293,864 |
| Transfers out | (37,129,015) | | (1,720,853) | (38,849,868) |
| TOTAL OTHER FINANCING SOURCES (USES) | (36,841,843) | 37,129,015 | (843,176) | (556,004) |
| NET CHANGE IN FUND BALANCES | 524,495 | 318,492 | (3,207,167) | (2,364,180) |
| FUND BALANCE AT BEGINNING OF YEAR, AS RESTATED | 5,417,613 | 987,238 | 4,561,252 | 10,966,103 |
| FUND BALANCE AT END OF YEAR | \$ 5,942,108 | \$ 1,305,730 | \$ 1,354,085 | \$ 8,601,923 |

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, 2011**

| | |
|---|------------------------|
| Net Change in Fund Balances - Total Governmental Funds (B-2): | \$ (2,364,180) |
| 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. | 260,583 |
| 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 2011. | (20,730) |
| 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. | 59,772 |
| Net transfer in resulting from reclassification of non-current assets and liabilities from the Governmental activities to Business-type activities is recorded as a transfer in on the Governmental activities in the statement of activities, but is not reported in the governmental funds. | 700,043 |
| Governmental funds report principal repayments on debt obligations as an expenditure. However, the repayment of principal has no effect on the net assets. | 1,840,869 |
| Governmental funds report debt issuance costs and premiums on debt financing when they occur. The Government-wide statements amortize these costs over the life of the bond. This is the net effect of the amortization of bond premium and issuance costs reported on the Government-wide statements but not reported in the fund financial statements. | (15,430) |
| 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 2010. | 567,426 |
| 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. | (5,065,000) |
| 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. | (11,444,134) |
| 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. | 212,729 |
| Excess of internal service funds' revenues over expenses, reported as governmental fund activities in the statement of activities and changes in net assets. | 811,069 |
| 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. | 122,864 |
| Change in Net Assets of Governmental Activities in the Statement of Activities (A-2) | \$ (14,334,119) |

TOWN OF JOHNSTON, RHODE ISLAND

Statement of Net Assets
Proprietary Funds
June 30, 2011

| | Business-type Activities - Enterprise Funds | | | | | | | | Governmental Activities | |
|---|---|---------------------------------------|---------------------------------|-------------------------------|-------------------------------------|-----------------------------------|------------------------------------|----------------------------------|----------------------------|---|
| | Water Control Fund (current year) | Water Control Fund (prior year) | Sewer Fund (current year) | Sewer Fund (prior year) | Cafeteria Fund (current year) | Cafeteria Fund (prior year) | Summer School (current year) | Summer School (prior year) | Totals | Health Care Management Internal Service Fund |
| ASSETS: | | | | | | | | | | |
| Current Assets: | | | | | | | | | | |
| Cash and cash equivalents | | | | | \$ 26,599 | \$ 500 | | | \$ 26,599 | \$ 488,126 |
| Restricted cash held in escrow | | | \$ 787,079 | | | | | | 787,079 | |
| Accounts and other receivables, net | \$ 483,310 | \$ 438,323 | 1,626,313 | | 6,751 | 2,343 | | | 2,116,374 | |
| Intergovernmental receivables | | | | | 57,936 | 47,980 | | | 57,936 | |
| Inventory | | | | | 14,931 | 14,931 | | | 14,931 | |
| Due from other funds | 3,044,341 | 2,900,643 | | | | 114,981 | \$ 1,112 | | 3,045,453 | 1,835,520 |
| Total Current Assets | 3,527,651 | 3,338,966 | 2,413,392 | \$ - | 106,217 | 180,735 | 1,112 | \$ - | 6,048,372 | 2,323,646 |
| Non-current Assets: | | | | | | | | | | |
| Deferred charges - bond issuance costs, net | | | 47,887 | | | | | | 47,887 | |
| Capital Assets, net of accumulated depreciation | 9,108,445 | 9,225,102 | 1,862,200 | | 7,540 | 10,753 | | | 10,978,185 | |
| Total Non-current Assets | 9,108,445 | 9,225,102 | 1,910,087 | - | 7,540 | 10,753 | - | - | 11,026,072 | - |
| TOTAL ASSETS | 12,636,096 | 12,564,068 | 4,323,479 | - | 113,757 | 191,488 | 1,112 | - | 17,074,444 | 2,323,646 |
| LIABILITIES: | | | | | | | | | | |
| Current Liabilities: | | | | | | | | | | |
| Cash overdraft | | | | | | 114,490 | | | | |
| Accounts payable and accrued expenses | | | 16,842 | | 68,169 | 76,998 | | | 85,011 | 1,046,014 |
| Due to other funds | 2,185 | | 336,005 | | 47,389 | | | | 385,579 | |
| Unearned revenue | | | 1,518,033 | | | | | | 1,518,033 | |
| Current portion of accrued compensated absences | 5,000 | 6,000 | | | | | | | 5,000 | |
| Current portion of bonds payable | | | 100,000 | | | | | | 100,000 | |
| Total Current Liabilities | 7,185 | 6,000 | 1,970,880 | - | 115,558 | 191,488 | - | - | 2,093,623 | 1,046,014 |
| Non-current Liabilities: | | | | | | | | | | |
| Accrued compensated absences | 34,088 | 32,292 | | | | | | | 34,088 | |
| Net OPEB obligation | 47,917 | 37,380 | | | | | | | 47,917 | |
| Bonds payable | | | 2,302,000 | | | | | | 2,302,000 | |
| Total Non-current Liabilities | 82,005 | 69,672 | 2,302,000 | - | - | - | - | - | 2,384,005 | - |
| TOTAL LIABILITIES | 89,190 | 75,672 | 4,272,880 | - | 115,558 | 191,488 | - | - | 4,477,628 | 1,046,014 |
| NET ASSETS: | | | | | | | | | | |
| Invested in capital assets net of related debt | 9,108,445 | 9,225,102 | | | 7,540 | 10,753 | | | 9,115,985 | |
| Unrestricted: | | | | | | | | | | |
| Reserved for infrastructure replacement | 264,492 | 234,376 | | | | | | | 264,492 | |
| Reserved for repairs | 26,756 | 22,206 | | | | | | | 26,756 | |
| Unreserved | 3,147,213 | 3,006,712 | 50,599 | | (9,341) | (10,753) | 1,112 | | 3,189,583 | ** 1,277,632 |
| TOTAL NET ASSETS | \$ 12,546,906 | \$ 12,488,396 | \$ 50,599 | \$ - | \$ (1,801) | \$ - | \$ 1,112 | \$ - | \$ 12,596,816 | \$ 1,277,632 |

** - The unrestricted net assets (\$1,277,632) in the Health Care Management Fund represent \$603,235 to be utilized for future claims of the School Department and \$674,397 to be utilized for future claims of the Town.

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, 2011

| | Business-type Activities-Enterprise Funds | | | | | | | | Governmental Activities | |
|---|---|---------------------------------------|---------------------------------|-------------------------------|-------------------------------------|-----------------------------------|------------------------------------|----------------------------------|----------------------------|---|
| | Water Control Fund (current year) | Water Control Fund (prior year) | Sewer Fund (current year) | Sewer Fund (prior year) | Cafeteria Fund (current year) | Cafeteria Fund (prior year) | Summer School (current year) | Summer School (prior year) | Totals | Health Care Management Internal Service Fund |
| OPERATING REVENUES: | | | | | | | | | | |
| Charges for usage and service | \$ 1,067,109 | \$ 949,205 | \$ 118,423 | | \$ 469,453 | \$ 461,811 | \$ 4,420 | | \$ 1,659,405 | \$ 15,288,536 |
| Total operating revenues | 1,067,109 | 949,205 | 118,423 | \$ - | 469,453 | 461,811 | 4,420 | \$ - | 1,659,405 | 15,288,536 |
| OPERATING EXPENSES: | | | | | | | | | | |
| Salaries and benefits | 58,259 | 84,558 | | | 16,617 | 22,380 | 3,308 | | 78,184 | |
| Contracts | | | | | 955,754 | 996,287 | | | 955,754 | |
| Materials and supplies | | | | | | 141 | | | - | |
| Repair and maintenance | 60,936 | 41,763 | | | | | | | 60,936 | |
| Utilities | 38,257 | 29,995 | | | | | | | 38,257 | |
| Office expense | 3,313 | 3,797 | | | | | | | 3,313 | |
| Purchased water and state surcharges | 439,200 | 313,682 | | | | | | | 439,200 | |
| Departmental expense | 165,984 | 189,679 | | | | | | | 165,984 | |
| Health care management | | | | | | | | | - | 14,479,374 |
| Bad debts, net of recovery | 993 | 713 | | | | | | | 993 | |
| Other expenses | | 193 | | | | | | | - | |
| Depreciation | 116,657 | 116,657 | 6,228 | | 3,213 | 3,213 | | | 126,098 | |
| Total operating expenses | 883,599 | 781,037 | 6,228 | - | 975,584 | 1,022,021 | 3,308 | - | 1,868,719 | 14,479,374 |
| OPERATING INCOME (LOSS) | 183,510 | 168,168 | 112,195 | - | (506,131) | (560,210) | 1,112 | - | (209,314) | 809,162 |
| NONOPERATING REVENUES (EXPENSES): | | | | | | | | | | |
| State and federal grants | | | 14,793 | | 488,473 | 471,726 | | | 503,266 | |
| State matching funds | | | | | 15,857 | 16,331 | | | 15,857 | |
| Investment income | | | | | | | | | - | 1,907 |
| Interest expense | | | (54,714) | | | | | | (54,714) | |
| Amortization | | | (2,636) | | | | | | (2,636) | |
| TOTAL NONOPERATING REVENUES (EXPENSES) | - | - | (42,557) | - | 504,330 | 488,057 | - | - | 461,773 | 1,907 |
| INCOME (LOSS) BEFORE TRANSFERS | 183,510 | 168,168 | 69,638 | - | (1,801) | (72,153) | 1,112 | - | 252,459 | 811,069 |
| Transfers In | | | 681,004 | 32,490 | | 93,487 | | | 681,004 | |
| Transfer Out | (125,000) | (125,000) | (700,043) | (32,490) | | | | | (825,043) | |
| CHANGE IN NET ASSETS | 58,510 | 43,168 | 50,599 | - | (1,801) | 21,334 | 1,112 | - | 108,420 | 811,069 |
| TOTAL NET ASSETS - BEGINNING | 12,488,396 | 12,445,228 | - | - | - | (21,334) | - | - | 12,488,396 | 466,563 |
| TOTAL NET ASSETS - ENDING | \$ 12,546,906 | \$ 12,488,396 | \$ 50,599 | \$ - | \$ (1,801) | \$ - | \$ 1,112 | \$ - | \$ 12,596,816 | \$ 1,277,632 |

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, 2011

| | Business-type Activities - Enterprise Funds | | | | | Governmental Activities |
|--|---|--------------------|------------------|----------------|------------------|--|
| | Water Control Fund | Sewer Fund | Cafeteria Fund | Summer School | Totals | Health Care Management Internal Service Fund |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | | | |
| Cash received from customers | \$ 1,022,122 | \$ 10,143 | \$ 465,045 | \$ 4,420 | \$ 1,501,730 | \$ 15,288,536 |
| Cash received from providing services | | | | | | |
| Cash paid to suppliers | (708,683) | (31,217) | (964,583) | | (1,704,483) | |
| Cash paid to employees | (46,926) | | (16,617) | (3,308) | (66,851) | |
| Cash paid for claims | | | | | | (14,178,285) |
| Net cash provided by (used for) operating activities | 266,513 | \$ (21,074) | (516,155) | 1,112 | (269,604) | 1,110,251 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | | | | |
| Transfers (to) from other funds | (125,000) | | | | (125,000) | |
| Non-operating grants received | | | 494,374 | | 494,374 | |
| (Increase) decrease in due from other funds | (143,698) | | 114,981 | (1,112) | (29,829) | (860,594) |
| Increase (decrease) in due to other funds | 2,185 | 257,989 | 47,389 | | 307,563 | |
| Net cash provided by (used for) noncapital financing activities | (266,513) | 257,989 | 656,744 | (1,112) | 647,108 | (860,594) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | | | | |
| Acquisition of capital assets | | (98,775) | | | (98,775) | |
| Principal paid on bonds | | (83,207) | | | (83,207) | |
| Interest paid on long-term debt | | (54,933) | | | (54,933) | |
| Net cash used for capital and related financing activities | 0 | (236,915) | 0 | 0 | (236,915) | 0 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | | | |
| Investment income | | | | | 0 | 1,907 |
| Net cash provided by (used for) investing activities | 0 | 0 | 0 | 0 | 0 | 1,907 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 0 | 0 | 140,589 | 0 | 140,589 | 251,564 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 0 | 0 | (113,990) | 0 | (113,990) | 236,562 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | \$ - | \$ - | \$ 26,599 | \$ - | \$ 26,599 | \$ 488,126 |

(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, 2011**

| | Business-type Activities - Enterprise Funds | | | | | Governmental Activities |
|---|---|--------------------|---------------------|-----------------|---------------------|--|
| | Water Control Fund | Sewer Fund | Cafeteria Fund | Summer School | Totals | Health Care Management Internal Service Fund |
| Reconciliation of operating income (loss) to net cash provided by (used for) operating activities: | | | | | | |
| Operating income (loss) | \$ 183,510 | \$ 112,195 | \$ (506,131) | \$ 1,112 | \$ (209,314) | \$ 809,162 |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: | | | | | | |
| Depreciation | 116,657 | 6,228 | 3,213 | | 126,098 | |
| Increase in provision for doubtful accounts | 993 | | | | 993 | |
| (Increase) decrease in accounts receivable | (45,980) | (1,626,313) | (4,408) | | (1,676,701) | |
| Increase (decrease) in accounts payable | | (31,217) | (8,829) | | (40,046) | 301,089 |
| Increase (decrease) in unearned revenue | | 1,518,033 | | | 1,518,033 | |
| Increase (decrease) in accrued compensated absences | 796 | | | | 796 | |
| Increase (decrease) in net OPEB obligation | 10,537 | | | | 10,537 | |
| Net cash provided by (used for) operating activities | \$ 266,513 | \$ (21,074) | \$ (516,155) | \$ 1,112 | \$ (269,604) | \$ 1,110,251 |

(Concluded)

TOWN OF JOHNSTON, RHODE ISLAND

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011

| | Pension Trust Funds | Private Purpose Trust Funds | Agency Funds |
|-------------------------------------|------------------------|--------------------------------|-----------------|
| ASSETS: | | | |
| Cash and cash equivalents | \$ 390,580 | \$ 23,340 | \$ 415,165 |
| Investments | 40,570,736 | | |
| Funds held in escrow | 823,638 | | |
| Due from governmental funds | 82,794 | | 107,750 |
| TOTAL ASSETS | 41,867,748 | 23,340 | 522,915 |
| LIABILITIES: | | | |
| Due to student groups | | | 188,689 |
| Deposits held in custody for others | | | 334,226 |
| Due to governmental funds | 58,599 | | |
| TOTAL LIABILITIES | 58,599 | 0 | 522,915 |
| NET ASSETS: | | | |
| Held in trust for perpetual care | | 23,340 | |
| Held in trust for pension benefits | 41,809,149 | | |
| TOTAL NET ASSETS | \$ 41,809,149 | \$ 23,340 | \$ 0 |

TOWN OF JOHNSTON, RHODE ISLAND

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
Fiduciary Funds
For the year ended June 30, 2011

| | Pension Trust Funds | Private-Purpose Trust Funds |
|--|------------------------|--------------------------------|
| Additions: | | |
| Contributions: | | |
| Employer | \$ 1,066,747 | |
| Plan members | 603,274 | |
| Total contributions | <u>1,670,021</u> | <u>\$ -</u> |
| Investment income (expense) | | |
| Net dividends, interest, and change in fair value | <u>7,463,380</u> | <u>2</u> |
| Net investment income (expense) | <u>7,463,380</u> | <u>2</u> |
| Total additions and changes in fair value | <u>9,133,401</u> | <u>2</u> |
| Deductions: | | |
| Administration and benefit expenses | 3,800 | 0 |
| Pension expenses | <u>3,801,108</u> | <u>0</u> |
| Total deductions | <u>3,804,908</u> | <u>0</u> |
| Change in net assets | 5,328,493 | 2 |
| Net assets - beginning of year | <u>36,480,656</u> | <u>23,338</u> |
| Net assets - end of year | <u>\$ 41,809,149</u> | <u>\$ 23,340</u> |

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

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 2011:

- 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, 2011. Therefore, the activity of the Johnston Senior Citizens Center, Inc. has been omitted from the Town of Johnston, Rhode Island's June 30, 2011 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, 2011**

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 and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Capital Project Funds

Capital Project Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

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, Sewer Fund, School Cafeteria Fund, and the Summer School Fund which are considered Enterprise Funds. The Town also maintains four Internal Service Funds (School Self Insured Active, School Self Insured Retired, Town Self Insured Active, and Town Self Insured Retired) which are used to pay medical and dental costs incurred by persons covered by the health benefit plan of the Town and the School Department.

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

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, 2011 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, 2011**

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 |
| 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. |
| Sewer Fund | Accounts for sewer projects of the Town of Johnston. |
| 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. |
| Summer School Fund | Accounts for the operation of the summer school 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, Memorial Park Recreation Fields Restoration, Substance Abuse Prevention Grant, Blue Riptide Grant, ARRA EECBG, NRCS, Federal JAG Active Shooter, Historical Trust Fund, Fire Plan Review, Fire Prevention Grant, Memorial Library Fund, Byrne Grant, State JAG Grant, Secure Our Schools, Federal JAG Radio Console, State JAG Radio Console, FEMA Category F Projects, and FEMA Category C Projects. |

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Major and Non-Major Funds (Continued)

Non-Major (Continued):

Capital Project Funds:

School Facilities Fund, Senior Center Grant, West End Fire Station, Highland Ave. Drainage, High School Renovation, Middle School Renovation, Ferri School Renovation, West End Water, Rainone Gym Renovations, Unobligated Capital Fund, Sewer Project Capri & Bellaire, DAM Renovations, Pezza Property Acquisition, Champlin Community Park, Capital Lease, Police Station Construction, 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, 2011**

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, 2011**

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 \$5,830,487 at June 30, 2011. The allowance for uncollectible accounts includes \$5,301,129 for property taxes, \$129,049 for Municipal Court fees and traffic fines, \$53,560 for special sewer assessment, \$336,811 for fire rescue services, and \$9,938 for enterprise fund (Water Fund) service fees. Major receivable balances for the governmental activities include property taxes (76% 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 restricted, committed or assigned, and should not result in separate display of the encumbered amount within those classifications. 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, 2011**

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, 2011**

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, 2009 and prior and are not collected within 60 days of June 30, 2011. Net deferred taxes included in the fund financial statements were approximately \$1,929,000 at June 30, 2011. In addition, deferred revenue in the General Fund (fund financial statements) included approximately \$250,500 for Municipal Court fees and traffic fines, \$1,048,600 for fire rescue services, and \$515,800 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, 2011**

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. In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* fund balance is further classified as non-spendable, restricted, committed, assigned or unassigned as described below.

- (a) Non-Spendable Fund Balance – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. "Not in spendable form" includes items that are not expected to be converted to cash.
- (b) Restricted Fund Balance – includes amounts that are restricted to specific purposes. Fund balance is reported as restricted when constraints placed in the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
- (c) Committed Fund Balance – includes amounts that can be used only for the specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. The highest level of decision-making authority for the Town of Johnston is the Town Council and passage of Town Ordinance.
- (d) Assigned Fund Balance – includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The intent should be expressed by (a) the governing body itself or (b) a body (a budget or finance committee) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.
- (e) Unassigned Fund Balance – is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may need to report a negative unassigned fund balance.

Proprietary fund equity is classified the same as in the government-wide statements.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity Classifications (Continued)

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 \$80,975,550 are as follows:

| | |
|--|-----------------------------|
| Bonds payable and capital lease obligations..... | \$ 22,741,917 |
| Net pension benefit obligation | 10,837,000 |
| Net OPEB obligation | 39,681,891 |
| Accrued claims and judgments..... | 52,000 |
| Compensated absences | <u>7,662,742</u> |
| Total | <u>\$ 80,975,550</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 \$3,228,119 difference are as follows:

| | |
|--|----------------------------|
| Deferred tax revenue (net of allowance \$5,301,129) | \$ 1,929,043 |
| Deferred fire rescue fees (net of allowance \$336,811)..... | 1,048,569 |
| Deferred municipal court fees (net of allowance \$129,049) | <u>250,507</u> |
| Total..... | <u>\$ 3,228,119</u> |

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 \$260,583 are as follows:

| | |
|--|--------------------------|
| Capital outlay expenditures reclassified to capital assets | \$ 3,063,276 |
| Depreciation expense | <u>(2,802,693)</u> |
| Total | <u>\$ 260,583</u> |

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

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 states that "the governmental funds report principal repayments on debt obligations as an expenditure." The details of the \$1,840,869 are as follows:

| | |
|---|---------------------------|
| Principal payment of general obligation bonds..... | \$1,458,972 |
| Principal payment of capital lease obligations..... | <u>381,897</u> |
| Total | <u>\$1,840,869</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 \$212,729 are as follows:

| | |
|---|--------------------------|
| Decrease in liability for compensated absences..... | \$ 204,729 |
| Decrease in liability for claims and judgments..... | <u>8,000</u> |
| Total | <u>\$ 212,729</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 \$567,426 are as follows:

| | |
|--|--------------------------|
| Deferred tax revenue, net - ending | \$ 1,929,043 |
| Deferred fire rescue, net - ending | 1,048,569 |
| Deferred municipal court fees, net - ending..... | 250,507 |
| Deferred tax revenue, net - beginning | (1,437,765) |
| Deferred fire rescue fees, net - beginning | (411,659) |
| Deferred municipal court fees - beginning | (258,597) |
| Deferred sewer assessment, net - beginning | <u>(552,672)</u> |
| Total | <u>\$ 567,426</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 \$(5,065,000) was comprised of the following:

| | |
|---|-----------------------------|
| Net pension benefit obligation - beginning of year..... | \$ 5,772,000 |
| Net pension benefit obligation - end of year | <u>(10,837,000)</u> |
| Increase in net pension benefit obligation | <u>\$(5,065,000)</u> |

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 \$(11,444,134) was comprised of the following:

| | |
|---|------------------------------|
| Net OPEB obligation - beginning of year | \$ 28,237,757 |
| Net OPEB obligation - end of year | <u>(39,681,891)</u> |
| Increase in net OPEB obligation | <u>\$(11,444,134)</u> |

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. 60 – Accounting and Financial Reporting for Service Concession Arrangement, effective for the Town's fiscal year ending June 30, 2013.
- ✓ GASB Statement No. 61 – The Financial Reporting entity: Omnibus an amendment of GASB Statements No. 14 and No. 34, effective for the Town's fiscal year ending June 30, 2013.
- ✓ GASB Statement No. 62 – Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, effective for the Town's fiscal year ending June 30, 2013.
- ✓ GASB Statement No. 63 – Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, effective for the Town's fiscal year ending June 30, 2013.
- ✓ GASB Statement No. 64 – Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53, effective for the Town's fiscal year ending June 30, 2012.

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

During the fiscal year ended June 30, 2011 the Town implemented the following governmental accounting standards:

- ✓ GASB Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions. The adoption of this Statement required the reclassification of fund balance reporting on the Town's financial position for governmental funds.
- ✓ GASB Statement No. 57 – OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. The adoption of this Statement did not have an impact on the Town's financial statements.
- ✓ GASB Statement No. 59 – Financial Instruments Omnibus. The adoption of this Statement did not have an impact 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, 2011**

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 School State Aid, State Federal Stabilization funds, School Medicaid reimbursement and School's miscellaneous income is treated as revenue of the School Unrestricted Fund in accordance with GASB #54 for GAAP purposes, but is reported as part of the Town's activity for budgetary purposes. In addition, activity of certain non-major governmental funds is combined with the General Fund in accordance with GASB #54 for GAAP, but is not reported for budgetary purposes. Also, advanced tax payment received and budgeted in fiscal year ended June 30, 2011 is reported as revenue for budgetary purposes, but is deferred for GAAP.

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

REVENUES

| | |
|--|----------------------------|
| Total General Fund revenues and other financing sources, from Exhibit B-2 | \$79,483,736 |
| Adjustments: | |
| School State Aid budgeted in General Fund..... | 9,362,199 |
| State Fiscal Stabilization Funds (SFSF) budgeted in General Fund | 448,366 |
| School Medicaid reimbursement budgeted in General Fund..... | 978,012 |
| School's miscellaneous income budgeted in General Fund | 53,725 |
| Inclusion of revenue (net of transfer out) of OPEB Fund with the General Fund, for GAAP purposes, not part of budget | 100,368 |
| Inclusion of revenue (net of transfer out) of Reserve Healthcare Fund with the General Fund, for GAAP purposes, not part of budget | 171,370 |
| Inclusion of revenue (net of transfer out) of Police Detail Fund with the General Fund, for GAAP purposes, not part of budget | (558,775) |
| Inclusion of revenue (net of transfer out) of Fire Dept. Detail Fund with the General Fund, for GAAP purposes, not part of budget | (20,295) |
| Advanced tax payment received and budgeted in fiscal 2011..... | <u>500,000</u> |
| Total budgetary basis revenues and other financing sources from RSI - 2 | <u>\$90,518,706</u> |

EXPENDITURES

| | |
|--|----------------------------|
| Total General Fund expenditures and other financing uses, from Exhibit B-2 | \$78,959,241 |
| Adjustments: | |
| School State Aid budgeted in General Fund..... | 9,362,199 |
| State Fiscal Stabilization Funds (SFSF) budgeted in General Fund | 448,366 |
| School Medicaid reimbursement budgeted in General Fund..... | 978,012 |
| School's miscellaneous income budgeted in General Fund | 53,725 |
| Inclusion of expenditures of Police Detail Fund with the General Fund, for GAAP purposes, not part of budget..... | (552,748) |
| Inclusion of expenditures of Fire Dept. Detail Funds with the General Fund, for GAAP purposes, not part of budget..... | <u>(35,164)</u> |
| Total budgetary basis expenditures and other financing uses, from RSI - 2..... | <u>\$89,213,631</u> |

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

2. BUDGETARY PROCESS (Continued)

(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 2011 were \$34,329 as compared to \$0 at June 30, 2010. 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 | \$49,273,530 |
| Adjustments: | |
| Add: State Aid of Literacy included in School Unrestricted Fund budget | |
| But reported in separate special revenue fund for GAAP | 240,819 |
| State on behalf pension contribution not budgeted | <u>(1,543,032)</u> |
| Total budgetary basis revenues and other financing sources from RSI - 3 | <u>\$47,971,317</u> |

EXPENDITURES

| | |
|--|----------------------------|
| Total School Unrestricted expenditures and other financing uses, from Exhibit B-2 | \$48,955,038 |
| Adjustments: | |
| Prior year encumbrances | (0) |
| Current year encumbrances | 34,329 |
| Add: State Aid of Literacy included in School Unrestricted Fund budget | |
| But reported in separate special revenue fund for GAAP | 240,819 |
| State on behalf pension contribution not budgeted | <u>(1,543,032)</u> |
| Total budgetary basis expenditures and other financing uses, from RSI - 3 | <u>\$47,687,154</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, 2011**

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, 2011 was \$14,026,126 (including Fiduciary Funds) while the bank balance was \$14,760,832. Of the bank balance, \$14,426,115 was covered by federal depository insurance. The remaining uninsured balance of \$334,717 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 \$787,079 reported in Business-type Activities at June 30, 2011 represents cash held in escrow with RI Clean Water Finance Agency to be used for the Sewer Project Fund.

Funds held in escrow of \$823,638 reported in the Fiduciary Funds at June 30, 2011 represents cash held on deposit with the Rhode Island Superior Court as a result of litigation between certain police retirees and the Town. These funds will be held in the Superior Court's Registry until the case is resolved.

Investments

At June 30, 2011 the Town's investments totaled \$40,570,736 (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>\$40,570,736</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, 2011 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 Town's deposit policy requires that deposits be placed in financial institutions that are FDIC insured. The Town's 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, 2011**

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, 2011, 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 2011 were based on an assessed value of approximately \$2,465,988,000 at December 31, 2009 and amounted to approximately \$66,483,700. Total collections through June 30, 2011, on the 2010 tax levy, amounted to approximately \$63,481,100, which represents approximately 95.5% of the net tax levy. Total collections including 60-day receipts (applicable to the 2010 tax levy) amounted to approximately \$64,226,800, which represents approximately 96.6% 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 (\$7,981,486) as of June 30, 2011 are recorded as a receivable, net of an allowance for uncollectible property taxes of \$5,301,129. Those property taxes receivable, which were not collected within the 60 days immediately following June 30, 2011, are recorded as deferred revenue, net of the allowance of \$5,301,129 and amounted to \$1,929,044 at June 30, 2011. Property taxes recognized as revenue for the fiscal year ended June 30, 2011 (due to their collection within the 60 days immediately following June 30, 2011) amounted to \$751,313.

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, 2011 consisted of the following:

| | <u>General</u> | <u>Business-type Activities</u> | <u>Total</u> |
|---|--------------------|-------------------------------------|--------------------|
| Receivables: | | | |
| 2010 tax year | \$3,228,636 | | \$3,228,636 |
| 2009 and prior years | 4,752,850 | | 4,752,850 |
| Accounts | <u>2,663,198</u> | <u>\$2,126,312</u> | <u>4,789,510</u> |
| Gross receivables | 10,644,684 | 2,126,312 | 12,770,996 |
| Less: allowance for uncollectibles | <u>(5,820,549)</u> | <u>(9,938)</u> | <u>(5,830,487)</u> |
| Total receivables | <u>\$4,824,135</u> | <u>\$2,116,374</u> | <u>\$6,940,509</u> |

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

5. INTERGOVERNMENTAL RECEIVABLE

Amounts due from the Federal Government and the State of Rhode Island consisted of the following at June 30, 2011:

| | |
|--|-------------------------------|
| General Fund: | |
| Rhode Island Solid Waste Management Corporation..... | \$ 1,045,040 |
| State of Rhode Island – Hotel Meals & Beverage tax..... | 85,707 |
| State of Rhode Island – Flood disaster reimbursement..... | 60,466 |
| State of Rhode Island – Miscellaneous grants and fees..... | 241,298 |
| State of Rhode Island – Public service corporate tax | <u>323,804</u> |
| Total General Fund | <u>1,756,315</u> |
| School Unrestricted Fund: | |
| Medicaid..... | 198,416 |
| State of Rhode Island – Department of Education..... | <u>74,630</u> |
| Total School Unrestricted Fund..... | <u>273,046</u> |
| Other Governmental Funds: | |
| State of Rhode Island: | |
| School Restricted Grant Funds..... | 1,227,014 |
| Natural Resources Conservation Service (NRCS) grant..... | <u>9,767</u> |
| Total Other Governmental Funds..... | <u>1,236,781</u> |
| Business-type Activities: | |
| Cafeteria Fund: | |
| State of Rhode Island..... | <u>57,936</u> |
| Total intergovernmental receivables..... | <u>\$3,324,078</u> |

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011 was as follows:

| | <u>Balances</u> <u>7/1/10</u> | <u>Additions &</u> <u>Transfers</u> | <u>Retirements &</u> <u>Transfers</u> | <u>Balances</u> <u>6/30/11</u> |
|--|----------------------------------|--|--|-----------------------------------|
| Governmental Activity: | | | | |
| Nondepreciable assets: | | | | |
| Land..... | \$ 7,258,043 | | | \$ 7,258,043 |
| Construction in progress..... | 6,147,906 | \$ 2,094,081 | \$ 8,192,018 ** | 49,969 |
| Depreciable assets: | | | | |
| Buildings, building improvements, and land improvements | 36,149,829 | 6,624,390 | 156,480 | 42,617,739 |
| Vehicles and equipment | 8,224,456 | 569,582 *** | 0 | 8,794,038 |
| Infrastructure..... | <u>54,481,923</u> | <u>260,518</u> | 0 | <u>54,742,441</u> |
| Total cost..... | <u>112,262,157</u> | <u>9,548,571</u> | <u>8,348,498</u> | <u>113,462,230</u> |

** Includes \$1,766,496 transfer of capital assets to Business-Type activities.

*** Includes \$59,772 donated vehicle reported in the Government-wide Statements.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

6. CAPITAL ASSETS (Continued)

| | <u>Balances</u> <u>7/1/10</u> | <u>Additions &</u> <u>Transfers</u> | <u>Retirements &</u> <u>Transfers</u> | <u>Balances</u> <u>6/30/11</u> |
|--|----------------------------------|--|--|-----------------------------------|
| Governmental Activity: | | | | |
| Accumulated Depreciation: | | | | |
| Buildings and improvements..... | (13,909,539) | (832,691) | 135,750 | (14,606,480) |
| Vehicles and equipment | (5,359,828) | (568,122) | 0 | (5,927,950) |
| Infrastructure..... | <u>(38,088,591)</u> | <u>(1,401,880)</u> | 0 | <u>(39,490,471)</u> |
| Total accumulated depreciation... | <u>(57,357,958)</u> | <u>(2,802,693)</u> | 135,750 | <u>(60,024,901)</u> |
| Net capital assets | <u>\$54,904,199</u> | <u>\$6,745,878</u> | <u>\$(8,212,748)</u> | <u>\$53,437,329</u> |
| Business-Type Activities: | | | | |
| Nondepreciable assets: | | | | |
| Land | \$ 40,000 | \$ 0 | \$ 0 | \$ 40,000 |
| Construction in progress..... | 0 | 1,868,428 ** | 1,868,428 | 0 |
| Depreciable assets: | | | | |
| Infrastructure..... | 0 | 1,868,428 | 0 | 1,868,428 |
| 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>11,880,248</u> | <u>3,736,856</u> | <u>1,868,428</u> | <u>13,748,676</u> |

** Includes \$1,766,496 transfer of capital assets from Governmental activities.

| | | | | |
|--|--------------------|--------------------|----------------------|---------------------|
| Accumulated Depreciation: | | | | |
| Infrastructure..... | 0 | (6,228) | 0 | (6,228) |
| Motor vehicles..... | (37,477) | 0 | 0 | (37,477) |
| Machinery and equipment | (126,283) | (3,213) | 0 | (129,496) |
| Water distributions | <u>(2,480,633)</u> | <u>(116,657)</u> | 0 | <u>(2,597,290)</u> |
| Total accumulated depreciation... | <u>(2,644,393)</u> | <u>(126,098)</u> | 0 | <u>(2,770,491)</u> |
| Net capital assets | <u>\$9,235,855</u> | <u>\$3,610,758</u> | <u>\$(1,868,428)</u> | <u>\$10,978,185</u> |

Depreciation expense for the year ended June 30, 2011 was charged to the following functions/programs of the Town:

| | |
|----------------------------------|--------------------|
| Governmental Activities: | |
| Education | \$ 621,642 |
| Public safety..... | 485,257 |
| Public works..... | 1,558,521 |
| Library | 28,711 |
| Other | <u>108,562</u> |
| Total | <u>\$2,802,693</u> |
| Business-Type Activities: | |
| Water fund | \$ 116,657 |
| Sewer Fund..... | 6,228 |
| School cafeteria fund | <u>3,213</u> |
| Total | <u>\$ 126,098</u> |

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

6. CAPITAL ASSETS (Continued)

The following is a summary of Construction in Progress at June 30, 2011:

Governmental Activities:

Municipal Court..... \$ 49,969

7. 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 \$73,979,647, based on the net assessed valuation at December 31, 2009 of \$2,465,988,235. The entire \$22,086,784 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, 2011**

7. LONG-TERM DEBT (Continued)

(b) At June 30, 2011 the Town's long-term debt outstanding and activity consisted of the following:

| Description | Date of Issue | Maturity Date | Amount of Issue | Interest Rate | Balance June 30, 2010 | Transfers in & Additions | Transfers out & Retirements | Balance June 30, 2011 | Due within one year |
|---|---------------|---------------|----------------------|---------------|-----------------------|--------------------------|-----------------------------|-----------------------|---------------------|
| Governmental Activities: | | | | | | | | | |
| General Obligation Bonds: | | | | | | | | | |
| 2001 General Obligation Refunding Bond | 11/1/2001 | 7/15/2012 | \$ 2,910,000 | 2.15%-4.125% | \$ 850,000 | | \$ 270,000 | \$ 580,000 | \$ 285,000 |
| 1998 General Obligation Bond Series B | 8/15/1998 | 8/15/2012 | 5,915,000 | 6.5%-5.05% | 305,000 | | 305,000 | - | - |
| RI Clean Water Bond | 4/25/2002 | 9/1/2022 | 750,000 | 0.661% | 540,756 | | 33,972 | 506,784 | 35,095 |
| 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 | - | - |
| 2004 General Obligation Bond | 6/1/2004 | 6/1/2024 | 8,775,000 | 5%-5.25% | 7,030,000 | | 365,000 | 6,665,000 | 380,000 |
| 2005 General Obligation Bond | 6/1/2005 | 6/1/2025 | 6,325,000 | 4%-4.75% | 5,285,000 | | 265,000 | 5,020,000 | 275,000 |
| 2007 General Obligation Bond - Senior Center | 9/13/2007 | 9/1/2019 | 2,277,000 | 5.05% | 1,985,000 | | 155,000 | 1,830,000 | 165,000 |
| 2008 General Obligation Bond | 9/9/2009 | 9/1/2029 | 4,430,000 | 3%-7% | 4,430,000 | | 65,000 | 4,365,000 | 155,000 |
| 2010 General Obligation Refunding Bond | 6/29/2010 | 8/15/2018 | 3,120,000 | 2%-4% | 3,120,000 | | | 3,120,000 | 355,000 |
| Total bonds outstanding | | | \$ 37,002,000 | | 26,045,756 | - | 3,958,972 | 22,086,784 | 1,650,095 |
| Capital lease obligations: | | | | | | | | | |
| Capital lease obligation | 10/21/2005 | 11/2/2013 | 360,000 | 3.73% | 193,160 | | 45,671 | 147,489 | 47,374 |
| Capital lease obligation | 6/21/2007 | 6/21/2012 | 125,000 | 4.60% | 53,393 | | 26,097 | 27,296 | 27,296 |
| Capital lease obligation | 9/27/2007 | 9/27/2010 | 290,888 | 3.93% | 50,870 | | 50,870 | - | - |
| Capital lease obligation | 11/29/2007 | 11/28/2010 | 142,484 | 3.93% | 24,918 | | 24,918 | - | - |
| Capital lease obligation | 12/28/2007 | 12/28/2010 | 113,364 | 3.93% | 19,825 | | 19,825 | - | - |
| Capital lease obligation | 4/14/2008 | 4/14/2011 | 299,851 | 3.93% | 103,864 | | 103,864 | - | - |
| Capital lease obligation | 1/25/2010 | 1/25/2015 | 591,000 | 3.30% | 591,000 | | 110,652 | 480,348 | 114,303 |
| Total capital lease obligations | | | \$ 1,922,587 | | 1,037,030 | - | 381,897 | 655,133 | 188,973 |
| Compensated absences and severance estimate | | | | | 7,867,471 | 1,550,694 | 1,755,423 | 7,662,742 | 1,500,000 |
| Net pension benefit obligation | | | | | 5,772,000 | 5,065,000 | | 10,837,000 | - |
| Net OPEB obligation | | | | | 28,237,757 | 11,444,134 | | 39,681,891 | - |
| Claims and judgements | | | | | 60,000 | | 8,000 | 52,000 | 8,000 |
| Governmental activities long-term liabilities | | | | | \$ 69,020,014 | \$ 18,059,828 | \$ 6,104,292 | \$ 80,975,550 | \$ 3,347,068 |
| Business-Type Activities: | | | | | | | | | |
| General Obligation Bonds: | | | | | | | | | |
| RI Clean Water Bond - Sewer Project (**) | 10/6/2009 | 9/1/2029 | 2,500,000 | 0.79%-3.08% | \$ - | \$ 2,500,000 | \$ 98,000 | \$ 2,402,000 | \$ 100,000 |
| Total bonds outstanding | | | | | - | 2,500,000 | 98,000 | 2,402,000 | 100,000 |
| Compensated absences and severance estimate | | | | | 38,292 | 5,958 | 5,162 | 39,088 | 5,000 |
| Net OPEB obligation | | | | | 37,380 | 10,537 | | 47,917 | |
| Business-type activities long-term liabilities | | | | | \$ 75,672 | \$ 2,516,495 | \$ 103,162 | \$ 2,489,005 | \$ 105,000 |

(**) \$2,500,000 represents transfer of General Obligation bond from Governmental activities to Business-Type activities during fiscal year ended June 30, 2011.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

7. LONG-TERM DEBT (Continued)

(c) Debt Service Requirements

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

Governmental Activities

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|----------------------------|---------------------------|----------------------------|
| 2012 | \$ 1,839,068 | \$ 988,960 | \$ 2,828,028 |
| 2013 | 1,883,472 | 918,533 | 2,802,005 |
| 2014 | 1,640,399 | 851,472 | 2,491,871 |
| 2015 | 1,649,688 | 785,882 | 2,435,570 |
| 2016 | 1,584,969 | 716,555 | 2,301,524 |
| 2017 – 2021 | 7,855,557 | 2,466,411 | 10,321,968 |
| 2022 – 2026 | 5,048,764 | 834,723 | 5,883,487 |
| 2027 – 2031 | 1,240,000 | 114,524 | 1,354,524 |
| Total | <u>\$22,741,917</u> | <u>\$7,677,060</u> | <u>\$30,418,977</u> |

Business-Type Activities

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|---------------------------|--------------------------|---------------------------|
| 2012 | \$ 100,000 | \$ 50,102 | \$ 150,102 |
| 2013 | 101,000 | 49,133 | 150,133 |
| 2014 | 103,000 | 47,936 | 150,936 |
| 2015 | 105,000 | 46,513 | 151,513 |
| 2016 | 107,000 | 44,879 | 151,879 |
| 2017 – 2021 | 581,000 | 192,989 | 773,989 |
| 2022 – 2026 | 676,000 | 123,181 | 799,181 |
| 2027 – 2031 | 629,000 | 33,335 | 662,335 |
| Total | <u>\$2,402,000</u> | <u>\$ 588,068</u> | <u>\$2,990,068</u> |

(d) Authorized But Unissued Debt

At June 30, 2011, 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) 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, 2011 amounted to \$7,662,742 of which \$2,371,636 and \$5,291,106 is related to School and Town employees, respectively.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

7. LONG-TERM DEBT (Continued)

(f) *Schedule of long-term debt by purpose at June 30, 2011 is as follows:*

| <u>Governmental activities:</u> | <u>Amount</u> | <u>Percent</u> |
|--|-----------------------------|----------------|
| School, public improvement, and public safety ... | \$ 22,086,784 | 27% |
| Town equipment and vehicle leases | 655,133 | 1 |
| Police and fire net pension benefit obligations | 10,837,000 | 13 |
| Net OPEB obligations | 39,681,891 | 49 |
| Claims and judgments – Town | 52,000 | 0 |
| Compensated absences and severance | 7,662,742 | 10 |
| Total Governmental activities | <u>\$ 80,975,550</u> | 100% |
| <u>Business-type activities:</u> | | |
| Sewer project bond..... | \$ 2,402,000 | 96% |
| Net OPEB obligations | 47,917 | 2 |
| Compensated absences and severance | 39,088 | 2 |
| Total Business-type activities | <u>\$ 2,489,005</u> | 100% |

8. 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, 2011.

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. 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. 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, 2011 the Town incurred rent expense of approximately \$13,000 on this facility.

On February 1, 2009 the Town entered into a twenty (20) year "license" agreement with the State of Rhode Island for use of land located on Hartford Avenue in Johnston, Rhode Island to be used for operation of Fire Station #4. The terms of the agreement require a one-time payment of 10 (ten) dollars. The license agreement expiring on January 31, 2029 includes an option to renew for an additional 20-year term.

In September 2009, the Town entered into a 48-month lease agreement for certain office equipment. The lease requires a base monthly rental charge of \$334. Lease expense incurred under the terms of this agreement was approximately \$5,500 for the fiscal year ended June 30, 2011.

In February 2010, the Town entered into a sixty-month lease agreement for certain office equipment. The lease requires a monthly rental charge of \$1,257. Lease expense incurred under the terms of this agreement was approximately \$15,100 for the fiscal year ended June 30, 2011.

On August 18, 2010, 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 \$7,726. Lease expense incurred under the terms of this agreement was approximately \$85,000 for the fiscal year ended June 30, 2011.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

8. OPERATING LEASES (Continued)

The Town currently leases two vehicles under a two-year lease agreement, which has been classified as an operating lease. The initial lease expired in January 2011, at which time the Town entered into a new two-year lease agreement with a quarterly rental charge of \$2,152. Lease expense incurred under the terms of these agreements was approximately \$6,500 for the fiscal year ended June 30, 2011

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> | |
|------------------------------|-------------------------|
| 2012 | \$120,407 |
| 2013 | 116,102 |
| 2014 | 108,459 |
| 2015 | 101,508 |
| 2016 | <u>7,726</u> |
| Total | <u>\$454,202</u> |

9. 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, 2011 is as follows:

| <u>Governmental Funds:</u> | <u>Due From Other Funds</u> | <u>Due to Other Funds</u> |
|---------------------------------------|---------------------------------|-------------------------------|
| General Fund | \$ 345,772 | \$ 6,369,174 |
| School Unrestricted Fund | 2,212,730 | 542,892 |
| All non-major funds | <u>924,618</u> | <u>1,198,393</u> |
| Total governmental funds | <u>3,483,120</u> | <u>8,110,459</u> |
| Proprietary Funds: | | |
| Water Fund | 3,044,341 | 2,185 |
| Sewer Fund | 0 | 336,005 |
| Cafeteria Fund | 0 | 47,389 |
| Summer School Fund | 1,112 | 0 |
| Internal Service Fund | <u>1,835,520</u> | <u>0</u> |
| Total proprietary funds | <u>4,880,973</u> | <u>385,579</u> |
| Fiduciary Funds: | | |
| Pension Trust Funds | 82,794 | 58,599 |
| Agency Funds | <u>107,750</u> | <u>0</u> |
| Total fiduciary funds | <u>190,544</u> | <u>58,599</u> |
| TOTAL ALL FUNDS | <u>\$ 8,554,637</u> | <u>\$ 8,554,637</u> |

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

9. INTERFUND BALANCES AND TRANSFERS (Continued)

The composition of interfund transfers for the year ended June 30, 2011 is as follows:

| <u>Transfer Out</u> | <u>General Fund</u> | <u>School Unrestricted Fund</u> | <u>Proprietary Funds</u> | <u>Total Transfer Out</u> |
|--------------------------------|-------------------------|---|------------------------------|-------------------------------|
| General Fund | \$ 0 | \$37,129,015 | \$ 0 | \$37,129,015 |
| Non-major Governmental Funds | 162,172 | 0 | 681,004 | 843,176 |
| Proprietary Funds..... | 125,000 | 0 | 0 | 125,000 |
| Total transfer in | \$ 287,172 | \$37,129,015 | \$681,004 | \$38,097,191 |

The difference between total proprietary funds transfer out of \$125,000 (noted above) and the total transfer out of \$825,043 reported in Exhibit C-2 is \$700,043 which represents transfer of long-term debt and capital assets previously reported in the Governmental Activities to the Business-Type Activities.

10. 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, 2011 was approximately \$7,738,000 and the Town wide payroll was approximately \$52,960,000.

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, 2008.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

10. DEFINED BENEFIT PENSION PLANS (Continued)

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

Contributions Required and Contributions Made (Continued)

The annual required contribution for the Town which equals the annual pension cost for the year ended June 30, 2011 was approximately \$753,000 (\$422,000 on behalf of Town employees and \$331,000 for School employees). This contribution represents 9.19% of covered payroll. General employees were required to contribute approximately \$542,000 (\$293,000 from Town employees and \$249,000 for non-certified School employees). This contribution represents 7% of covered payroll.

The most recent actuarial assumptions reduced the investment rate of return from 8.25% to 7.5%, reduced the inflation adjustment from 3% to 2.75%, and made adjustments to the mortality tables. There were no other current year 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.

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

| | |
|---|---|
| Valuation date | 6/30/2010 |
| 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 | 7.5% annual, compounded annually |
| Projected Salary Increase | 4% to 8% compounded annually |
| Inflation adjustment | 2.75% |
| Cost of Living adjustments | 3% non-compounded |
| Participant Information (June 30, 2010) | 253 Active; 191 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> |
|---------------------------|----------------------------------|--------------------------------------|-------------------------------|
| 6/30/11 | \$753,000 | 100% | \$ 0 |
| 6/30/10 | \$798,000 | 100% | \$ 0 |
| 6/30/09 | \$927,000 | 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, 2010 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, 2010 which is the most recent report available from the State who administers this plan.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

10. DEFINED BENEFIT PENSION PLANS (Continued)

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

Funded Status of Plan (Continued)

Actuarial value of assets - \$30,121,202
Actuarial accrued liability - \$42,727,053
Unfunded actuarial accrued liability (UAAL) - \$12,605,851
Funded Ratio – 70.5%
Annual covered payroll - \$7,969,367
UAAL as percentage of payroll – 158.2%

Subsequent to year ended June 30, 2011 the State of Rhode Island passed legislation on Pension Reform. The changes made as a result of this Pension Reform Legislation will have an impact on the actuarial valuation results as presented above.

(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, 2011, was approximately \$20,600,000; total payroll for all School employees was approximately \$26,800,000.

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.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

10. DEFINED BENEFIT PENSION PLANS (Continued)

(b) Teacher's Pension Plan (Continued)

Plan Description (Continued)

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.

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, 2010 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%, 11.25%, and 11.89% for all full-time employees for fiscal years 2011, 2010 and 2009, 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** – 7.5 percent, compounded annually.
- C. **Salary increase** - Salaries will increase at a rate of 4.0% to 12.75%, 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, grandfathered, 2.35% nongrandfathered.
Schedule B Members: 2.35%.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

10. DEFINED BENEFIT PENSION PLANS (Continued)

(b) Teacher's Pension Plan (Continued)

Funding Policy (Continued)

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 2011, 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 \$1,543,032 for the year ended June 30, 2011. 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 1.45% of total (employer) contributions required of all participating entities for the fiscal year ended June 30, 2010 (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> |
|------------------------------|-----------------|-----------------|-------------------------------|
| 2011 | \$1,957,500 | \$2,374,100 | 100% |
| 2010 | \$2,199,100 | \$2,652,300 | 100% |
| 2009 | \$2,015,300 | \$2,557,000 | 100% |

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, 2010 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.

Subsequent to year ended June 30, 2011 the State of Rhode Island passed legislation on Pension Reform. The changes made as a result of this Pension Reform Legislation will impact the Teacher's Pension Plan described above.

(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.

On April 21, 2011 the Town established a Police Officer and Fire Fighter Pension Trust Fund. As of June 30, 2011 assets have not been transferred to this Pension Trust Fund, from the existing Pension Funds.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

10. DEFINED BENEFIT PENSION PLANS (Continued)

(c) Police and Fire Pensions (Continued)

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).

At June 30, 2011, approximately 70 active employees and 90 retirees were enrolled in the police pay-as-you-go pension plan. For the year ended June 30, 2011, contributions to the pension trust fund were approximately \$929,000, which consisted of approximately \$307,000 from the employees and \$622,000 from the Town. The Town's payroll for police officers covered under this plan was approximately \$5,088,000 and the Town's total payroll for the year ended June 30, 2011 was approximately \$52,960,000.

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, 2011, the Town of Johnston paid retirement benefits of approximately \$1,277,500, 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, 2011 was as follows:

| | |
|---|---------------------------|
| Annual required contribution (ARC)..... | \$4,146,000 |
| Interest on net pension obligation..... | 156,000 |
| Adjustment to ARC | <u>(155,000)</u> |
| Annual pension cost | 4,147,000 |
| Town contributions made..... | <u>1,855,000</u> |
| Increase in net pension obligation | 2,292,000 |
| Net pension benefit obligation, June 30, 2010 | <u>2,013,000</u> |
| Net pension benefit obligation, June 30, 2011..... | <u>\$4,305,000</u> |

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

10. DEFINED BENEFIT PENSION PLANS (Continued)

(c) Police and Fire Pensions (Continued)

Police Pension Plan (Continued)

| Fiscal Year Ending | Three-Year Trend Information | | | Net Pension Obligation |
|--------------------------|------------------------------|---------------------------------|-------------------------------------|------------------------------|
| | Town Contribution | Annual Pension Cost (APC) | Percentage of APC Contributed | |
| 6/30/2011 | \$1,855,000 | \$4,147,000 | 45% | \$4,305,000 |
| 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 |

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%

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, 2011 approximately 39 active employees and 75 retirees were enrolled in the firefighters pay-as-you-go pension plan. During the year ended June 30, 2011, contributions to the fund were approximately \$741,000, which consisted of approximately \$296,000 from the employees and \$445,000 from the Town. The Town's payroll for fire department personnel covered under the plan was approximately \$3,706,000 and the Town's total payroll for the year ended June 30, 2011 was approximately \$52,960,000.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

10. DEFINED BENEFIT PENSION PLANS (Continued)

(c) Police and Fire Pensions (Continued)

Fire Pension Plan (Continued)

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, 2011, the Town of Johnston paid retirement benefits approximately \$1,441,300, 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, 2011 was follows:

| | |
|--|---------------------------|
| Annual required contribution (ARC) | \$4,702,000 |
| Interest on net pension obligation | 291,000 |
| Adjustment to ARC | <u>(289,000)</u> |
| Annual pension cost (APC) | 4,704,000 |
| Town contributions made | <u>1,931,000</u> |
| Increase in net pension obligation | 2,773,000 |
| Net pension benefit obligation, June 30, 2010 | <u>3,759,000</u> |
| Net pension benefit obligation, June 30, 2011 | <u>\$6,532,000</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> |
|---------------------------|--------------------------|----------------------------------|--------------------------------------|-------------------------------|
| 6/30/2011 | \$1,931,000 | \$4,704,000 | 41% | \$6,532,000 |
| 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 |

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 |

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

10. DEFINED BENEFIT PENSION PLANS (Continued)

(c) Police and Fire Pensions (Continued)

Fire Pension Plan (Continued)

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, 2011 was approximately \$2,457,000, the Town's total payroll (subject to pension) for all fire department employees was approximately \$6,163,000. The Town's total payroll for the year ended June 30, 2011 was approximately \$52,960,000.

Covered employees are required to contribute 8% of their salary to the plan. The Town is required to contribute 8.24% of covered payroll. Total contributions to the plan were approximately \$409,000 which consisted of approximately \$212,000 by the Town and \$197,000 by employees.

| <u>Fiscal Year Ending</u> | <u>Annual Pension Cost (APC)</u> | <u>Percentage of APC Contributed</u> | <u>Net Pension Obligation</u> |
|---------------------------|----------------------------------|--------------------------------------|-------------------------------|
| 2011 | \$212,000 | 100% | \$-0- |
| 2010 | \$222,000 | 100% | \$-0- |
| 2009 | \$192,000 | 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..... | 6/30/2010 |
| 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..... | 7.5% annual, compounded annually |
| Projected Salary Increase..... | 4.25% to 14.25% compounded annually |
| Inflation adjustment..... | 2.75% |
| Cost of Living Adjustments | 3% non-compounded |
| Participant information (June 30, 2010) | 45 Active members 2 Retired members |

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

10. DEFINED BENEFIT PENSION PLANS (Continued)

(c) Police and Fire Pensions (Continued)

Post July 1, 1999 Fire Fighter Plan (Continued)

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, 2010 which is the most recent report available from the State who administers this plan.

- Actuarial value of assets - \$2,503,749
- Actuarial accrued liability - \$3,216,936
- Unfunded actuarial accrued liability (UAAL) – \$713,187
- Funded Ratio – 77.8%
- Annual covered payroll - \$2,448,888
- UAAL as percentage of payroll – 29.1%

Subsequent to year ended June 30, 2011 the State of Rhode Island passed legislation on Pension Reform. The changes made as a result of this Pension Reform Legislation will have an impact on the actuarial valuation results as presented above.

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

In addition to the pension benefits described in Note 10, 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, 2010*. This report dated June 23, 2011 can be obtained by contacting the Town's Finance Department.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

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

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 Governmental activities for the fiscal year ended June 30, 2011 was \$17,238,598 and represents \$4,743,055 and \$12,495,543, for School and Town personnel, respectively. The ACR for Business-type activities for the fiscal year ended June 30, 2011 was \$10,589.

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, 2011, expenditures of approximately \$5,755,400 were recognized for post-retirement benefits. Of this amount approximately \$3,029,600 was paid for 227 Town retirees, and \$2,725,800 was paid for 265 School retirees. Current year expenditures represent approximately 33.4% of the ARC.

As noted above the Town did not comply with the funding requirements for the fiscal year ended June 30, 2011 which were determined by the actuarial valuation report with a valuation date of June 30, 2010. As a result, the government-wide financial statements include a long-term liability of \$39,729,808 and an expense for this Net OPEB Obligation (NOO) of \$11,454,671.

The NOO at June 30, 2011 was calculated as follows:

| | Governmental Activities | Business-Type Activities |
|--|------------------------------------|-------------------------------------|
| Annual Required Contribution | \$17,238,598 | \$10,589 |
| Interest on existing NOO | 988,322 | 1,308 |
| Adjustment to ARC | <u>(1,027,410)</u> | <u>(1,360)</u> |
| Annual OPEB cost | 17,199,510 | 10,537 |
| Contribution made during fiscal 2011 | <u>(5,755,376)</u> | <u>0</u> |
| Net increase in NOO | 11,444,134 | 10,537 |
| NOO at June 30, 2010 | <u>28,237,757</u> | <u>37,380</u> |
| NOO at June 30, 2011 | <u>\$39,681,891</u> | <u>\$47,917</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, 2010 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) - \$228,892,391
- Unfunded actuarial accrued liability (UAAL) - \$228,892,391
- 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) - \$122,886
- Unfunded actuarial accrued liability (UAAL) - \$122,886
- Funded ratio - 0.00%
- Annual covered payroll - N/A
- UAAL as percent of payroll - N/A

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

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

Funded Status of Plan (Continued):

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, 2010
- b. Actuarial Cost Method: Projected Unit Credit
- c. Amortization Method: Payments increasing at 3.5%
- d. Amortization Period: 30 year closed (28 years remaining at June 30, 2010)
- e. Asset Valuation Method: Market Value
- f. Investment Rate of Return: 3.5%
- g. Inflation Rate – 3.5%
- h. Medical/Drug cost trend rate – 9.5% decreasing by 0.5% for 9 years to an ultimate level of 5.0% per year.

Number of Participants:

At June 30, 2010 the total number of participants under the plan was 1,362. The plan participants include 668 current retirees (386 Town and 282 School) and 694 active employees (278 Town and 416 School).

12. FUND BALANCES (DEFICITS)

(a) Fund Balances

As stated in Note 1, in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, Fund Balance may be classified as one of five categories: Non-spendable, Restricted, Committed, Assigned, or Unassigned.

At June 30, 2011 Non-Spendable Fund Balance consisted of the following:

| | |
|---|--------------------|
| General Fund: | |
| Prepays..... | \$ 980,309 |
| School Unrestricted Fund: | |
| Prepays..... | <u>43,408</u> |
| Total Non-Spendable fund balance | <u>\$1,023,717</u> |

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

12. FUND BALANCES (DEFICITS)

(a) Fund Balances (Continued)

At June 30, 2011 Restricted Fund Balance consisted of the following:

Other Governmental Funds:

Special Revenue Funds:

| | |
|---------------------------------------|------------|
| Education | \$ 124,975 |
| Community Development | 3,076 |
| Law Enforcement | 97,823 |
| Parks and Recreation | 115 |
| Natural Resources Conservation | 3,083 |
| Historical Records Preservation | 367,961 |
| Fire Prevention and Education | 15,194 |
| Library Renovations | 130,129 |
| Wastewater Management | 1,944 |

Capital Project Funds:

| | |
|--|---------------------------|
| School Renovations | 39,614 |
| Parks and Recreation | 36,812 |
| Capital Lease Reserve | 43,832 |
| Library Construction | 5,333 |
| Other Capital projects | 254,702 |
| Total Restricted fund balance | <u>\$1,124,593</u> |

At June 30, 2011 Committed Fund Balance consisted of the following:

School Unrestricted Fund:

| | |
|-------------------------------|-------------|
| Committed for education | \$1,262,322 |
|-------------------------------|-------------|

Other Governmental Funds:

| | |
|---|---------------------------|
| Fire Department Expenses | <u>229,827</u> |
| Total Committed fund balance | <u>\$1,492,149</u> |

The Town of Johnston does not currently have a spending policy regarding the order in which restricted, committed, assigned, and unassigned fund balances are spent when more than one amount is available for the expenditures incurred. Accordingly, by default, the Town is following the policy prescribed by GASB Statement No. 54 which specifies that fund balance is reduced first by committed, then by assigned, then by unassigned when expenditures are incurred for purposes for which any unrestricted fund balance could be used. In all situations, the Town considers restricted fund balance to be used first when available and when expenditures are incurred that meet the requirements of the restricted fund balance.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

12. FUND BALANCES (DEFICITS)

(b) Fund Deficits

The following individual funds had deficits for the year ended June 30, 2011, as follows:

Non-major Governmental Funds:

Special Revenue Funds:

| | |
|------------------------------|-----------|
| Police Special Account | \$ 15,067 |
| Blue Riptide Grant | 4,292 |
| Fire Plan Review | 131,567 |
| Memorial Library Fund..... | 3,063 |

Capital Project Funds:

| | |
|--------------------------------------|----------------|
| 1998 Capital Improvement Bond..... | 418,951 |
| West End Fire Station..... | 83,395 |
| Highland Ave. Drainage | 113,069 |
| High School Renovation | 622,298 |
| Ferri School Renovation | 86,747 |
| West End Water | 47,384 |
| Sewer Project Capri & Bellaire | 108 |
| Pezza Property Acquisition | 37,297 |
| Champlin Community Park..... | 40,492 |
| Capital Lease..... | 25,042 |
| Police Station Construction | 55,112 |
| Library Building | 1,870,298 |
| Memorial Plat Sewer Project | <u>681,004</u> |

**Total deficits non-major governmental activities for
the year ended June 30, 2011**

\$4,235,186

Proprietary Fund:

| | |
|---------------------|-----------------|
| Cafeteria Fund..... | <u>\$ 1,801</u> |
|---------------------|-----------------|

The following fund had a cumulative deficit as of June 30, 2011:

Proprietary Fund:

| | |
|---------------------|-----------------|
| Cafeteria Fund..... | <u>\$ 1,801</u> |
|---------------------|-----------------|

The cumulative fund deficit of the proprietary fund is expected to be reduced with future earnings from operations.

13. RISK MANAGEMENT and HEALTHCARE MANAGEMENT FUND

Healthcare

Effective July 1, 2008 the Town of Johnston established a Healthcare Management Fund (an Internal Service Fund) to account for its healthcare 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. Effective fiscal 2011, the Town also became self-insured for dental insurance.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

13. RISK MANAGEMENT and HEALTHCARE MANAGEMENT FUND (Continued)

Healthcare (Continued)

The Town currently maintains stop loss insurance to protect the taxpayers from catastrophic loss resulting from excessive health insurance claims. At June 30, 2011 the stop loss insurance contract covered all claims exceeding \$200,000 per individual on an annual basis. In addition, specific stop loss maximum for the Town for the year is maintained at approximately \$1,800,000.

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 and Delta Dental of Rhode Island (Plan Administration). All funds of the Town make payments to the Healthcare Management Fund (an Internal Service Fund) based on actual claims or based on estimated working rates. Billings from the Healthcare Management Fund to other Town funds for the fiscal year ended June 30, 2011 were approximately \$14,479,000 which represented approximately \$5,879,000 and \$8,600,000 for Town and School Department personnel, respectively. At June 30, 2011 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, 2011 as follows:

| | <u>2011</u> | <u>2010</u> |
|--------------------------------------|--------------------------|--------------------------|
| IBNR at beginning of year..... | \$ 461,995 | \$ 759,674 |
| Claims incurred during the year..... | 14,479,374 | 12,791,636 |
| Claims paid during the year..... | <u>(14,376,302)</u> | <u>(13,089,315)</u> |
| IBNR at June 30 | <u>\$ 565,067</u> | <u>\$ 461,995</u> |

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.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

14. 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, 2011 was approximately \$3,310,000. In addition to the \$3.31 million the Town also recognized revenue for Tipping Fees of approximately \$288,000 during the fiscal year ended June 30, 2011.
- 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.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

14. OTHER AGREEMENTS (Continued)

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, 2011.

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

| | |
|------------|---------------------|
| 2012..... | \$ 2,500,000 |
| 2013..... | 2,500,000 |
| 2014..... | 2,500,000 |
| 2015..... | 2,500,000 |
| 2016..... | <u>2,500,000</u> |
| Total..... | <u>\$12,500,000</u> |

15. COMMITMENTS, CONTINGENCIES AND LITIGATION

The School has contracted to have bus service provided for students through the last day of school in June 2011, with an option to renew the contract for an additional one year. Total costs incurred under this contract were approximately \$2,318,000 for the year ended June 30, 2011. In July 2011 the School renewed the contract for an additional (and final) year through August 2012. Estimated costs to be incurred over the additional 1-year life of this contract are approximately \$2,031,000.

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, 2011, 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, 2011, the liability, if any, resulting from these claims was not determinable.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

15. COMMITMENTS, CONTINGENCIES AND LITIGATION (Continued)

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.

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, 2011, the outstanding balance for both of these loans was approximately \$41,400 while the total amount available under this program (for both loans) was approximately \$248,200.

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, 2011 was approximately \$52,000. The liability has been recorded in the Government-Wide statements at June 30, 2011. The liability is not recorded in the Fund Statements as it is not expected to be paid with current measurable and available resources.

16. CASH FLOW

During the year ended June 30, 2011 the Town transferred assets and liabilities netting to \$681,004 from Governmental Funds to Business-type Activities. In addition, during fiscal 2011 the Town transferred capital assets and long-term debt netting to (\$700,043), liabilities in excess of assets, from Governmental Activities to Business-type Activities. These transfers were to properly reflect the assets and related liabilities in the newly created Sewer Fund.

During the year ended June 30, 2011 the Town received a federal award for principal forgiveness totaling \$14,793 to be applied towards fiscal 2011 principal due to Rhode Island Clean Water Finance Agency. This amount is excluded from principal repayments and non-operating grant income in the Statement of Cash Flows of the Business-Type Activities.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

17. RECLASSIFICATIONS

As stated in Note 1, during the fiscal year ended June 30, 2011 the Town implemented GASB Statement No. 34. Implementation of this Statement resulted in the consolidation of funds into the Town's General Fund (Fund basis). The funds being consolidated were previously reported as Special Revenue Funds and Capital Project Funds. However, these Funds no longer meet the definition of Special Revenue Funds due to the fact that these funds did not have specific revenue sources that were either restricted or committed. The Capital Project Fund that was consolidated with the General Fund no longer met the definition of the Capital Project funds due to the fact that it did not have financial resources that were either restricted, committed or assigned.

The following represents the reclassification which resulted from the implementation of GASB Statement No. 54.

| | |
|---|--------------------|
| General Fund fund balance at June 30, 2010 | \$4,871,664 |
| OPEB Fund, fund balance, June 30, 2010 | 100,368 |
| Reserve Healthcare Fund, fund balance, June 30, 2010 | 171,370 |
| Police Detail Fund, fund balance, June 30, 2010 | 316,968 |
| Fire Dept. Detail Fund, fund deficit, June 30, 2010 | (52,343) |
| Police Equipment Fund, fund balance, June 30, 2010 | <u>9,586</u> |
| General Fund, fund balances, as restated June 30, 2010 | <u>\$5,417,613</u> |

18. SUBSEQUENT EVENT

On November 4, 2011, the Town entered into a Development Agreement with TC Johnston, LLC to finance certain public improvements in the development of the Johnston Town Center. The Project will be financed through the issuance of Special Obligation Tax Increment Bonds in an aggregate principal amount not to exceed \$8,400,000. The bonds will be issued in two phases: up to \$5,900,000 for Phase I Series and up to \$2,500,000 for Phase II Series. In accordance with the "Escrow Agreement" dated November 4, 2011, the bonds will be held in escrow with a Bank and are subject to release upon the developer completing certain construction milestones over the next several years as set forth in the Development Agreement. At June 30, 2011, no bonds have been released, and other than the obligation to release bonds in the future in accordance, there is no current financial obligation of the Town with respect to the bonds.

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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, 2011
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..... | 6/30/2008 | \$ 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% |
| A | 6/30/2010 | \$ 30,121,202 | \$ 42,727,053 | \$ (12,605,851) | 70.5% | \$ 7,969,367 | -158.2% |
| Post July 1, 2000 Fire employees | | | | | | | |
| pension plan..... | 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% |
| A | 6/30/2010 | \$ 2,503,749 | \$ 3,216,936 | \$ (713,187) | 77.8% | \$ 2,448,888 | -29.1% |

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.

A - Subsequent to the year ended June 30, 2011 the State of Rhode Island passed legislation on Pension Reform. The changes made as a result of this Pension Reform Legislation will have an impact on the actuarial valuation results as presented above.

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, 2011
UNAUDITED**

| | Original Budget | Final Budget | Actual Budgetary Basis | Variance Positive (Negative) |
|--|--------------------|-------------------|------------------------------|------------------------------------|
| Tax revenues: | | | | |
| Current year | \$ 62,938,794 | \$ 62,938,794 | \$ 63,726,751 | \$ 787,957 |
| 1st preceding year | 1,675,000 | 1,675,000 | 1,545,322 | (129,678) |
| 2nd preceding year | 0 | 0 | 138,467 | 138,467 |
| All other preceding years | 0 | 0 | 72,273 | 72,273 |
| Abatements | (100,000) | (100,000) | (119,174) | (19,174) |
| Power plant tax treaty | 2,500,000 | 2,500,000 | 2,500,000 | 0 |
| Total revenues | 67,013,794 | 67,013,794 | 67,863,639 | 849,845 |
| Departmental fees and revenue: | | | | |
| Business licenses and registration | 65,000 | 65,000 | 65,590 | 590 |
| Non business licenses and fees | 150,000 | 150,000 | 106,983 | (43,017) |
| Infrastructure fees | 5,000 | 5,000 | 14,736 | 9,736 |
| Inspection fees: | | | | |
| Mechanical | 50,000 | 50,000 | 38,167 | (11,833) |
| Plumbing | 20,000 | 20,000 | 10,431 | (9,569) |
| Building | 250,000 | 250,000 | 151,045 | (98,955) |
| Electrical | 65,000 | 65,000 | 37,046 | (27,954) |
| Engineering fees | 7,000 | 7,000 | 6,230 | (770) |
| Public works | 1,000 | 1,000 | 0 | (1,000) |
| DPW - release and discharge of liens | 12,000 | 12,000 | 4,963 | (7,037) |
| Zoning board | 60,000 | 60,000 | 66,482 | 6,482 |
| Sewer maintenance fees | 5,000 | 5,000 | 8,835 | 3,835 |
| Planning board fees | 65,000 | 65,000 | 74,038 | 9,038 |
| Tax collector's fees | 70,000 | 70,000 | 33,420 | (36,580) |
| Investment and interest income | 100,000 | 100,000 | 83,519 | (16,481) |
| Municipal court fees | 650,000 | 650,000 | 412,563 | (237,437) |
| Entertainment licenses | 1,500 | 1,500 | 2,200 | 700 |
| Marriage, death, and birth certificates | 20,000 | 20,000 | 27,614 | 7,614 |
| Stamps | 275,000 | 275,000 | 195,770 | (79,230) |
| Advertising | 15,000 | 15,000 | 14,658 | (342) |
| Recording/probate land evidence | 250,000 | 250,000 | 247,791 | (2,209) |
| Probate fees | 35,000 | 35,000 | 33,744 | (1,256) |
| Police fees | 5,000 | 5,000 | 9,240 | 4,240 |
| VIN number check | 10,000 | 10,000 | 19,985 | 9,985 |
| Fire rescue fees | 7,500 | 7,500 | 711 | (6,789) |
| Fire plan review fees | 125,000 | 125,000 | 130,217 | 5,217 |
| Methane gas | 105,000 | 105,000 | 90,953 | (14,047) |
| Tipping fees | 300,000 | 300,000 | 287,799 | (12,201) |
| Cell phone towers | 160,000 | 160,000 | 197,926 | 37,926 |
| Sewer service fees | 25,000 | 25,000 | 69,387 | 44,387 |
| Interest and penalties on property tax | 475,000 | 475,000 | 719,122 | 244,122 |
| Fire rescue fees | 900,000 | 900,000 | 1,073,831 | 173,831 |
| Housing authority | 25,000 | 25,000 | 39,298 | 14,298 |
| Total departmental fees and revenue | 4,309,000 | 4,309,000 | 4,274,294 | (34,706) |

(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, 2011
UNAUDITED**

| | Original Budget | Final Budget | Actual Budgetary Basis | Variance Positive (Negative) |
|--|--------------------|-------------------|------------------------------|------------------------------------|
| State and federal aid grants: | | | | |
| State aid - school | 9,300,703 | 9,300,703 | 9,362,199 | 61,496 |
| State Fiscal Stabilization Funds (SFSF) | 0 | 0 | 448,366 | 448,366 |
| School Housing aid | 500,000 | 500,000 | 501,426 | 1,426 |
| State MV phase-out | 350,000 | 350,000 | 375,936 | 25,936 |
| Solid waste in lieu of taxes | 3,202,550 | 3,202,550 | 3,310,469 | 107,919 |
| Public service corporation tax | 300,000 | 300,000 | 323,804 | 23,804 |
| Meals and beverage tax | 430,000 | 430,000 | 475,405 | 45,405 |
| Library aid | 96,481 | 96,481 | 96,481 | 0 |
| Grant revenue | 0 | 0 | 405,516 | 405,516 |
| Total state and federal aid grants | 14,179,734 | 14,179,734 | 15,299,602 | 1,119,868 |
| Miscellaneous | 1,637,500 | 1,637,500 | 1,445,072 | (192,428) |
| School miscellaneous | 700,000 | 700,000 | 1,031,737 | 331,737 |
| Total revenues before other financing sources | 87,840,028 | 87,840,028 | 89,914,344 | 2,074,316 |
| Other financing sources: | | | | |
| Transfer from other funds | 295,000 | 295,000 | 604,362 | 309,362 |
| Total other financing sources | 295,000 | 295,000 | 604,362 | 309,362 |
| Total revenues and other financing sources | 88,135,028 | 88,135,028 | 90,518,706 | 2,383,678 |

(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, 2011
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 | 16,148 | 16,148 | 16,148 | 0 |
| Life Insurance | 0 | 0 | 96 | (96) |
| Retirement town's share | 1,820 | 1,820 | 2,399 | (579) |
| Department | 4,100 | 4,100 | 13 | 4,087 |
| Telephone | 2,500 | 2,500 | 1,491 | 1,009 |
| Office | 100 | 100 | 0 | 100 |
| Town Sargent salary | 2,400 | 2,400 | 2,400 | 0 |
| Claims | 2,000 | 2,000 | 0 | 2,000 |
| Total Town Council | 64,453 | 64,453 | 57,932 | 6,521 |
| Mayor: | | | | |
| Salaries: | | | | |
| Mayor | 75,000 | 75,000 | 75,289 | (289) |
| Chief of Staff salary | 32,500 | 32,500 | 31,313 | 1,187 |
| Full time salaries | 45,500 | 45,500 | 45,675 | (175) |
| FICA | 11,705 | 11,705 | 11,584 | 121 |
| Health Insurance | 16,148 | 16,148 | 16,148 | 0 |
| Life Insurance | 240 | 240 | 231 | 9 |
| Retirement town's share | 11,074 | 11,074 | 4,198 | 6,876 |
| Office | 2,000 | 2,000 | 3,348 | (1,348) |
| Equipment lease | 2,293 | 2,293 | 497 | 1,796 |
| Telephone | 500 | 500 | 340 | 160 |
| Department expense | 2,000 | 2,000 | 2,959 | (959) |
| Total Mayor | 198,960 | 198,960 | 191,582 | 7,378 |
| Courts: | | | | |
| Probate | 7,500 | 7,500 | 7,530 | (30) |
| FICA | 574 | 574 | 576 | (2) |
| Health Insurance | 17,035 | 17,035 | 17,035 | 0 |
| Department | 100 | 100 | 0 | 100 |
| Total Courts | 25,209 | 25,209 | 25,141 | 68 |
| Canvassers: | | | | |
| Salaries: | | | | |
| Board | 6,000 | 6,000 | 5,458 | 542 |
| Full time salaries | 71,582 | 71,582 | 73,334 | (1,752) |
| FICA | 5,935 | 5,935 | 5,965 | (30) |
| Health Insurance | 16,149 | 16,149 | 16,149 | 0 |
| Life Insurance | 240 | 240 | 163 | 77 |
| Retirement town's share | 6,578 | 6,578 | 6,532 | 46 |
| Office | 2,000 | 2,000 | 3,354 | (1,354) |
| Department expense | 500 | 500 | 566 | (66) |
| Equipment lease | 831 | 831 | 183 | 648 |
| Election expense | 68,000 | 68,000 | 54,943 | 13,057 |
| Total Canvassers | 177,815 | 177,815 | 166,647 | 11,168 |
| Legal: | | | | |
| Salaries | 52,000 | 52,000 | 52,200 | (200) |
| Health Insurance | 1,127 | 1,127 | 1,127 | 0 |
| FICA | 3,978 | 3,978 | 3,993 | (15) |
| Retirement town's share | 4,779 | 4,779 | 2,151 | 2,628 |
| Legal services | 285,000 | 285,000 | 700,600 | (415,600) |
| Claims, judgments and settlements | 50,000 | 50,000 | 94,761 | (44,761) |
| Office | 500 | 500 | 466 | 34 |
| Total Legal | 397,384 | 397,384 | 855,298 | (457,914) |

(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, 2011
UNAUDITED

| | Originally Adopted Budget | Final Budget | Actual Budgetary Basis | Variance Positive (Negative) |
|--|---------------------------------|------------------|------------------------------|------------------------------------|
| Legislative, judicial and general administrative (continued): | | | | |
| Town Clerk: | | | | |
| Full-time salaries | 140,593 | 140,593 | 141,277 | (684) |
| Deputy clerk | 5,250 | 5,250 | 4,644 | 606 |
| FICA | 11,157 | 11,157 | 11,003 | 154 |
| Health Insurance | 35,679 | 35,679 | 35,679 | 0 |
| Life Insurance | 360 | 360 | 252 | 108 |
| Retirement town's share | 12,921 | 12,921 | 12,981 | (60) |
| Stenographer | 20,000 | 20,000 | 5,922 | 14,078 |
| Department | 2,400 | 2,400 | 1,478 | 922 |
| Operating | 65,382 | 65,382 | 69,714 | (4,332) |
| Total Town Clerk | 293,742 | 293,742 | 282,950 | 10,792 |
| Zoning Board: | | | | |
| Salaries | 8,800 | 8,800 | 8,225 | 575 |
| FICA | 673 | 673 | 629 | 44 |
| Life Insurance | 0 | 0 | 55 | (55) |
| Stenographer | 5,100 | 5,100 | 5,044 | 56 |
| Department | 5,300 | 5,300 | 598 | 4,702 |
| Total Zoning Board | 19,873 | 19,873 | 14,551 | 5,322 |
| Total legislative, judicial, and general administrative | 1,177,436 | 1,177,436 | 1,594,101 | (416,665) |
| Financial Administration: | | | | |
| Finance: | | | | |
| Salaries | 496,810 | 496,810 | 445,582 | 51,228 |
| FICA | 38,006 | 38,006 | 32,769 | 5,237 |
| Health Insurance | 110,785 | 110,785 | 110,785 | 0 |
| Life Insurance | 1,200 | 1,200 | 756 | 444 |
| Retirement town's share | 45,657 | 45,657 | 39,046 | 6,611 |
| Office | 4,200 | 4,200 | 3,474 | 726 |
| Audit | 35,000 | 35,000 | 41,500 | (6,500) |
| Consulting fee | 150,000 | 150,000 | 136,592 | 13,408 |
| Department | 14,900 | 14,900 | 9,781 | 5,119 |
| Dues, publications, and subscriptions | 1,000 | 1,000 | 494 | 506 |
| Payroll processing | 32,000 | 32,000 | 36,286 | (4,286) |
| Training | 2,000 | 2,000 | 1,789 | 211 |
| Fiscal advisor | 2,500 | 2,500 | 1,300 | 1,200 |
| Computer contracts | 9,400 | 9,400 | 9,513 | (113) |
| Postage | 15,500 | 15,500 | 9,953 | 5,547 |
| Conference fees | 250 | 250 | 195 | 55 |
| Bank fees | 15,000 | 15,000 | 19,766 | (4,766) |
| Telephone | 15,000 | 15,000 | 14,732 | 268 |
| Tax collection fees | 30,000 | 30,000 | 36,547 | (6,547) |
| Equipment lease purchase | 435 | 435 | 524 | (89) |
| Master lease payment | 4,214 | 4,214 | 4,214 | 0 |
| Total financial administration | 1,023,857 | 1,023,857 | 955,598 | 68,259 |
| Assessor: | | | | |
| Full-time salaries | 121,767 | 121,767 | 122,810 | (1,043) |
| Part/over time | 14,110 | 14,110 | 6,300 | 7,810 |
| Severance pay | 0 | 0 | 4,538 | (4,538) |
| FICA | 10,395 | 10,395 | 10,017 | 378 |
| Health Insurance | 20,658 | 20,658 | 20,658 | 0 |
| Life Insurance | 360 | 360 | 275 | 85 |
| Retirement town's share | 11,191 | 11,191 | 11,285 | (94) |
| Processing tax roll | 18,000 | 18,000 | 20,778 | (2,778) |
| Consulting fee | 33,000 | 33,000 | 31,000 | 2,000 |
| Computer service contracts | 12,000 | 12,000 | 9,675 | 2,325 |
| Equipment service contract | 1,000 | 1,000 | 1,543 | (543) |
| Office | 5,200 | 5,200 | 5,438 | (238) |
| Department expense | 1,500 | 1,500 | 221 | 1,279 |
| Dues, publications, and subscriptions | 250 | 250 | 0 | 250 |
| Equipment lease | 1,500 | 1,500 | 255 | 1,245 |
| Master lease payment | 257 | 257 | 0 | 257 |
| Total assessor | 251,188 | 251,188 | 244,793 | 6,395 |

(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, 2011
UNAUDITED

| | Originally Adopted Budget | Final Budget | Actual Budgetary Basis | Variance Positive (Negative) |
|----------------------------------|---------------------------------|-------------------|------------------------------|------------------------------------|
| Public safety: | | | | |
| Police Department: | | | | |
| Salaries | 4,432,983 | 4,432,983 | 4,368,753 | 64,230 |
| Overtime salaries | 500,000 | 500,000 | 596,041 | (96,041) |
| Civilian overtime salaries | 45,000 | 45,000 | 45,709 | (709) |
| Holiday salaries | 217,948 | 217,948 | 230,435 | (12,487) |
| Training and college | 51,350 | 51,350 | 24,572 | 26,778 |
| Training and accreditation | 5,000 | 5,000 | 3,163 | 1,837 |
| Part-time salaries | 42,765 | 42,765 | 36,041 | 6,724 |
| JARE overtime salaries | 160,000 | 160,000 | 152,917 | 7,083 |
| FICA | 393,910 | 393,910 | 502,414 | (108,504) |
| Health insurance | 1,056,375 | 1,056,375 | 1,056,375 | 0 |
| Life insurance | 10,680 | 10,680 | 11,402 | (722) |
| Severance pay | 150,000 | 150,000 | 202,452 | (52,452) |
| Gasoline | 100,000 | 100,000 | 170,706 | (70,706) |
| Arms and ammunition | 12,000 | 12,000 | 10,222 | 1,778 |
| Clothing and maintenance | 126,000 | 126,000 | 134,500 | (8,500) |
| Firearm allowance | 36,000 | 36,000 | 36,000 | 0 |
| Police pension | 1,061,550 | 1,061,550 | 1,277,499 | (215,949) |
| Bureau of criminal investigation | 12,500 | 12,500 | 18,990 | (6,490) |
| Office | 16,000 | 16,000 | 14,074 | 1,926 |
| Department - chief | 3,000 | 3,000 | 3,000 | 0 |
| Retirement | 649,557 | 649,557 | 686,056 | (36,499) |
| Retiree health insurance | 1,015,133 | 1,015,133 | 1,015,133 | 0 |
| Retiree life insurance | 5,532 | 5,532 | 6,043 | (511) |
| Dues and publications | 1,000 | 1,000 | 2,003 | (1,003) |
| Radio maintenance | 3,000 | 3,000 | 8,023 | (5,023) |
| Vehicle repair | 13,000 | 13,000 | 18,621 | (5,621) |
| Equipment rental | 3,655 | 3,655 | 4,642 | (987) |
| Computer service contracts | 25,000 | 25,000 | 24,452 | 548 |
| Equipment maintenance | 5,000 | 5,000 | 6,600 | (1,600) |
| Explorer | 9,000 | 9,000 | 6,365 | 2,635 |
| Heating | 10,000 | 10,000 | 13,772 | (3,772) |
| Electric | 30,000 | 30,000 | 30,437 | (437) |
| Telephone | 45,000 | 45,000 | 56,925 | (11,925) |
| Water | 5,000 | 5,000 | 7,397 | (2,397) |
| Rent | 1,800 | 1,800 | 1,800 | 0 |
| Automobile lease purchase | 153,180 | 153,180 | 189,693 | (36,513) |
| Department | 17,000 | 17,000 | 16,514 | 486 |
| Recruits expense | 12,000 | 12,000 | 9,966 | 2,034 |
| Longevity | 308,433 | 308,433 | 261,226 | 47,207 |
| Animal control | 10,000 | 10,000 | 8,476 | 1,524 |
| Master lease payment | 45,416 | 45,416 | 45,416 | 0 |
| Grant matching funds | 5,000 | 5,000 | 7,558 | (2,558) |
| Injured on duty TPA | 4,000 | 4,000 | 4,000 | 0 |
| Information technologies | 300 | 300 | 2,805 | (2,505) |
| Total police department | 10,810,067 | 10,810,067 | 11,329,188 | (519,121) |
| Municipal Court: | | | | |
| Full time salaries | 142,859 | 142,859 | 142,974 | (115) |
| FICA | 10,929 | 10,929 | 10,775 | 154 |
| Health Insurance | 60,084 | 60,084 | 60,084 | 0 |
| Life Insurance | 360 | 360 | 245 | 115 |
| Retirement town's share | 12,440 | 12,440 | 48,464 | (36,024) |
| Postage | 700 | 700 | 607 | 93 |
| Utilities | 5,800 | 5,800 | 5,732 | 68 |
| Office | 1,200 | 1,200 | 977 | 223 |
| Rent | 16,200 | 16,200 | 31,546 | (15,346) |
| Building maintenance | 1,030 | 1,030 | 674 | 356 |
| Telephone | 1,100 | 1,100 | 1,122 | (22) |
| Service contracts | 6,100 | 6,100 | 5,025 | 1,075 |
| Department | 3,000 | 3,000 | 3,202 | (202) |
| Equipment lease | 479 | 479 | 120 | 359 |
| Master lease payments | 1,454 | 1,454 | 1,454 | 0 |
| Total municipal court | 263,735 | 263,735 | 313,001 | (49,266) |

(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, 2011
UNAUDITED

| | Originally Adopted Budget | Final Budget | Actual Budgetary Basis | Variance Positive (Negative) |
|-------------------------------------|---------------------------------|-------------------|------------------------------|------------------------------------|
| Public safety (continued): | | | | |
| Fire department: | | | | |
| Department salaries | 4,473,716 | 4,473,716 | 4,414,916 | 58,800 |
| Holiday salaries | 258,030 | 258,030 | 255,954 | 2,076 |
| Sick time salaries | 20,000 | 20,000 | 0 | 20,000 |
| FICA | 400,248 | 400,248 | 568,444 | (168,196) |
| Health Insurance | 1,215,295 | 1,215,295 | 1,215,295 | 0 |
| Life Insurance | 35,445 | 35,445 | 23,025 | 12,420 |
| Severance pay | 15,000 | 15,000 | 0 | 15,000 |
| Radio maintenance and supplies | 20,000 | 20,000 | 18,808 | 1,192 |
| Fire prevention | 7,500 | 7,500 | 6,118 | 1,382 |
| Sanitary supplies | 20,000 | 20,000 | 16,727 | 3,273 |
| Clothing and allowance | 153,000 | 153,000 | 150,400 | 2,600 |
| Fire alarm | 10,000 | 10,000 | 9,970 | 30 |
| First aid and ambulance service | 6,400 | 6,400 | 64,196 | (57,796) |
| Gasoline | 90,000 | 90,000 | 79,986 | 10,014 |
| Office | 13,000 | 13,000 | 12,407 | 593 |
| Longevity | 490,182 | 490,182 | 500,356 | (10,174) |
| Overtime salaries | 2,089,886 | 2,089,886 | 2,504,837 | (414,951) |
| Haz-Mat stipend | 44,200 | 44,200 | 43,310 | 890 |
| Fire pension | 1,973,250 | 1,973,250 | 1,441,273 | 531,977 |
| SCBA operations | 9,000 | 9,000 | 9,183 | (183) |
| Utilities | 77,000 | 77,000 | 103,633 | (26,633) |
| Telephone | 38,500 | 38,500 | 45,116 | (6,616) |
| Postage | 400 | 400 | 764 | (364) |
| Rent | 2,000 | 2,000 | 14,800 | (12,800) |
| Hydrants | 152,020 | 152,020 | 154,747 | (2,727) |
| Hazardous materials | 8,000 | 8,000 | 8,639 | (639) |
| Fire chief department | 4,280 | 4,280 | 4,395 | (115) |
| Retirement | 502,048 | 502,048 | 656,943 | (154,895) |
| Retiree health care | 1,040,541 | 1,040,541 | 1,040,541 | 0 |
| Training and college | 30,000 | 30,000 | 42,485 | (12,485) |
| Equipment rental | 197,044 | 197,044 | 180,314 | 16,730 |
| Department expense | 5,000 | 5,000 | 5,249 | (249) |
| Building maintenance | 7,000 | 7,000 | 7,405 | (405) |
| Fire fighter equipment and supplies | 34,300 | 34,300 | 34,679 | (379) |
| Injured on duty TPA | 5,200 | 5,200 | 5,200 | 0 |
| Master lease payment | 15,614 | 15,614 | 15,614 | 0 |
| Grant matching funds | 32,000 | 32,000 | 16,800 | 15,200 |
| Total fire department | 13,495,099 | 13,495,099 | 13,672,529 | (177,430) |
| Emergency Management: | | | | |
| Salaries | 0 | 0 | 2,288 | (2,288) |
| FICA | 0 | 0 | 175 | (175) |
| Total emergency management | 0 | 0 | 2,463 | (2,463) |
| Total public safety | 24,568,901 | 24,568,901 | 25,317,181 | (748,280) |
| Public works department: | | | | |
| Streets and highways: | | | | |
| Salaries | 683,657 | 683,657 | 632,468 | 51,189 |
| Overtime | 91,350 | 91,350 | 80,557 | 10,793 |
| FICA | 59,288 | 59,288 | 53,459 | 5,829 |
| Health Insurance | 155,863 | 155,863 | 155,863 | 0 |
| Life Insurance | 1,920 | 1,920 | 1,234 | 686 |
| Retirement town's share | 62,828 | 62,828 | 57,089 | 5,739 |
| Snow removal | 220,000 | 220,000 | 238,556 | (18,556) |
| Drainage | 5,000 | 5,000 | 2,598 | 2,402 |
| Street lighting | 500,000 | 500,000 | 815,179 | (315,179) |
| Street and traffic control | 10,000 | 10,000 | 11,365 | (1,365) |
| Street and highway materials | 50,000 | 50,000 | 54,672 | (4,672) |
| Equipment maintenance | 2,500 | 2,500 | 833 | 1,667 |
| Total streets and highways | 1,842,406 | 1,842,406 | 2,103,873 | (261,467) |

(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, 2011
UNAUDITED

| | Originally Adopted Budget | Final Budget | Actual Budgetary Basis | Variance Positive (Negative) |
|---|---------------------------------|------------------|------------------------------|------------------------------------|
| Public works department (Continued): | | | | |
| Building maintenance: | | | | |
| Salaries | 197,489 | 197,489 | 194,916 | 2,573 |
| Overtime | 7,105 | 7,105 | 7,767 | (662) |
| FICA | 15,651 | 15,651 | 15,274 | 377 |
| Health Insurance | 65,722 | 65,722 | 65,722 | 0 |
| Life Insurance | 600 | 600 | 506 | 94 |
| Retirement town's share | 18,149 | 18,149 | 17,871 | 278 |
| Building supplies | 47,480 | 47,480 | 50,075 | (2,595) |
| Department expense | 500 | 500 | 375 | 125 |
| Capital purchases | 6,000 | 6,000 | 3,970 | 2,030 |
| Total building maintenance | 358,696 | 358,696 | 356,476 | 2,220 |
| Public Works Administration: | | | | |
| Salaries | 243,020 | 243,020 | 243,996 | (976) |
| Overtime | 500 | 500 | 465 | 35 |
| FICA | 18,629 | 18,629 | 19,034 | (405) |
| Health Insurance | 30,043 | 30,043 | 30,043 | 0 |
| Life Insurance | 600 | 600 | 378 | 222 |
| Retirement town's share | 14,246 | 14,246 | 14,300 | (54) |
| Garbage collections | 1,230,000 | 1,230,000 | 1,230,000 | 0 |
| Recycling bins | 7,000 | 7,000 | 1,787 | 5,213 |
| Safety equipment | 6,000 | 6,000 | 3,100 | 2,900 |
| Tree Removal | 13,000 | 13,000 | 22,014 | (9,014) |
| Gasoline | 90,160 | 90,160 | 100,949 | (10,789) |
| Equipment | 181,030 | 181,030 | 67,379 | 113,651 |
| Telephone | 23,610 | 23,610 | 24,582 | (972) |
| Utilities | 44,800 | 44,800 | 39,604 | 5,196 |
| Office expense | 9,700 | 9,700 | 7,580 | 2,120 |
| Department | 6,000 | 6,000 | 4,588 | 1,412 |
| Uniforms | 15,100 | 15,100 | 8,936 | 6,164 |
| Master lease payment | 62,022 | 62,022 | 62,022 | 0 |
| RI LEAP program expenses | 0 | 0 | 211,860 | (211,860) |
| Total Public Works Administration | 1,995,460 | 1,995,460 | 2,092,617 | (97,157) |
| Sewer Department: | | | | |
| Service salaries | 126,987 | 126,987 | 87,154 | 39,833 |
| FICA | 9,714 | 9,714 | 6,607 | 3,107 |
| Health Insurance | 30,044 | 30,044 | 30,044 | 0 |
| Life Insurance | 240 | 240 | 76 | 164 |
| Retirement town's share | 9,924 | 9,924 | 6,181 | 3,743 |
| Department | 2,000 | 2,000 | 9,572 | (7,572) |
| Total sewer department | 178,909 | 178,909 | 139,634 | 39,275 |
| Waste water management: | | | | |
| Part time salaries | 8,925 | 8,925 | 6,016 | 2,909 |
| FICA | 1,234 | 1,234 | 996 | 238 |
| Postage | 750 | 750 | 1,003 | (253) |
| Bidding and advertising | 800 | 800 | 0 | 800 |
| Board salaries | 7,200 | 7,200 | 7,000 | 200 |
| Total waste water management | 18,909 | 18,909 | 15,015 | 3,894 |

(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, 2011
UNAUDITED

| | Originally Adopted Budget | Final Budget | Actual Budgetary Basis | Variance Positive (Negative) |
|---|---------------------------------|-----------------|------------------------------|------------------------------------|
| Public works department (Continued): | | | | |
| Fleet maintenance: | | | | |
| Salaries | 218,399 | 218,399 | 139,473 | 78,926 |
| Overtime salaries | 15,000 | 15,000 | 21,248 | (6,248) |
| Severance pay | 0 | 0 | 53,138 | (53,138) |
| FICA | 17,855 | 17,855 | 16,194 | 1,661 |
| Health Insurance | 71,358 | 71,358 | 71,358 | 0 |
| Life Insurance | 840 | 840 | 422 | 418 |
| Retirement town's share | 20,071 | 20,071 | 12,565 | 7,506 |
| Vehicle repair - Utility | 1,500 | 1,500 | 752 | 748 |
| Vehicle repair - Police | 35,000 | 35,000 | 52,885 | (17,885) |
| Vehicle repair - Fire | 65,000 | 65,000 | 84,790 | (19,790) |
| Vehicle repair - Highway | 70,000 | 70,000 | 70,173 | (173) |
| Vehicle repair - Inspectors | 1,000 | 1,000 | 0 | 1,000 |
| Department | 300 | 300 | 0 | 300 |
| Total fleet maintenance | 516,323 | 516,323 | 522,998 | (6,675) |
| Utilities: | | | | |
| Salaries | 201,778 | 201,778 | 196,866 | 4,912 |
| Overtime salaries | 35,000 | 35,000 | 33,910 | 1,090 |
| FICA | 18,114 | 18,114 | 17,489 | 625 |
| Health Insurance | 50,701 | 50,701 | 50,701 | 0 |
| Life Insurance | 600 | 600 | 382 | 218 |
| Retirement town's share | 18,543 | 18,543 | 17,785 | 758 |
| Heat | 250 | 250 | 256 | (6) |
| Materials | 1,000 | 1,000 | 228 | 772 |
| Sewer pumping station maintenance | 35,000 | 35,000 | 86,765 | (51,765) |
| Pump station electric | 14,000 | 14,000 | 13,119 | 881 |
| Sewer Damage Claims | 76,000 | 76,000 | 8,216 | 67,784 |
| Repairs-sewer systems | 15,000 | 15,000 | 16,922 | (1,922) |
| Department | 2,000 | 2,000 | 796 | 1,204 |
| Office | 200 | 200 | 0 | 200 |
| Safety Equipment | 200 | 200 | 0 | 200 |
| Total utilities | 468,386 | 468,386 | 443,435 | 24,951 |
| Inspector's fees: | | | | |
| Salaries | 29,496 | 29,496 | 29,918 | (422) |
| Overtime | 300 | 300 | 0 | 300 |
| Plumbing inspector | 14,687 | 14,687 | 14,742 | (55) |
| Building inspector | 12,000 | 12,000 | 8,676 | 3,324 |
| Electrical inspector | 14,687 | 14,687 | 13,598 | 1,089 |
| Mechanical inspector-reliant | 6,000 | 6,000 | 4,158 | 1,842 |
| Building official | 60,000 | 60,000 | 55,431 | 4,569 |
| FICA | 13,936 | 13,936 | 13,035 | 901 |
| Health Insurance | 20,658 | 20,658 | 20,658 | 0 |
| Life Insurance | 360 | 360 | 376 | (16) |
| Retirement town's share | 8,225 | 8,225 | 11,882 | (3,657) |
| Dues, publications and subscriptions | 150 | 150 | 145 | 5 |
| Office | 5,000 | 5,000 | 6,647 | (1,647) |
| Minimum housing officer | 45,000 | 45,000 | 45,173 | (173) |
| Department | 2,800 | 2,800 | 2,641 | 159 |
| Total inspector's office | 233,299 | 233,299 | 227,080 | 6,219 |

(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, 2011
UNAUDITED

| | Originally Adopted Budget | Final Budget | Actual Budgetary Basis | Variance Positive (Negative) |
|---|---------------------------------|------------------|------------------------------|------------------------------------|
| Public works department (Continued): | | | | |
| Parks and recreation: | | | | |
| Park salaries | 405,528 | 405,528 | 495,596 | (90,068) |
| Recreation salaries | 122,501 | 122,501 | 107,999 | 14,502 |
| Overtime salaries | 5,000 | 5,000 | 16,551 | (11,551) |
| FICA | 44,753 | 44,753 | 47,810 | (3,057) |
| Health Insurance | 161,487 | 161,487 | 161,487 | 0 |
| Life Insurance | 1,560 | 1,560 | 1,119 | 441 |
| Retirement town's share | 48,526 | 48,526 | 50,530 | (2,004) |
| Equipment maintenance and supplies | 3,500 | 3,500 | 2,973 | 527 |
| Park maintenance | 21,000 | 21,000 | 22,098 | (1,098) |
| Vehicle repairs | 6,500 | 6,500 | 6,147 | 353 |
| Equipment lease | 4,656 | 4,656 | 1,194 | 3,462 |
| Recreation supplies | 500 | 500 | 0 | 500 |
| Utilities | 32,000 | 32,000 | 55,179 | (23,179) |
| Gasoline | 15,000 | 15,000 | 20,248 | (5,248) |
| Telephone | 7,700 | 7,700 | 14,212 | (6,512) |
| Uniforms | 4,000 | 4,000 | 3,901 | 99 |
| Office | 1,700 | 1,700 | 1,456 | 244 |
| Day camp | 1,000 | 1,000 | 980 | 20 |
| Parking rental | 5,000 | 5,000 | 5,000 | 0 |
| Department | 6,000 | 6,000 | 5,118 | 882 |
| Master lease payment | 800 | 800 | 800 | 0 |
| Total parks and recreation | 898,711 | 898,711 | 1,020,398 | (121,687) |
| Total public works | 6,511,099 | 6,511,099 | 6,921,526 | (410,427) |
| 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 | 10,164 | 5,186 |
| FICA | 1,174 | 1,174 | 777 | 397 |
| Life Insurance | 125 | 125 | 15 | 110 |
| Department | 500 | 500 | 63 | 437 |
| Food stamps and holidays | 1,000 | 1,000 | 500 | 500 |
| Total general public assistance | 18,149 | 18,149 | 11,519 | 6,630 |
| Personnel: | | | | |
| Full time salaries | 29,496 | 29,496 | 31,417 | (1,921) |
| FICA | 2,364 | 2,364 | 2,369 | (5) |
| Health Insurance | 15,021 | 15,021 | 15,021 | 0 |
| Life Insurance | 120 | 120 | 82 | 38 |
| Retirement town's share | 2,711 | 2,711 | 2,721 | (10) |
| Office | 500 | 500 | 0 | 500 |
| Board Salaries | 1,400 | 1,400 | 339 | 1,061 |
| Department | 600 | 600 | 465 | 135 |
| Total personnel | 52,212 | 52,212 | 52,414 | (202) |
| Total human resources | 70,361 | 70,361 | 63,933 | 6,428 |

(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, 2011
UNAUDITED

| | Originally Adopted Budget | Final Budget | Actual Budgetary Basis | Variance Positive (Negative) |
|--|---------------------------------|------------------|------------------------------|------------------------------------|
| Miscellaneous appropriations: | | | | |
| Liability insurance and workman's compensation | 750,000 | 750,000 | 943,000 | (193,000) |
| FICA | 10,811 | 10,811 | 15,062 | (4,251) |
| Retirement | 9,650 | 9,650 | 9,604 | 46 |
| Health Insurance retirees | 980,530 | 980,530 | 980,530 | 0 |
| Stop - loss health insurance | 250,000 | 250,000 | 250,000 | 0 |
| Dues, publications, and subscriptions | 3,000 | 3,000 | 450 | 2,550 |
| Sealer of weights and measures | 6,000 | 6,000 | 6,000 | 0 |
| Tree warden | 600 | 600 | 0 | 600 |
| Contingency | 5,000 | 5,000 | 2,273 | 2,727 |
| Human needs program | 5,000 | 5,000 | 3,990 | 1,010 |
| Rent | 3,800 | 3,800 | 3,800 | 0 |
| Unemployment compensation | 5,000 | 5,000 | 11,661 | (6,661) |
| Police/Fire Pension Actuarial | 15,000 | 15,000 | 25,000 | (10,000) |
| Johnston Senior Citizen Center, Inc. | 221,411 | 221,411 | 207,196 | 14,215 |
| Tri-Town | 30,000 | 30,000 | 30,000 | 0 |
| Utilities | 24,000 | 24,000 | 19,860 | 4,140 |
| Equipment lease | 20,145 | 20,145 | 0 | 20,145 |
| Blue cross reimbursements | 134,724 | 134,724 | 210,275 | (75,551) |
| Total miscellaneous appropriations | 2,474,671 | 2,474,671 | 2,718,701 | (244,030) |
| Planning and Assessment Board: | | | | |
| Planning Board: | | | | |
| Salaries | 115,460 | 115,460 | 107,135 | 8,325 |
| Overtime | 500 | 500 | 1,400 | (900) |
| Board salaries | 7,200 | 7,200 | 7,033 | 167 |
| FICA | 9,422 | 9,422 | 9,511 | (89) |
| Life Insurance | 240 | 240 | 113 | 127 |
| Health Insurance | 15,719 | 15,719 | 15,719 | 0 |
| Retirement town's share | 9,162 | 9,162 | 9,170 | (8) |
| Stenographer | 6,000 | 6,000 | 4,635 | 1,365 |
| Department | 500 | 500 | 829 | (329) |
| Office | 2,000 | 2,000 | 3,204 | (1,204) |
| Bidding and advertising | 6,000 | 6,000 | 1,302 | 4,698 |
| Total planning board | 172,203 | 172,203 | 160,051 | 12,152 |
| Assessment Board: | | | | |
| Board salaries | 2,550 | 2,550 | 2,408 | 142 |
| FICA | 195 | 195 | 184 | 11 |
| Total assessment board | 2,745 | 2,745 | 2,592 | 153 |
| Total planning and assessment board | 174,948 | 174,948 | 162,643 | 12,305 |

(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, 2011
UNAUDITED

| | Originally Adopted Budget | Final Budget | Actual Budgetary Basis | Variance Positive (Negative) |
|--|---------------------------------|-------------------|------------------------------|------------------------------------|
| Library: | | | | |
| Full time salaries | 272,138 | 272,138 | 252,094 | 20,044 |
| Part time salaries | 106,170 | 106,170 | 96,568 | 9,602 |
| Overtime | 500 | 500 | 609 | (109) |
| FICA | 28,979 | 28,979 | 25,319 | 3,660 |
| Health Insurance | 84,645 | 84,645 | 84,645 | 0 |
| Life Insurance | 960 | 960 | 629 | 331 |
| Retirement Town's share | 25,009 | 25,009 | 23,148 | 1,861 |
| Dues and publications | 34,250 | 34,250 | 27,301 | 6,949 |
| Computer service contracts | 23,800 | 23,800 | 23,339 | 461 |
| Postage | 1,600 | 1,600 | 1,571 | 29 |
| Auto expense | 500 | 500 | 504 | (4) |
| Conferences | 200 | 200 | 115 | 85 |
| Sanitary supplies | 500 | 500 | 500 | 0 |
| Printing | 500 | 500 | 360 | 140 |
| Training | 500 | 500 | 0 | 500 |
| Heat | 8,000 | 8,000 | 6,469 | 1,531 |
| Electric | 15,000 | 15,000 | 14,785 | 215 |
| Telephone | 4,000 | 4,000 | 1,644 | 2,356 |
| Water | 1,200 | 1,200 | 2,552 | (1,352) |
| Building Maintenance | 4,000 | 4,000 | 3,647 | 353 |
| Office supplies | 4,000 | 4,000 | 4,362 | (362) |
| Department expense | 3,500 | 3,500 | 5,266 | (1,766) |
| Total library | 619,951 | 619,951 | 575,427 | 44,524 |
| Debt service: | | | | |
| Bond interest expense | 904,536 | 904,536 | 1,166,660 | (262,124) |
| Master lease interest expense | 9,660 | 9,660 | 7,205 | 2,455 |
| Bonded debt payments | 1,393,972 | 1,393,972 | 1,458,972 | (65,000) |
| Master lease principal payments | 71,767 | 71,767 | 47,823 | 23,944 |
| Total debt service | 2,379,935 | 2,379,935 | 2,680,660 | (300,725) |
| Total expenditures before other financing uses: | 39,260,098 | 39,260,098 | 41,242,314 | (1,982,216) |
| 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 | 9,985,703 | 9,985,703 | 10,393,936 | (408,233) |
| Transfer to School - Federal SFSP | 0 | 0 | 448,366 | (448,366) |
| Total other budgeted financing uses | 48,874,930 | 48,874,930 | 47,971,317 | 903,613 |
| Total expenditures and other budgeted financing uses | 88,135,028 | 88,135,028 | 89,213,631 | (1,078,603) |
| Net change in fund balance | \$ - | \$ - | 1,305,075 | \$ 1,305,075 |
| <i>Less tax payment received and budgeted in fiscal 2011, reported as advanced taxes for GAAP purposes</i> | | | (500,000) | |
| <i>Inclusion of net loss of OPEB Fund with the General Fund, for GAAP purposes, not part of budget</i> | | | (100,368) | |
| <i>Inclusion of net loss of Reserve Healthcare Fund with the General Fund, for GAAP purposes, not part of budget</i> | | | (171,370) | |
| <i>Inclusion of net income of Police Detail Fund with the General Fund, for GAAP purposes, not part of budget</i> | | | 6,027 | |
| <i>Inclusion of net loss of Fire Dept Detail Fund with the General Fund, for GAAP purposes, not part of budget</i> | | | (14,869) | |
| Net Change in Fund Balances - GAAP Basis (Exhibit B-2) | | | \$ 524,495 | |

(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, 2011
UNAUDITED

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | Variance Positive (Negative) |
|---|----------------------------|-------------------------|-----------------------|------------------------------------|
| Revenues: | | | | |
| Expenditures: | | | | |
| Salaries | \$ 25,641,547 | \$ 25,641,547 | \$ 25,342,191 | \$ 299,356 |
| Employee benefits | 11,491,506 | 11,491,506 | 11,544,419 | (52,913) |
| Purchased services | 9,185,806 | 9,190,306 | 9,595,396 | (405,090) |
| Supplies and materials | 1,305,722 | 1,301,222 | 1,080,860 | 220,362 |
| Other | - | - | 22,829 | (22,829) |
| Capital outlay | - | - | 101,459 | (101,459) |
| Total expenditures | <u>47,624,581</u> | <u>47,624,581</u> | <u>47,687,154</u> | <u>(62,573)</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(47,624,581)</u> | <u>(47,624,581)</u> | <u>(47,687,154)</u> | <u>(62,573)</u> |
| 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 | 9,810,566 | 9,810,566 | 9,362,199 | (448,367) |
| Transfer from Town General Fund - Federal SFSF | - | - | 448,366 | 448,366 |
| Transfer from Town General Fund - Medicaid & Other | 685,000 | 685,000 | 1,031,737 | 346,737 |
| Total other financing sources (uses) | <u>47,624,581</u> | <u>47,624,581</u> | <u>47,971,317</u> | <u>346,736</u> |
| NET CHANGE IN FUND BALANCES | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 284,163</u> | <u>\$ 284,163</u> |
| <i>Add back fiscal 2011 encumbrances not considered expenditures for GAAP</i> | | | <u>34,329</u> | |
| Net Change in Fund Balances - GAAP Basis (Exhibit B-2) | | | <u>\$ 318,492</u> | |

TOWN OF JOHNSTON, RHODE ISLAND

Required Supplementary Information
Schedule of Funding Progress for OPEB Plans
Pay-As-You-Go Assumptions
June 30, 2011
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 |
| | 6/30/2010 | \$0 | \$ 176,176,570 | \$ (176,176,570) | 0% | N/A | N/A |
| School Department employees.... | 6/30/2008 | \$0 | \$ 88,344,515 | \$ (88,344,515) | 0% | N/A | N/A |
| | 6/30/2010 | \$0 | \$ 52,715,821 | \$ (52,715,821) | 0% | N/A | N/A |
| Total Governmental Activities: | | | | | | | |
| | 6/30/2008 | \$0 | \$ 226,042,752 | \$ (226,042,752) | 0% | N/A | N/A |
| | 6/30/2010 | \$0 | \$ 228,892,391 | \$ (228,892,391) | 0% | N/A | N/A |
| Business-Type Activities: | | | | | | | |
| Water Department employees..... | 6/30/2008 | \$0 | \$ 202,748 | \$ (202,748) | 0% | N/A | N/A |
| | 6/30/2010 | \$0 | \$ 122,886 | \$ (122,886) | 0% | N/A | N/A |

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 and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The following funds are considered Special Revenue Funds at June 30, 2011:

| | |
|--|----------------------------------|
| **School Restricted Funds | Historical Trust Fund |
| Community Development Block Grant | Fire Plan Review |
| Byrne JAG Stimulus Grant | Fire Prevention Grant |
| Police Special Account | Memorial Library Fund |
| Memorial Park Recreation Fields | Byrne Grant |
| Restoration | State JAG Grant |
| Substance Abuse Prevention Grant | Secure Our Schools |
| Blue Riptide Grant | Federal JAG Radio Console |
| ARRA EECBG | State JAG Radio Console |
| NRCS | FEMA Category F Projects |
| Federal JAG Active Shooter | FEMA Category C Projects |

**School Restricted Funds are comprised of the following:

| | |
|--|---|
| Preschool IDEA Section 619 | Algebra Grant |
| Preschool IDEA Section 619 – ARRA | Target Grant |
| IDEA Part B | Verizon Foundation |
| IDEA Part B - ARRA | RISCA |
| Title I | Literacy |
| Title I - ARRA | MCI Project |
| Broadrock Energy | RI Education Foundation |
| NE Dairy | Walmart Grant |
| USDA FFV | Donation & Miscellaneous Grant |
| Homeland Security | Perkins Vocational |
| Title IV | General Assembly |
| Title II | Champlin MS |
| Title III | Feinstein Elementary |

TOWN OF JOHNSTON, RHODE ISLAND

NONMAJOR GOVERNMENTAL FUNDS (Continued)

CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. 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, 2011:

**School Facilities Fund
Senior Center Grant
West End Fire Station
Highland Avenue Drainage
High School Renovation
Middle School Renovation
Ferri School Renovation
West End Water
Rainone Gym Renovations
Unobligated Capital Fund**

**Sewer Project Capri & Bellaire
DAM Renovations
Pezza Property Acquisition
Champlin Community Park
Capital Lease
Police Station Construction
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, 2011**

SPECIAL REVENUE FUNDS

| | School Restricted Fund | Community Development Block Grant | Byrne JAG Stimulus Grant | Police Special Account | Memorial Park Recreation Fields Restoration | Substance Abuse Prevention Grant | Blue Riptide Grant | ARRA EECBG | NRCS | Federal JAG Active Shooter | Historical Trust Fund |
|--|------------------------------|---|--------------------------------|------------------------------|---|---|--------------------------|-----------------|-----------------|-------------------------------|-----------------------------|
| ASSETS | | | | | | | | | | | |
| Cash and cash equivalents | | \$ 2,691 | | \$ 61,581 | \$ 115 | | | | | | \$ 365,288 |
| Due from federal & state governments | \$ 1,227,014 | | | | | | | | \$ 9,767 | | |
| Due from other funds | 132,922 | 2,679 | \$ 249 | 3,247 | | | \$ 11,852 | \$ 3,083 | | | 2,673 |
| TOTAL ASSETS | \$ 1,359,936 | \$ 5,370 | \$ 249 | \$ 64,828 | \$ 115 | \$ - | \$ 11,852 | \$ 3,083 | \$ 9,767 | \$ - | \$ 367,961 |
| LIABILITIES AND FUND BALANCE | | | | | | | | | | | |
| LIABILITIES | | | | | | | | | | | |
| Accounts payable | \$ 43,475 | \$ 2,294 | | | | | \$ 11,852 | | | | |
| Due to federal & state governments | | | | \$ 1,611 | | | | | | | |
| Due to other funds | 1,188,626 | | | | | | | | \$ 9,767 | | |
| Deferred revenue | 3,195 | | | | | | | | | | |
| TOTAL LIABILITIES | 1,235,296 | 2,294 | \$ - | 1,611 | \$ - | \$ - | 11,852 | \$ - | 9,767 | \$ - | \$ - |
| FUND BALANCES | | | | | | | | | | | |
| Restricted | 124,975 | 3,076 | 249 | 63,217 | 115 | - | - | 3,083 | - | - | 367,961 |
| Committed | | | | | | | | | | | |
| Unassigned | (335) | | | | | | | | | | |
| TOTAL FUND BALANCES | 124,640 | 3,076 | 249 | 63,217 | 115 | - | - | 3,083 | - | - | 367,961 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 1,359,936 | \$ 5,370 | \$ 249 | \$ 64,828 | \$ 115 | \$ - | \$ 11,852 | \$ 3,083 | \$ 9,767 | \$ - | \$ 367,961 |

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2011

SPECIAL REVENUE FUNDS

| | Fire Plan Review | Fire Prevention Grant | Memorial Library Fund | Byrne Grant | State JAG Grant | Secure Our Schools | Federal JAG Radio Console | State JAG Radio Console | FEMA Category F Projects | FEMA Category C Projects | Total Special Revenue Fund |
|--|------------------------|-----------------------------|-----------------------------|----------------|-----------------------|--------------------------|------------------------------|----------------------------|--------------------------------|--------------------------------|----------------------------------|
| ASSETS | | | | | | | | | | | |
| Cash and cash equivalents | | | \$ 130,218 | | | | | | | | \$ 559,893 |
| Due from federal & state governments | | | | | | | | | | | 1,236,781 |
| Due from other funds | \$ 229,827 | \$ 15,194 | | \$ 727 | \$ 2,839 | \$ 30,791 | | | \$ 1,944 | \$ 201,316 | 639,343 |
| TOTAL ASSETS | \$ 229,827 | \$ 15,194 | \$ 130,218 | \$ 727 | \$ 2,839 | \$ 30,791 | \$ - | \$ - | \$ 1,944 | \$ 201,316 | \$ 2,436,017 |
| LIABILITIES AND FUND BALANCE | | | | | | | | | | | |
| LIABILITIES | | | | | | | | | | | |
| Accounts payable | | | \$ 89 | | | | | | | | \$ 57,710 |
| Due to federal & state governments | | | | | | | | | | | 1,611 |
| Due to other funds | | | | | | | | | | | 1,198,393 |
| Deferred revenue | | | | | | | | | | \$ 201,316 | 204,511 |
| TOTAL LIABILITIES | \$ - | \$ - | \$ 89 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 201,316 | 1,462,225 |
| FUND BALANCES | | | | | | | | | | | |
| Restricted | | 15,194 | 130,129 | 727 | 2,839 | 30,791 | - | - | 1,944 | - | 744,300 |
| Committed | 229,827 | | | | | | | | | | 229,827 |
| Unassigned | | | | | | | | | | | (335) |
| TOTAL FUND BALANCES | 229,827 | 15,194 | 130,129 | 727 | 2,839 | 30,791 | - | - | 1,944 | - | 973,792 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 229,827 | \$ 15,194 | \$ 130,218 | \$ 727 | \$ 2,839 | \$ 30,791 | \$ - | \$ - | \$ 1,944 | \$ 201,316 | \$ 2,436,017 |

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

*Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2011*

CAPITAL PROJECT FUNDS

| | School Facilities Fund | Senior Center Grant | West End Fire Station | Highland Ave Drainage | High School Renovation | Middle School Renovation | Ferri School Renovation | West End Water | Rainone Gym Renovations | Unobligated Capital Fund | Sewer Project Capri & Bellaire |
|--|------------------------------|---------------------------|-----------------------------|--------------------------|---------------------------|-----------------------------|----------------------------|-------------------|----------------------------|-----------------------------|-----------------------------------|
| ASSETS | | | | | | | | | | | |
| Cash and cash equivalents | \$ 47,114 | | | | | | | | | | |
| Due from federal & state governments | | | | | | | | | \$ 17,021 | \$ 45,327 | |
| Due from other funds | | | | | | | | | | | |
| TOTAL ASSETS | \$ 47,114 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 17,021 | \$ 45,327 | \$ - |
| LIABILITIES AND FUND BALANCE | | | | | | | | | | | |
| LIABILITIES | | | | | | | | | | | |
| Accounts payable | \$ 7,500 | | | | | | | | | | |
| Due to federal & state governments | | | | | | | | | | | |
| Due to other funds | | | | | | | | | | | |
| Deferred revenue | | | | | | | | | | | |
| TOTAL LIABILITIES | 7,500 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| FUND BALANCES | | | | | | | | | | | |
| Restricted | 39,614 | - | - | - | - | - | - | - | 17,021 | 45,327 | - |
| Committed | | | | | | | | | | | |
| Unassigned | | | | | | | | | | | |
| TOTAL FUND BALANCES | 39,614 | - | - | - | - | - | - | - | 17,021 | 45,327 | - |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 47,114 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 17,021 | \$ 45,327 | \$ - |

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2011**

CAPITAL PROJECT FUNDS

| | DAM Renovations | Pezza Property Acquisition | Champlin Community Park | Capital Lease | Police Station Construction | 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 | | \$ 43,832 | \$ 400 | | | \$ 5,333 | | \$ 102,518 | \$ 662,411 |
| Due from federal & state governments | | | | | | | | | | - | 1,236,781 |
| Due from other funds | \$ 57,745 | | \$ 19,791 | | 145,391 | | | | | 285,275 | 924,618 |
| TOTAL ASSETS | \$ 57,745 | \$ 5,839 | \$ 19,791 | \$ 43,832 | \$ 145,791 | \$ - | \$ - | \$ 5,333 | \$ - | \$ 387,793 | \$ 2,823,810 |
| LIABILITIES AND FUND BALANCE | | | | | | | | | | | |
| LIABILITIES | | | | | | | | | | | |
| Accounts payable | | | | | | | | | | \$ 7,500 | \$ 65,210 |
| Due to federal & state governments | | | | | | | | | | - | 1,611 |
| Due to other funds | | | | | | | | | | - | 1,198,393 |
| Deferred revenue | | | | | | | | | | - | 204,511 |
| TOTAL LIABILITIES | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | 7,500 | 1,469,725 |
| FUND BALANCES | | | | | | | | | | | |
| Restricted | 57,745 | 5,839 | 19,791 | 43,832 | 145,791 | - | - | 5,333 | - | 380,293 | 1,124,593 |
| Committed | | | | | | | | | | - | 229,827 |
| Unassigned | | | | | | | | | | - | (335) |
| TOTAL FUND BALANCES | 57,745 | 5,839 | 19,791 | 43,832 | 145,791 | - | - | 5,333 | - | 380,293 | 1,354,085 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 57,745 | \$ 5,839 | \$ 19,791 | \$ 43,832 | \$ 145,791 | \$ - | \$ - | \$ 5,333 | \$ - | \$ 387,793 | \$ 2,823,810 |

(CONCLUDED)

TOWN OF JOHNSTON, RHODE ISLAND

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the year ended June 30, 2011**

| | SPECIAL REVENUE FUNDS | | | | | | | | | | |
|--|------------------------------|---|--------------------------------|------------------------------|---|---|--------------------------|-----------------|---------------|-------------------------------|-----------------------------|
| | School Restricted Fund | Community Development Block Grant | Byrne JAG Stimulus Grant | Police Special Account | Memorial Park Recreation Fields Restoration | Substance Abuse Prevention Grant | Blue Riptide Grant | ARRA EECBG | NRCS | Federal JAG Active Shooter | Historical Trust Fund |
| REVENUES | | | | | | | | | | | |
| Federal and state grants | \$ 2,524,180 | \$ 28,655 | \$ 5,312 | \$ 8,844 | | \$ 30,777 | \$ 28,563 | \$ 55,375 | \$ 24,629 | \$ 6,811 | \$ 2,110 |
| Investment income | | | | | | | | 4,000 | | | 31,934 |
| Other | 127,138 | 3,000 | | | \$ 115 | | | | | | |
| Total revenues | 2,651,318 | 31,655 | 5,312 | 8,844 | 115 | 30,777 | 28,563 | 59,375 | 24,629 | 6,811 | 34,044 |
| EXPENDITURES | | | | | | | | | | | |
| Current: | | | | | | | | | | | |
| Education | 2,549,091 | | | | | | | | | | |
| Other expenses | | 28,579 | 2,746 | 16,213 | | 30,777 | 32,855 | 31,297 | 24,629 | 6,811 | 7,783 |
| Capital outlays | | | | 7,698 | | | | 24,995 | | | |
| Total expenditures | 2,549,091 | 28,579 | 2,746 | 23,911 | - | 30,777 | 32,855 | 56,292 | 24,629 | 6,811 | 7,783 |
| Excess (deficiency) of revenues over (under) expenditures | 102,227 | 3,076 | 2,566 | (15,067) | 115 | - | (4,292) | 3,083 | - | - | 26,261 |
| Other financing sources (uses): | | | | | | | | | | | |
| Transfers in | | | | | | | | | | | |
| Transfers out | | | | | | | | | | | |
| Total other financing sources | - | - | - | - | - | - | - | - | - | - | - |
| Net change in fund balances | 102,227 | 3,076 | 2,566 | (15,067) | 115 | - | (4,292) | 3,083 | - | - | 26,261 |
| Fund balances (deficits) - July 1, 2010, as restated | 22,413 | - | (2,317) | 78,284 | - | - | 4,292 | - | - | - | 341,700 |
| Fund balances (deficits) - June 30, 2011 | \$ 124,640 | \$ 3,076 | \$ 249 | \$ 63,217 | \$ 115 | \$ - | \$ - | \$ 3,083 | \$ - | \$ - | \$ 367,961 |

(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, 2011

| | SPECIAL REVENUE FUNDS | | | | | | | | | | |
|--|------------------------|-----------------------------|-----------------------------|----------------|-----------------------|--------------------------|------------------------------|----------------------------|--------------------------------|--------------------------------|-----------------------------------|
| | Fire Plan Review | Fire Prevention Grant | Memorial Library Fund | Byrne Grant | State JAG Grant | Secure Our Schools | Federal JAG Radio Console | State JAG Radio Console | FEMA Category F Projects | FEMA Category C Projects | Total Special Revenue Funds |
| REVENUES | | | | | | | | | | | |
| Federal and state grants | | | | \$ 3,233 | \$ 28,736 | | \$ 10,397 | \$ 28,558 | \$ 1,944 | | \$ 2,786,014 |
| Investment income | | | \$ 805 | | | | | | | | 2,915 |
| Other | \$ 11,755 | \$ 8,295 | 2,020 | | | | | | | | 188,257 |
| Total revenues | 11,755 | 8,295 | 2,825 | 3,233 | 28,736 | \$ - | 10,397 | 28,558 | 1,944 | \$ - | 2,977,186 |
| EXPENDITURES | | | | | | | | | | | |
| Current: | | | | | | | | | | | |
| Education | | | | | | | | | | | 2,549,091 |
| Other expenses | 18,322 | 911 | 5,888 | 2,506 | 25,897 | | 10,397 | 13,385 | | | 258,996 |
| Capital outlays | | | | | | | | 15,173 | | | 47,866 |
| Total expenditures | 18,322 | 911 | 5,888 | 2,506 | 25,897 | - | 10,397 | 28,558 | - | - | 2,855,953 |
| Excess (deficiency) of revenues over (under) expenditures | (6,567) | 7,384 | (3,063) | 727 | 2,839 | - | - | - | 1,944 | - | 121,233 |
| Other financing sources (uses): | | | | | | | | | | | |
| Transfers in | | | | | | | | | | | 0 |
| Transfers out | (125,000) | | | | | | | | | | (125,000) |
| Total other financing sources | (125,000) | - | - | - | - | - | - | - | - | - | (125,000) |
| Net change in fund balances | (131,567) | 7,384 | (3,063) | 727 | 2,839 | - | - | - | 1,944 | - | (3,767) |
| Fund balances (deficits) - July 1, 2010, as restated | 361,394 | 7,810 | 133,192 | - | - | 30,791 | - | - | - | - | 977,559 |
| Fund balances (deficits) - June 30, 2011 | \$ 229,827 | \$ 15,194 | \$ 130,129 | \$ 727 | \$ 2,839 | \$ 30,791 | \$ - | \$ - | \$ 1,944 | \$ - | \$ 973,792 |

(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, 2011

| | CAPITAL PROJECT FUNDS | | | | | | | | | | |
|--|------------------------------|---------------------------|-----------------------------|--------------------------|---------------------------|-----------------------------|----------------------------|-------------------|----------------------------|-----------------------------|-----------------------------------|
| | School Facilities Fund | Senior Center Grant | West End Fire Station | Highland Ave Drainage | High School Renovation | Middle School Renovation | Ferri School Renovation | West End Water | Rainone Gym Renovations | Unobligated Capital Fund | Sewer Project Capri & Bellaire |
| REVENUES | | | | | | | | | | | |
| Federal and state grants | | | | | | | | | | | |
| Investment income | \$ 1,089 | | \$ 37 | \$ 26 | \$ 36 | \$ 44 | \$ 20 | \$ 3 | | | \$ 3 |
| Other | | | 12 | | | | | | | | |
| Total revenues | <u>1,089</u> | <u>\$ -</u> | <u>49</u> | <u>26</u> | <u>36</u> | <u>44</u> | <u>20</u> | <u>3</u> | <u>\$ -</u> | <u>\$ -</u> | <u>3</u> |
| EXPENDITURES | | | | | | | | | | | |
| Current: | | | | | | | | | | | |
| Education | | | | | | | | | | | |
| Other expenses | | | 3,310 | | | | | | | | |
| Capital outlays | 420,040 | | 72,297 | | | | | | | | |
| Total expenditures | <u>420,040</u> | <u>-</u> | <u>75,607</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(418,951)</u> | <u>-</u> | <u>(75,558)</u> | <u>26</u> | <u>36</u> | <u>44</u> | <u>20</u> | <u>3</u> | <u>-</u> | <u>-</u> | <u>3</u> |
| Other financing sources (uses): | | | | | | | | | | | |
| Transfers in | | 195,301 | | | | 121,453 | | | | | |
| Transfers out | | | (7,837) | (113,095) | (622,334) | | (86,767) | (47,387) | | | (111) |
| Total other financing sources | <u>-</u> | <u>195,301</u> | <u>(7,837)</u> | <u>(113,095)</u> | <u>(622,334)</u> | <u>121,453</u> | <u>(86,767)</u> | <u>(47,387)</u> | <u>-</u> | <u>-</u> | <u>(111)</u> |
| Net change in fund balances | <u>(418,951)</u> | <u>195,301</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>-</u> | <u>-</u> | <u>(108)</u> |
| Fund balances (deficits) - July 1, 2010, as restated | 458,565 | (195,301) | 83,395 | 113,069 | 622,298 | (121,497) | 86,747 | 47,384 | 17,021 | 45,327 | 108 |
| Fund balances (deficits) - June 30, 2011 | <u>\$ 39,614</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 17,021</u> | <u>\$ 45,327</u> | <u>\$ -</u> |

(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, 2011**

| | CAPITAL PROJECT FUNDS | | | | | | | | | | |
|--|------------------------------|----------------------------------|-------------------------------|------------------|-----------------------------------|-----------------------|--------------------|---------------------|--------------------------------|-----------------------------------|--|
| | DAM Renovations | Pezza Property Acquisition | Champlin Community Park | Capital Lease | Police Station Construction | 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 | | | | | | | | | | | \$ 2,786,014 |
| Investment income | | \$ 21 | | \$ 8 | | \$ 38 | \$ 38 | \$ 8,536 | | \$ 9,899 | 12,814 |
| Other | | | | | | | | 12,463 | | 12,475 | 200,732 |
| Total revenues | \$ - | 21 | \$ - | 8 | \$ - | 38 | 38 | 20,999 | \$ - | 22,374 | 2,999,560 |
| EXPENDITURES | | | | | | | | | | | |
| Current: | | | | | | | | | | | |
| Education | | | | | | | | | | | 2,549,091 |
| Other expenses | | | 13,902 | 25,050 | 5,144 | | | 3,002 | | 50,408 | 309,404 |
| Capital outlays | | | 26,590 | 49,968 | 55,112 | | | 1,888,295 | | 2,457,190 | 2,505,056 |
| Total expenditures | - | - | 40,492 | 25,050 | 55,112 | - | - | 1,891,297 | - | 2,507,598 | 5,363,551 |
| Excess (deficiency) of revenues over (under) expenditures | - | 21 | (40,492) | (25,042) | (55,112) | 38 | 38 | (1,870,298) | - | (2,485,224) | (2,363,991) |
| Other financing sources (uses): | | | | | | | | | | | |
| Transfers in | | | | | | 282,628 | 278,295 | | | 877,677 | 877,677 |
| Transfers out | | (37,318) | | | | | | | (681,004) | (1,595,853) | (1,720,853) |
| Total other financing sources | - | (37,318) | - | - | - | 282,628 | 278,295 | - | (681,004) | (718,176) | (843,176) |
| Net change in fund balances | - | (37,297) | (40,492) | (25,042) | (55,112) | 282,666 | 278,333 | (1,870,298) | (681,004) | (3,203,400) | (3,207,167) |
| Fund balances (deficits) - July 1, 2010, as restated | 57,745 | 43,136 | 60,283 | 68,874 | 200,903 | (282,666) | (278,333) | 1,875,631 | 681,004 | 3,583,693 | 4,561,252 |
| Fund balances (deficits) - June 30, 2011 | \$ 57,745 | \$ 5,839 | \$ 19,791 | \$ 43,832 | \$ 145,791 | \$ - | \$ - | \$ 5,333 | \$ - | \$ 380,293 | \$ 1,354,085 |

(CONCLUDED)

TOWN OF JOHNSTON

EXHIBIT 3

**Combining Balance Sheet
School Restricted Funds
Reported as Nonmajor Governmental Funds
June 30, 2011**

| | SPECIAL REVENUE FUNDS | | | | | | | | | | | | |
|---|----------------------------------|---------------------------------------|-------------------|---------------------|-------------------|-----------------|---------------------|--------------|-----------------|----------------------|-----------------|-----------------|------------------|
| ASSETS | Preschool IDEA Section 619 | Preschool IDEA Section 619-ARRA | Idea Part B | Idea Part B-ARRA | Title I | Title I-ARRA | Broadrock Energy | NE Dairy | USDA FFV | Homeland Security | Title IV | Title II | Title III |
| Intergovernmental receivable | \$ 1,008 | \$ 7,559 | \$ 768,843 | \$ 15,720 | \$ 369,651 | \$ 1,139 | | | \$ 1,670 | \$ 19,762 | \$ 2,358 | \$ 1,062 | \$ 16,073 |
| Due from other funds | | | | | | | \$ 100,000 | | | | | | |
| TOTAL ASSETS | \$ 1,008 | \$ 7,559 | \$ 768,843 | \$ 15,720 | \$ 369,651 | \$ 1,139 | \$ 100,000 | \$ - | \$ 1,670 | \$ 19,762 | \$ 2,358 | \$ 1,062 | \$ 16,073 |
| Liabilities: | | | | | | | | | | | | | |
| Accounts payable | | | \$ 21,256 | \$ 1,152 | \$ 9,745 | | | | | \$ 3,450 | | | |
| Due to other funds | \$ 1,008 | \$ 7,559 | 747,587 | 14,568 | 356,786 | \$ 1,139 | | \$ 209 | \$ 1,670 | 16,312 | \$ 2,358 | \$ 1,062 | \$ 16,073 |
| Deferred revenue | | | | | 3,120 | | | | | | | | |
| Total liabilities | 1,008 | 7,559 | 768,843 | 15,720 | 369,651 | 1,139 | \$ - | 209 | 1,670 | 19,762 | 2,358 | 1,062 | 16,073 |
| Fund balances: | | | | | | | | | | | | | |
| Restricted | 0 | 0 | 0 | 0 | 0 | 0 | 100,000 | | 0 | 0 | 0 | 0 | 0 |
| Unassigned | | | | | | | | (209) | | | | | |
| Total fund balances | 0 | 0 | 0 | 0 | 0 | 0 | 100,000 | (209) | 0 | 0 | 0 | 0 | 0 |
| TOTAL LIABILITIES AND FUND BALANCE | \$ 1,008 | \$ 7,559 | \$ 768,843 | \$ 15,720 | \$ 369,651 | \$ 1,139 | \$ 100,000 | \$ - | \$ 1,670 | \$ 19,762 | \$ 2,358 | \$ 1,062 | \$ 16,073 |

(Continued)

TOWN OF JOHNSTON

EXHIBIT 3 (CONTINUED)

**Combining Balance Sheet
School Restricted Funds
Reported as Nonmajor Governmental Funds
June 30, 2011**

| SPECIAL REVENUE FUNDS | | | | | | | | | | | | | | |
|---|-----------------|--------------|--------------------|-----------------|-------------|------------------|-------------------------|---------------|-----------------------|--------------------|------------------|---------------|----------------------|-------------------------------|
| ASSETS | Algebra Grant | Target Grant | Verizon Foundation | RISCA | Literacy | MCI Project | RI Education Foundation | Walmart Grant | Donation & Misc Grant | Perkins Vocational | General Assembly | Champlin MS | Feinstein Elementary | Total School Restricted Funds |
| Intergovernmental receivable | \$ 4,654 | | | | | \$ 12,118 | | | | \$ 5,397 | | | | \$ 1,227,014 |
| Due from other funds | | | \$ 3,512 | \$ 1,027 | | | \$ 150 | \$ 150 | \$ 3,169 | | \$ 719 | \$ 163 | \$ 24,032 | 132,922 |
| TOTAL ASSETS | \$ 4,654 | \$ - | \$ 3,512 | \$ 1,027 | \$ - | \$ 12,118 | \$ 150 | \$ 150 | \$ 3,169 | \$ 5,397 | \$ 719 | \$ 163 | \$ 24,032 | \$ 1,359,936 |
| Liabilities: | | | | | | | | | | | | | | |
| Accounts payable | | | | \$ 141 | | | | | | | | | \$ 7,731 | \$ 43,475 |
| Due to other funds | \$ 4,654 | | | | | \$ 12,118 | | | | \$ 5,523 | | | | 1,188,626 |
| Deferred revenue | | | | | | | | | | | | \$ 61 | 14 | 3,195 |
| Total liabilities | 4,654 | \$ - | \$ - | 141 | \$ - | 12,118 | \$ - | \$ - | \$ - | 5,523 | \$ - | 61 | 7,745 | 1,235,296 |
| Fund balances: | | | | | | | | | | | | | | |
| Restricted | 0 | 0 | 3,512 | 886 | 0 | 0 | 150 | 150 | 3,169 | | 719 | 102 | 16,287 | 124,975 |
| Unassigned | | | | | | | | | | (126) | | | | (335) |
| Total fund balances | 0 | 0 | 3,512 | 886 | 0 | 0 | 150 | 150 | 3,169 | (126) | 719 | 102 | 16,287 | 124,640 |
| TOTAL LIABILITIES AND FUND BALANCE | \$ 4,654 | \$ - | \$ 3,512 | \$ 1,027 | \$ - | \$ 12,118 | \$ 150 | \$ 150 | \$ 3,169 | \$ 5,397 | \$ 719 | \$ 163 | \$ 24,032 | \$ 1,359,936 |

(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, 2011**

| | SPECIAL REVENUE FUNDS | | | | | | | | | | | | |
|-------------------------------------|----------------------------------|---------------------------------------|------------------|---------------------|----------------|----------------|---------------------|-----------------|---------------|----------------------|--------------|----------------|---------------|
| | Preschool IDEA Section 619 | Preschool IDEA Section 619-ARRA | Idea Part B | Idea Part B-ARRA | Title I | Title I-ARRA | Broadrock Energy | NE Dairy | USDA FFV | Homeland Security | Title IV | Title II | Title III |
| Revenues: | | | | | | | | | | | | | |
| Federal and state grants | \$ 33,305 | \$ 12,935 | \$ 1,015,620 | \$ 164,659 | \$ 602,167 | \$ 136,449 | | | \$ 16,413 | \$ 49,362 | \$ 2,358 | \$ 194,447 | \$ 16,073 |
| Other revenue | | | | | | | \$ 100,000 | \$ 8,500 | | | | | |
| Total revenues | 33,305 | 12,935 | 1,015,620 | 164,659 | 602,167 | 136,449 | 100,000 | 8,500 | 16,413 | 49,362 | 2,358 | 194,447 | 16,073 |
| Expenditures: | | | | | | | | | | | | | |
| Current: | | | | | | | | | | | | | |
| Salaries | 19,524 | 712 | 592,116 | 74,592 | 456,349 | 76,585 | | | | | | 146,983 | 2,620 |
| Employee benefits | 10,476 | 39 | 215,694 | 31,850 | 140,233 | 34,537 | | | | | | 34,604 | 33 |
| Purchased services | | | 147,553 | 8,395 | | | | 1,499 | 16,413 | 29,600 | | 4,500 | 950 |
| Supplies and materials | 3,305 | 12,184 | 60,257 | 49,822 | 5,585 | 25,327 | | 7,210 | | 19,762 | 2,358 | 8,360 | 12,470 |
| Capital outlays | | | | | | | | | | | | | |
| Total expenditures | 33,305 | 12,935 | 1,015,620 | 164,659 | 602,167 | 136,449 | - | 8,709 | 16,413 | 49,362 | 2,358 | 194,447 | 16,073 |
| Net change in fund balances | 0 | 0 | 0 | 0 | 0 | 0 | 100,000 | (209) | 0 | 0 | 0 | 0 | 0 |
| Fund balances, July 1, 2010 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Fund balances, June 30, 2011 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 100,000 | \$ (209) | \$ - | \$ - | \$ - | \$ - | \$ - |

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, 2011**

| | <u>SPECIAL REVENUE FUNDS</u> | | | | | | | | | | | | | Total |
|-------------------------------------|-------------------------------------|---------------------|---------------------------|---------------|-----------------|--------------------|--------------------------------|----------------------|----------------------------------|---------------------------|-------------------------|--------------------|-----------------------------|----------------------------------|
| | <u>Algebra Grant</u> | <u>Target Grant</u> | <u>Verizon Foundation</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>School Unrestricted Funds</u> |
| Revenues: | | | | | | | | | | | | | | |
| Federal and state grants | \$ 4,654 | | | \$ 497 | \$ 240,819 | \$ 12,118 | | | | \$ 21,304 | \$ 1,000 | | | \$ 2,524,180 |
| Other revenue | | \$ 309 | \$ 5,000 | | | | | | \$ 883 | | | | \$ 12,446 | 127,138 |
| Total revenues | 4,654 | 309 | 5,000 | 497 | 240,819 | 12,118 | \$ - | \$ - | 883 | 21,304 | \$ 1,000 | \$ - | 12,446 | 2,651,318 |
| Expenditures: | | | | | | | | | | | | | | |
| Current: | | | | | | | | | | | | | | |
| Salaries | | | 1,488 | | 240,819 | | | | | 21,000 | | | | 1,632,788 |
| Employee benefits | | | | | | | | | | 304 | | | | 467,770 |
| Purchased services | | | | 141 | | | | | | | 1,000 | | 550 | 210,601 |
| Supplies and materials | 4,654 | 309 | | 560 | | 12,128 | | | | | | | 13,641 | 237,932 |
| Capital outlays | | | | | | | | | | | | | | 0 |
| Total expenditures | 4,654 | 309 | 1,488 | 701 | 240,819 | 12,128 | 0 | 0 | 0 | 21,304 | 1,000 | 0 | 14,191 | 2,549,091 |
| Net change in fund balances | 0 | 0 | 3,512 | (204) | 0 | (10) | 0 | 0 | 883 | 0 | 0 | 0 | (1,745) | 102,227 |
| Fund balances, July 1, 2010 | 0 | 0 | 0 | 1,090 | 0 | 10 | 150 | 150 | 2,286 | (126) | 719 | 102 | 18,032 | 22,413 |
| Fund balances, June 30, 2011 | \$ - | \$ - | \$ 3,512 | \$ 886 | \$ - | \$ - | \$ 150 | \$ 150 | \$ 3,169 | \$ (126) | \$ 719 | \$ 102 | \$ 16,287 | \$ 124,640 |

(Concluded)

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, 2011 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, 2011**

| | <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 | \$ 28,616 | \$ 27,417 | \$ 334,547 | \$ 390,580 |
| Investments | 15,736,688 | 19,549,761 | 5,284,287 | 40,570,736 |
| Funds held in escrow | 823,638 | | | 823,638 |
| Due from governmental funds | 21,616 | | 61,178 | 82,794 |
| TOTAL ASSETS | 16,610,558 | 19,577,178 | 5,680,012 | 41,867,748 |
| LIABILITIES | | | | |
| Due to governmental funds | | 58,599 | | 58,599 |
| Total liabilities | 0 | 58,599 | 0 | 58,599 |
| NET ASSETS HELD IN TRUST FOR PENSION BENEFITS | | | | |
| | \$ 16,610,558 | \$ 19,518,579 | \$ 5,680,012 | \$ 41,809,149 |

TOWN OF JOHNSTON, RHODE ISLAND

**Combining Statement of Changes in Net Assets
Pension Trust Funds
For the year ended June 30, 2011**

| | <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 | \$ 514,374 | \$ 444,717 | \$ 107,656 | \$ 1,066,747 |
| Plan members | 253,106 | 296,478 | 53,690 | 603,274 |
| Total contributions | <u>767,480</u> | <u>741,195</u> | <u>161,346</u> | <u>1,670,021</u> |
| Investment income | | | | |
| Net dividends, interest, and increase in fair value | 2,443,133 | 3,636,380 | 1,383,867 | 7,463,380 |
| Net investment income | <u>2,443,133</u> | <u>3,636,380</u> | <u>1,383,867</u> | <u>7,463,380</u> |
| Total additions and changes in fair value | <u>3,210,613</u> | <u>4,377,575</u> | <u>1,545,213</u> | <u>9,133,401</u> |
| Deductions: | | | | |
| Administration expenses | 3,800 | | | 3,800 |
| Pension expenses | | 2,022,617 | 1,778,491 | 3,801,108 |
| Total deductions | <u>3,800</u> | <u>2,022,617</u> | <u>1,778,491</u> | <u>3,804,908</u> |
| Net increase (decrease) in plan assets | 3,206,813 | 2,354,958 | (233,278) | 5,328,493 |
| Net assets held in trust for pension benefits: | | | | |
| Beginning of year | <u>13,403,745</u> | <u>17,163,621</u> | <u>5,913,290</u> | <u>36,480,656</u> |
| End of year | <u>\$ 16,610,558</u> | <u>\$ 19,518,579</u> | <u>\$ 5,680,012</u> | <u>\$ 41,809,149</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 cannot 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, 2011:

- 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, 2011**

| | <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 | \$ 3,969 | \$ 3,467 | \$ 1,443 | \$ 3,768 | \$ 1,881 | \$ 4,721 | \$ 1,430 | \$ 1,746 | \$ 23,340 |
| NET ASSETS | | | | | | | | | | |
| Held in trust for perpetual care | \$ 915 | \$ 3,969 | \$ 3,467 | \$ 1,443 | \$ 3,768 | \$ 1,881 | \$ 4,721 | \$ 1,430 | \$ 1,746 | \$ 23,340 |

TOWN OF JOHNSTON

**Combining Statement of Changes in Net Assets
Private Purpose Trust Funds
For the year ended June 30, 2011**

| | 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 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 2 |
| EXPENDITURES | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| INCREASE IN NET ASSETS | 0 | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 2 |
| NET ASSETS - JULY 1, 2010 | 915 | 3,968 | 3,466 | 1,443 | 3,768 | 1,881 | 4,721 | 1,430 | 1,746 | 23,338 |
| NET ASSETS - JUNE 30, 2011 | \$ 915 | \$ 3,969 | \$ 3,467 | \$ 1,443 | \$ 3,768 | \$ 1,881 | \$ 4,721 | \$ 1,430 | \$ 1,746 | \$ 23,340 |

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, 2011

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deductions</u> | <u>Ending Balance</u> |
|--|------------------------------|-------------------|-------------------|---------------------------|
| <u>STUDENT ACTIVITY FUNDS</u> | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 196,948 | \$ 167,924 | \$ 176,183 | \$ 188,689 |
| Total assets | \$ 196,948 | \$ 167,924 | \$ 176,183 | \$ 188,689 |
| Liabilities: | | | | |
| Due to student groups | \$ 196,948 | \$ 167,924 | \$ 176,183 | \$ 188,689 |
| <u>PERFORMANCE BONDS</u> | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 226,451 | \$ 25 | | \$ 226,476 |
| Due from governmental funds | 151,500 | | \$ 43,750 | 107,750 |
| Total assets | \$ 377,951 | \$ 25 | \$ 43,750 | \$ 334,226 |
| Liabilities: | | | | |
| Deposits held in custody for others | \$ 377,951 | \$ 25 | \$ 43,750 | \$ 334,226 |
| <u>Total - All Agency Funds</u> | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 423,399 | \$ 167,949 | \$ 176,183 | \$ 415,165 |
| Due from governmental funds | 151,500 | - | 43,750 | 107,750 |
| Total assets | \$ 574,899 | \$ 167,949 | \$ 219,933 | \$ 522,915 |
| Liabilities: | | | | |
| Due to student groups | \$ 196,948 | \$ 167,924 | \$ 176,183 | \$ 188,689 |
| Deposits held in custody for others | 377,951 | 25 | 43,750 | 334,226 |
| Total liabilities | \$ 574,899 | \$ 167,949 | \$ 219,933 | \$ 522,915 |

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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, 2011**

| <u>Year</u> | <u>Mill Rate</u> | <u>Property Taxes Receivable July 1, 2010</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, 2011</u> |
|--|------------------|---|--------------------------------|----------------------------------|-----------------------------------|-------------------------------|-----------------------------------|--|
| 2010 | \$23.81 | | \$ 66,483,714 | \$ 428,071 | \$ 202,040 | 66,709,745 | \$ 63,481,110 | \$ 3,228,635 |
| 2009 | \$19.49 | \$ 2,601,182 | | 137,540 | 91,849 | 2,646,873 | 2,208,799 | 438,074 |
| 2008 | \$18.91 | 515,838 | | (4,478) | 66,153 | 445,207 | 127,839 | 317,368 |
| 2007 | \$17.84 | 341,679 | | (946) | 5,433 | 335,300 | 46,597 | 288,703 |
| 2006 | \$17.41 | 266,809 | | (674) | 1,517 | 264,618 | 11,013 | 253,605 |
| 2005 | \$16.99 | 260,440 | | (555) | 1,180 | 258,705 | 7,899 | 250,806 |
| 2004 | \$16.40 | 278,317 | | (595) | 567 | 277,155 | 2,306 | 274,849 |
| 2003 | \$26.30 | 482,121 | | 8 | (143) | 482,272 | 4,063 | 478,209 |
| 2002 | \$25.10 | 506,560 | | 13 | 3,279 | 503,294 | 2,655 | 500,639 |
| 2001 | \$23.79 | 389,113 | | 13 | 4,090 | 385,036 | 3,259 | 381,777 |
| 2000 | \$27.06 | 391,999 | | 2,358 | 5,293 | 389,064 | 3,792 | 385,272 |
| 1999 | \$27.06 | 362,320 | | | 423 | 361,897 | 987 | 360,910 |
| 1998 | \$25.89 | 338,024 | | (2,353) | 119 | 335,552 | 1,284 | 334,268 |
| 1997 | \$20.90 | 91,091 | | | | 91,091 | | 91,091 |
| 1996 | \$20.90 | 93,581 | | | | 93,581 | | 93,581 |
| 1995 | \$20.90 | 114,065 | | | | 114,065 | | 114,065 |
| 1994 | \$20.90 | 90,698 | | | | 90,698 | | 90,698 |
| 1993 | \$34.64 | 95,419 | | | 28 | 95,391 | | 95,391 |
| 1992 | \$32.90 | 2,632 | | | (913) | 3,545 | | 3,545 |
| Subtotal | | 7,221,888 | \$ 66,483,714 | \$ 558,402 | \$ 380,915 | \$ 73,883,089 | \$ 65,901,603 | 7,981,486 |
| Less: estimated allowance for uncollectable accounts | | (4,994,846) | | | | | | (5,301,129) |
| Net property taxes receivable | | \$ 2,227,042 | | | | | | \$ 2,680,357 |

(CONTINUED)

**TOWN OF JOHNSTON, RHODE ISLAND
SCHEDULE OF PROPERTY TAXES RECEIVABLE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

| <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, 2009</u> | | | |
| | <u>Valuations</u> | <u>Levy</u> | | |
| Real property | \$ 2,567,959,785 | \$ 50,964,484 | Collections net of refunds in 2011 | \$ 65,901,603 |
| Motor vehicles | 233,093,207 | 8,336,769 | Less: amount billed and collected in fiscal 2011 as advance payment of future years' taxes. | |
| Tangible property | 124,436,060 | 7,182,461 | Revenue is deferred for GAAP purposes, but in miscellaneous income for Budget purposes. | (500,000) |
| Wholesale and retail inventory | - | | | |
| Total | 2,925,489,052 | 66,483,714 | Revenue received 60 days subsequent to fiscal year ending June 30, 2011 | <u>751,313</u> |
| Exemptions and adjustments | 459,500,817 | | Subtotal | <u>66,152,916</u> |
| Net assessed value | \$ 2,465,988,235 | \$ 66,483,714 | Prior year revenue received in current year (2010 60 day rule) | <u>(789,277)</u> |
| | | | Current year property tax revenue | <u>\$ 65,363,639</u> |

(CONCLUDED)

TOWN OF JOHNSTON, RHODE ISLAND

SINGLE AUDIT SECTION

This section contains information regarding federal grant activity for the year ended June 30, 2011, 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, 2011**

| 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 | ** | \$ 602,167 |
| Title II | 84.367A | | 194,447 |
| Title III | 84.365A | | 16,073 |
| Drug Free Schools | 84.186A | | 2,358 |
| IDEA Part B | 84.027A | * | 1,015,620 |
| IDEA Sec 619 - Preschool | 84.173A | * | 33,305 |
| Perkins Vocational Education | 84.048A | | 21,304 |
| State Fiscal Stabilization Fund (SFSF) | 84.394 | | 448,366 |
| Title I - ARRA | 84.389 | ** | 136,449 |
| IDEA Part B - ARRA | 84.391 | * | 164,659 |
| IDEA Sec 619 Preschool - ARRA | 84.392 | * | 12,935 |
| E2T2-MCI | 84.318 | | 12,118 |
| Total U.S. Department of Education | | | <u>2,659,801</u> |
| U.S. Department of Housing and Urban Development | | | |
| Pass Through State Governor's Office of Housing, Energy & Intergovernmental Relations: | | | |
| Community Development Block Grant | 14.219 | | <u>28,579</u> |
| U.S. Department of Homeland Security | | | |
| Pass Through from Rhode Island Emergency Management Agency: | | | |
| Homeland Security | 97.067 | | 56,173 |
| Assistance to Firefighters Grant | 97.044 | | 151,200 |
| Total U.S. Department of Homeland Security | | | <u>207,373</u> |
| U.S. Department of Justice | | | |
| Direct Program: | | | |
| Byrne Memorial Justice Assistance Grant-ARRA | 16.804 | **** | 2,746 |
| Pass Through the State of Rhode Island: | | | |
| Byrne Memorial Justice Assistance Grant | 16.738 | **** | 41,461 |
| Byrne Memorial Justice Assistance Grant-ARRA | 16.804 | **** | 25,897 |
| Enforcing Underage Drinking Laws Grant | 16.727 | | 1,500 |
| Total U.S. Department of Justice | | | <u>71,604</u> |
| U.S. Department of Agriculture | | | |
| Pass Through Natural Resources Conservation Service (NRCS) | | | |
| Watershed Protection and Flood Prevention Program | 10.904 | | 24,629 |
| Pass Through RI Department of Education: | | | |
| National School Lunch Program | 10.555 | *** | 504,330 |
| Food Commodity | 10.556 | *** | 47,334 |
| Total U.S. Department of Agriculture | | | <u>576,293</u> |
| U.S. Department of Transportation | | | |
| Pass Through RI Department of Transportation: | | | |
| Seatbelt Enforcement Grant | 20.604 | | <u>28,563</u> |
| U.S. Department of Energy | | | |
| Pass Through RI Department of Energy | | | |
| Energy Efficiency and Conservation Block Grant Program (EECBG)-ARRA | 81.128 | | <u>56,292</u> |
| U.S. Department of Health and Human Services | | | |
| Pass Through RI Department of Energy | | | |
| Youth Tobacco Grant - Prevention and Treatment of Substance Abuse | 93.959 | | <u>1,500</u> |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | <u>\$ 3,630,005</u> |

* , ** , *** , **** - Denotes program clusters which are considered to be one program for testing purposes.

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2011**

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 \$47,334 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, 2011, the following programs were considered a major program:

| | |
|--|---------------|
| Federal Stabilization Funds - ARRA..... | 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 |
| National School Lunch Program..... *** | CFDA #10.555 |
| Food Commodity *** | CFDA #10.556 |

* 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.

*** 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, 2011, which collectively comprise the Town of Johnston, Rhode Island's basic financial statements and have issued our report thereon dated December 30, 2011. 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

Management of the Town of Johnston, Rhode Island is responsible for establishing and maintaining effective 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 opinions 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 2011-1 and 2011-2) 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.

Needham

Boston

Concord

Taunton

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 other matters that we reported to management of the Town of Johnston, Rhode Island in a separate letter titled *Communication of Matters Prescribed by Statement on Auditing Standards #115* and dated December 30, 2011.

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, 2011

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 *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, 2011. 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, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of 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.

In our opinion, 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, 2011.

Needham
Boston
Concord
Taunton

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.

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.

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

This report is intended solely for the information and use of 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, 2011

TOWN OF JOHNSTON, RHODE ISLAND

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011**

A. SUMMARY OF AUDITORS' RESULTS

1. The report of independent auditors 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. Three deficiencies in internal control over financial reporting have been identified and are described in Part B below as items 2011-1 and 2011-2, both 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. No instances of significant deficiencies in internal control over compliance with requirements applicable to major federal programs were identified.
5. The report of independent auditors on compliance for the major federal award programs for the Town of Johnston, Rhode Island expresses an unqualified 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 |
| National School Lunch Program *** | CFDA #10.555 |
| Food Commodity *** | CFDA #10.556 |

* Represents a cluster for compliance purposes.

** 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, 2011**

B. FINDINGS -- RELATED TO AUDIT OF FINANCIAL STATEMENTS

Current Year Findings:

- 2011-1:** 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.
- 2011-2:** 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:

- 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. **Status:** During our fiscal 2011 audit, we did not note any material audit adjustments. The Finance Department personnel have taken a more active role in reviewing and reconciling the general ledger.
- 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. **Status:** During fiscal 2011, the Town established procedures where the accounts payable clerk must submit a check log and the related check-runs to the Finance Director for his review after each check run. In addition the electronic signature stamp was moved to the Controller's office.
- 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. **Status:** See current year finding 2011-1.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011**

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

Prior Year Findings (Continued):

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. **Status:** See current year finding 2011-2.

C. FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS

Current Year Findings:

No findings were noted relative to our audit of the Federal Awards.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2011**

C. FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS

Prior 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.

Status: Cleared - During our audit for the fiscal year ended June 30, 2011 we noted that the Johnston School Department was maintaining records which document the employees time in accordance with the requirements of OMB Circular A-87.

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.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2011**

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

Prior Year Findings (Continued):

2010-6: Eligibility (Continued)

Title I (CFDA #84.010A) (Continued)

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.

Status: Cleared - During our audit for the fiscal year ended June 30, 2011 we noted that the Johnston School Department was maintaining documentation to support the eligibility determination.

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.

Status: The Town has not received funding for this program in FY11.

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.

Status: The Town has not received funding for this program in FY11.

(CONCLUDED)

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