

TOWN OF JOHNSTON, RHODE ISLAND

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED
JUNE 30, 2009**

TOWN OF JOHNSTON, RHODE ISLAND

INTRODUCTORY SECTION

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TOWN OF JOHNSTON, RHODE ISLAND

**FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009**

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(CONCLUDED)

TOWN OF JOHNSTON, RHODE ISLAND

**TOWN OFFICIALS
JUNE 30, 2009**

MAYOR

Joseph M. Polisena

TOWN COUNCIL

Robert V. Russo, Esq., President

Stephanie P. Manzi, Vice President

Ernest F. Pitochelli

Joseph A. Wells

Melanie Turner

SCHOOL COMMITTEE

Janice D. Mele, Chairperson

John D. Conti, Vice Chairperson

Robert A. Lafazia

Lorraine C. Iafrate

Joseph W. Rotella

DEPARTMENT DIRECTORS

Richard S. Tamburini – Police Chief

Robert Parker – Chief of Staff

Joseph L. Chiodo, CPA – Finance Director

Patricia N. Testa, CPA – Controller

William Conley, Esq. – Town Solicitor

Daniel Mazzulla – Director of Parks & Recreation

Andrew Baynes – Fire Chief

Vincent Baccari, Jr. – Town Clerk

Sharyn Difazio – Tax Collector

Kim Gallonio – Tax Assessor

Margaret A. Iacovelli – Superintendent of Schools

Melissa Devine – School Business Manager

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TOWN OF JOHNSTON, RHODE ISLAND

FINANCIAL SECTION

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Johnston, Rhode Island as of and for the year ended June 30, 2009, 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, 2009, 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, 2009 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, Schedule of Funding Progress for Pension Plans, budgetary comparison information, and Schedule of Funding Progress of OPEB Plan, on pages 3 through 11, page 63, pages 64 through 74, and page 75, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Johnston, Rhode Island's basic financial statements. 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 of the Town of Johnston, Rhode Island. The combining and individual nonmajor fund financial statements, other exhibits, and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Braver PC
Providence, RI
December 30, 2009

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, 2009.

Financial Highlights

- The assets of the Town of Johnston exceeded its liabilities as of June 30, 2009 by \$24,878,352 (net assets). This represents a decrease in total net assets of \$12,089,890 from June 30, 2008.
- As of June 30, 2009, the Town of Johnston's governmental funds reported total net assets of \$12,454,458. The net assets are comprised of \$27,496,051 invested in capital assets net of related debt and an unrestricted net asset deficit of (\$15,041,593) versus an unrestricted net asset deficit of (\$3,116,641) at June 30, 2008. Also included in this deficit is the negative change in net assets, (\$12,124,921), for the fiscal year ended June 30, 2009 for governmental activities as shown in Exhibit A-2.
- As of June 30, 2009, the total fund balance of the Town's General Fund was \$4,535,414 versus \$3,605,959 last year. This June 30, 2009 fund balance includes reserved fund balance of \$1,903,605 and unreserved, undesignated fund balance of \$2,631,809. The difference is an increase in the fund balance of \$929,455 for the fiscal year ended June 30, 2009. Additionally, the Town was able to absorb State Aid Revenue cuts in general revenue sharing in the amount of \$1,183,158 on the Municipal side and \$1,323,528 on the school side which occurred in April 2009.
- As of June 30, 2009, the total fund balance of the School Unrestricted Fund was \$476,468. As part of the Town's Financial Recovery Plan, the Town's general fund was able to eliminate the school's unrestricted fund deficit as of June 30, 2008 – one fiscal year ahead of schedule.
- The Town's Bond Ratings were elevated in August 2009 by the bond rating agencies of Moody's and Standard & Poor's. This bond rating increase from Moody's was the first upgrade from Moody's since 2001. In August 2009, the Town also received a bond rating increase from Standard & Poor's as the Town's bond rating was elevated from BBB+ to A-. This bond rating increase from Standard & Poor's was the first upgrade received from this rating agency since 2002.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Johnston's basic financial statements. These basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. The Town of Johnston adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements Management's Discussion and Analysis - for State and Local Governments*, Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments: Omnibus and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, as of July 1, 2002.

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

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.

Overview of the Financial Statements (Continued)

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

Both of these government-wide financial statements distinguish functions of the Town of Johnston that are principally supported by taxes and intergovernmental revenues (Governmental Activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (Business-type Activities). The governmental activities of the Town of Johnston include Legislative, judicial, and administrative; financial administration; assessors office; public safety; public works; human resources; miscellaneous; planning and assessment board; library; education; other; and interest on long-term debt. The business-type activities of the Town of Johnston include water and cafeteria operations. The government-wide financial statements include only the activities of the Town of Johnston. The government-wide financial statements can be found on pages 12 and 13 of this report.

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

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

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

The Town of Johnston maintains 107 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 105 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 76 through 95.

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

Overview of the Financial Statements (Continued)

Fiduciary funds - are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town of Johnston's programs. The fiduciary funds maintained by the Town of Johnston include private-purpose trusts, pension trust funds, and agency funds. The basic fiduciary fund financial statements can be found on pages 22 and 23 of this report and are detailed on pages 96 through 100.

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

Required Supplementary Information - in addition to the basic financial statements and accompanying notes, the financial statements include required supplementary information which presents a Schedule of Funding Progress, budgetary comparison schedules for the General Fund and School Unrestricted Funds to demonstrate compliance, and Schedule of Funding Progress for OPEB Plan. The required supplementary information can be found on pages 63 through 75.

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 76 through 100. In addition, supplementary information also includes schedules of property taxes receivable which are included on pages 101 and 102.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town of Johnston, assets exceeded liabilities by \$24,878,352 at the close of 2009.

TOWN OF JOHNSTON, RHODE ISLAND ***NET ASSETS***

As of June 30, (in 000's)

	Governmental Activities		Business Activities		Total	Total
	2009	2008	2009	2008	2009	2008
Current and Other Assets	\$20,640	\$19,811	\$ 3,139	\$ 3,016	\$23,779	\$ 22,827
Capital Assets	50,387	51,514	9,388	9,468	59,775	60,982
Total Assets	71,027	71,325	12,527	12,484	83,554	83,809
Current Liabilities	12,529	15,080	103	95	12,632	15,175
Long-Term Liabilities	46,043	31,666	0	0	46,043	31,666
Total Liabilities	58,572	46,746	103	95	58,675	46,841
Net Assets:						
Invested in capital assets, net of related debt	27,496	27,696	9,356	9,468	36,852	37,164
Unrestricted	(15,042)	(3,117)	3,068	2,921	(11,974)	(196)
Total Net Assets	\$12,454	\$ 24,579	\$12,424	\$ 12,389	\$24,878	\$ 36,968

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 \$27,496,051. It should be noted that the investment in capital assets is reported net of related debt. Resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Additional portions of the Town of Johnston's net assets are also subject to external restrictions on how they may be used.

The Town's net assets decreased by (\$12,089,890) during the current fiscal year. Of this amount, governmental activities accounted for (\$12,124,921) of the decrease while business-type activities accounted for an increase of \$35,031. The most significant reason for the decrease in the governmental activities was the recording of an OPEB liability of approximately \$13,805,000 in accordance with GASB Statement Number 45 which was implemented by the Town effective July 1, 2008 (fiscal 2009). Details of the OPEB obligation can be found in Note 12 on pages 55 through 56.

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 2009 represents the seventh 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
	2009	2008	2009	2008	2009	2008
Revenues:						
Program Revenues:						
Charges for Services, Fees & Licenses	\$7,256	\$4,959	\$ 1,630	\$ 1,795	\$8,886	\$6,754
Operating Grants and Contributions	13,875	15,098	463	450	14,338	15,548
Capital Grants and Contributions	2,566	1,258			2,566	1,258
General Revenues:						
Property taxes	63,475	62,648			63,475	62,648
Other taxes	9,502	9,486			9,502	9,486
Grants and aid not restricted	1,836	3,087			1,836	3,087
Unrestricted investment earnings	237	428			237	428
Miscellaneous	831	808			831	808
Transfers	100	(27)	(100)	27	0	0
Total Revenues	<u>99,678</u>	<u>97,745</u>	<u>1,993</u>	<u>2,272</u>	<u>101,671</u>	<u>100,017</u>
Expenses:						
Leg., Judicial, and General admin.	10,366	1,480			10,366	1,480
Financial administration	950	838			950	838
Assessors office	251	262			251	262
Public safety	27,492	25,674			27,492	25,674
Federal Coordinator	11	0			11	0
Public works	8,946	8,301			8,946	8,301
Human resources	100	85			100	85
Miscellaneous	3,105	2,812			3,105	2,812
Planning and assessment board	143	165			143	165
Library	502	610			502	610
Education	56,946	52,063			56,946	52,063
Other	1,945	918			1,945	918
Interest on long-term debt	1,046	1,126			1,046	1,126
Water fund			938	900	938	900
School cafeteria fund			1,020	1,015	1,020	1,015
Total expenses	<u>111,803</u>	<u>94,334</u>	<u>1,958</u>	<u>1,915</u>	<u>113,761</u>	<u>96,249</u>
Increase (decrease) in net assets	(12,125)	3,411	35	358	(12,090)	3,769
Net assets 7/1/08	24,580	21,169	12,389	12,031	36,969	33,200
Net assets 6/30/09	<u>\$12,455</u>	<u>\$24,580</u>	<u>\$12,424</u>	<u>\$12,389</u>	<u>\$24,879</u>	<u>\$36,969</u>

Financial Analysis of the Government's Funds

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

Governmental funds - The focus of the Town of Johnston's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town of Johnston's financing requirements. In particular, the unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of June 30, 2009, the Town of Johnston's governmental funds (page 14) reported combined ending fund balances of \$9,631,711. The assets purchased or constructed with the funds are not reported in the Government Funds balance sheet but only in the government-wide Statement of Net Assets exhibited on page 12. The fund balance includes \$7,643,293 which represents the unreserved fund balances of the General Fund, Special Revenue Funds and Capital Projects funds. In addition, \$1,988,418 is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders, advanced to other funds, and prepayments of the future expenditures.

The General Fund is the chief operating fund of the Town of Johnston, excluding its school department. As of June 30, 2009, the total fund balance of the general fund was \$4,535,414 of which \$2,631,809 was unreserved and undesignated. The Town's General Fund also has reserved \$1,903,605 for purchase-related commitments, prepayments of future expenditures and advances to other funds.

The fund balance of the general fund increased by \$929,455 in fiscal year 2009 as reported on page 16 of the report. Actual revenues and other sources were less than budgeted revenues in the general fund by approximately \$846,169 (see page 64). The decrease in actual revenues versus budgeted revenues can be attributed to negative variances in net tax collections \$185,630 and state aid and federal grants \$2,521,835. Increases in actual revenues versus budgeted revenues were realized in total departmental fees and revenue \$769,597, miscellaneous revenue \$382,030, school miscellaneous revenue \$199,317 and \$510,352 in transfers from non-major governmental funds. Expenditures and other financing uses were \$1,775,624 less than appropriated amounts. The most significant savings on expenditures and other financing uses was realized in transfers to other funds, \$1,879,067.

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 \$49,130,593 including a state on-behalf payment to the teacher's pension fund of \$1,710,455 on behalf of the school department. The School Unrestricted Fund expenditures, net of the state pension contribution, accounted for approximately 54% of the combined General Fund and School Unrestricted Fund expenditures.

The Proprietary Funds report business type activities and include Town operated Water Control Fund and Memorial Plat Sewer Fund, and the School Cafeteria Fund. The Town of Johnston's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The Water Control Fund experienced a surplus (before transfers) of \$124,794 and the School Cafeteria Fund experienced a surplus (before transfers) of \$10,237. The June 30, 2009 Net Assets of the Water Fund are \$12,445,228, while the June 30, 2009 Net Assets (Deficit) of the School Cafeteria Fund are (\$21,334).

Financial Analysis of the Government's Funds (Continued)

General Fund Budgetary Highlights – In fiscal year ended June 30, 2009 the Town was able to run an operating surplus of \$929,455 despite mid-year state aid cuts in general revenue sharing of \$1,183,158 and state aid cuts to the Johnston School District of \$1,323,528. 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 proposed by the fiscal 2010 Governor's supplemental budget unveiled on December 15, 2009 . Preliminary amounts which the governor is proposing to cut the Town of Johnston range from \$3,325,478 to \$2,532,434 from Municipal government and \$793,044 from the Johnston School district. The revenue cuts and the proposed revenue cuts in both 2009 and 2010 have a material compound effect of lost revenues not only in current fiscal year of 2009 but also in fiscal 2010 and going forward.

Capital Asset and Debt Administration

Capital assets - The Town of Johnston's investment in capital assets for its governmental and business-type activities as of June 30, 2009, amounts to \$59,775,185 net of accumulated depreciation. This investment in capital assets includes land, buildings, building improvements, vehicles, equipment, infrastructure, and construction in progress. The net decrease in the Town of Johnston's investment in capital assets for the current fiscal year was approximately \$1,207,392 comprised of acquisitions of capital assets of \$2,009,718 less current year depreciation expense of \$2,941,230 and dispositions of \$275,880.

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

Town of Johnston's

Capital Assets

(Net of depreciation) in 000's

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$6,467	\$6,467	\$ 40	\$ 40	\$6,507	\$6,507
Buildings, improvements and land improvements	23,106	23,308			23,106	23,308
Vehicle and equipment	2,663	2,723	14	10	2,677	2,733
Water distributions			9,302	9,418	9,302	9,418
Infrastructure	16,640	17,937			16,640	17,937
Construction in progress	1,511	1,079	32		1,543	1,079
Total	\$50,387	\$51,514	\$ 9,388	\$ 9,468	\$59,775	\$60,982

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. Detailed information regarding capital outlays is shown in Exhibit 2 on pages 84 to 91 of this report, in addition to page 16.

Financial Analysis of the Government's Funds (Continued)

Long-term debt - At the end of the current fiscal year, the Town of Johnston has total bonded debt outstanding of \$21.9 million entirely backed by the full faith and credit of the government. In addition, the Town and School Department had long-term lease commitments outstanding of \$1,022,278 against which the assets are pledged as collateral. At June 30, 2009 the Town had BANS outstanding in the amount of \$1,430,000. However, these BANS were converted into long-term financing (bonds) subsequent to year end and as such have been reclassified as long-term debt obligations at June 30, 2009. State statutes limit the amount of general obligation debt a governmental entity may issue to three percent of its total equalized valuation. The current debt limitation for the Town of Johnston is approximately \$88,367,600, based on a net assessed value of \$2,945,586,910 at December 31, 2007, which significantly exceeds the Town of Johnston's current outstanding general obligation debt. It is important to note this is the first 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 \$13,805,404 at June 30, 2009.

Town of Johnston's

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

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
General Obligation Bonds	\$21,868	\$21,722	\$ -	\$ -	\$21,868	\$21,722
Town capital leases	1,023	1,576			1,023	1,576
Compensated absences	8,025	8,410			8,025	8,410
Net Pension Obligation	5,081	3,668			5,081	3,668
Net OPEB Obligation	13,805	0			13,805	0
Claims & Judgments	68	269			68	269
Total long-term debt	\$49,870	\$35,645	\$ -	\$ -	\$49,870	\$35,645

Additional information on the Town of Johnston's long-term debt obligations can be found in note 8 (pages 41 to 43) to the financial statements. In addition, details of the OPEB obligation can be found in Note 12, pages 55 to 56, and in required supplementary information page 75.

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 \$476,468 at June 30, 2009. At June 30, 2006 the School Unrestricted Fund had a cumulative deficit of (\$4,973,674). The Financial Recovery Plan's goals and objectives for the Johnston School District have been achieved. However, continual financial and operational diligence is necessary in order to maintain both financial and operational stability for the Johnston School District. The appropriation for the Financial Recovery Plan is essential for 2010 and upcoming fiscal years in order to continue the goal of eliminating all cumulative and structural deficits of capital projects and special revenue funds, building a cumulative fund balance for the general fund at a minimal of 8% of the operating budget, and to combat any mid-year extraordinary cuts in revenue or increases in expenditures the Town is forced to endure unexpectedly, such as the mid-year cuts in state aid in fiscal years 2008, 2009 and the potential cuts upcoming in 2010 and future years.

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

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TOWN OF JOHNSTON, RHODE ISLAND

BASIC FINANCIAL STATEMENTS



TOWN OF JOHNSTON, RHODE ISLANDStatement of Net Assets
June 30, 2009

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 16,091,142	\$ 750	\$ 16,091,892
Accounts and other receivables, net	3,687,832	416,315	4,104,147
Due from federal and state governments	2,517,291	80,707	2,597,998
Inventory		14,931	14,931
Prepays	969,588		969,588
Internal balances	(2,625,885)	2,625,885	0
Total Current Assets	20,639,968	3,138,588	23,778,556
Noncurrent assets:			
Capital Assets, not being depreciated	7,978,362	40,000	8,018,362
Capital Assets, net of accumulated depreciation	42,408,608	9,348,215	51,756,823
Total Noncurrent Assets	50,386,970	9,388,215	59,775,185
TOTAL ASSETS	71,026,938	12,526,803	83,553,741
LIABILITIES:			
Current Liabilities:			
Cash overdraft		17,850	17,850
Accounts payable	1,538,133	46,355	1,584,488
Accrued expenses	5,036,835		5,036,835
Advanced taxes	1,195,925		1,195,925
Due to federal and state governments	230,078		230,078
Due to fiduciary funds	673,816		673,816
Unearned revenue	27,511		27,511
Current portion of compensated absences	1,900,000	38,704	1,938,704
Current portion of capital lease obligations	576,247		576,247
Current portion of bonds and notes payable	1,342,885		1,342,885
Current portion of claims and judgments	7,600		7,600
Total Current Liabilities	12,529,030	102,909	12,631,939
Noncurrent Liabilities:			
Compensated absences	6,124,859		6,124,859
Net pension benefit obligation	5,081,000		5,081,000
Net OPEB obligation	13,805,404		13,805,404
Capital lease obligations	446,031		446,031
Bonds and notes payable	20,525,756		20,525,756
Claims and judgments	60,400		60,400
Total Noncurrent Liabilities	46,043,450	-	46,043,450
TOTAL LIABILITIES	58,572,480	102,909	58,675,389
NET ASSETS:			
Invested in capital assets net of related debt	27,496,051	9,355,725	36,851,776
Unrestricted	(15,041,593)	3,068,169	(11,973,424)
TOTAL NET ASSETS	\$ 12,454,458	\$ 12,423,894	\$ 24,878,352

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, 2009**

<i>Functions/Programs:</i>	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services, Fees, and Licenses	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Legislative, judicial, and general administrative	\$ 10,365,999	\$ 798,153			\$ (9,567,846)		\$ (9,567,846)
Financial administration	950,347	36,837			(913,510)		(913,510)
Assessors office	250,789		\$ 1,365		(249,424)		(249,424)
Federal coordinator	10,930				(10,930)		(10,930)
Public safety	27,491,758	1,528,661		\$ 1,150,000	(24,813,097)		(24,813,097)
Public works	8,945,938	1,328,799		436,720	(7,180,419)		(7,180,419)
Human resources	99,675				(99,675)		(99,675)
Miscellaneous	3,104,570	737,894			(2,366,676)		(2,366,676)
Planning and assessment board	143,391	70,554			(72,837)		(72,837)
Library	502,146		122,433		(379,713)		(379,713)
Education	56,946,555	983,349	13,456,801	408,642	(42,097,763)		(42,097,763)
Other	1,945,354	1,771,856	294,374	570,621	691,497		691,497
Interest on long-term debt	1,045,849				(1,045,849)		(1,045,849)
Total governmental activities	111,803,301	7,256,103	13,874,973	2,565,983	(88,106,242)		(88,106,242)
Business-type activities:							
Water fund	937,679	1,062,473				\$ 124,794	124,794
School cafeteria fund	1,019,626	567,279	462,584			10,237	10,237
Total business-type activities	1,957,305	1,629,752	462,584	-	-	135,031	135,031
Total	\$ 113,760,606	\$ 8,885,855	\$ 14,337,557	\$ 2,565,983	(88,106,242)	135,031	(87,971,211)
General revenues:							
Property taxes					63,474,757		63,474,757
Other taxes					9,502,169		9,502,169
Grants and aid not restricted for a specific program					1,836,012		1,836,012
Unrestricted investment earnings					236,927		236,927
Miscellaneous					831,456		831,456
Transfers					100,000	(100,000)	-
Total general revenues					75,981,321	(100,000)	75,881,321
Change in Net Assets					(12,124,921)	35,031	(12,089,890)
Net Assets - beginning					24,579,379	12,388,863	36,968,242
Net Assets - ending					\$ 12,454,458	\$ 12,423,894	\$ 24,878,352

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

TOWN OF JOHNSTON, RHODE ISLAND

Balance Sheet
Governmental Funds
June 30, 2009

	General Fund	School Unrestricted Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash and cash equivalents	\$ 11,340,491	\$ 1,182,932	\$ 3,567,719	\$ 16,091,142
Accounts and other receivables, net	3,384,748	183,797	119,287	3,687,832
Due from federal and state governments	1,787,544		729,747	2,517,291
Prepays	911,780	57,808		969,588
Due from other funds	2,581,842	3,779,247	2,435,361	8,796,450
TOTAL ASSETS	\$ 20,006,405	\$ 5,203,784	\$ 6,852,114	\$ 32,062,303
LIABILITIES AND FUND BALANCES:				
LIABILITIES:				
Accounts payable	\$ 335,336	\$ 408,811	\$ 34,312	\$ 778,459
Accrued expenses	1,209,198	3,603,481		4,812,679
Advanced taxes	1,195,925			1,195,925
Due to federal & state governments	228,467		1,611	230,078
Due to other funds	10,201,513	715,024	2,168,851	13,085,388
Deferred revenues	2,300,552		27,511	2,328,063
TOTAL LIABILITIES	15,470,991	4,727,316	2,232,285	22,430,592
FUND BALANCES (DEFICIT):				
Reserved for prepaids	911,780	57,808		969,588
Reserve for amounts due from other funds	991,825			991,825
Reserved for encumbrances		1,163	25,842	27,005
Unreserved, reported in:				
General fund	2,631,809			2,631,809
Special revenue funds		417,497	1,575,561	1,993,058
Capital project funds			3,018,426	3,018,426
TOTAL FUND BALANCES	4,535,414	476,468	4,619,829	9,631,711
TOTAL LIABILITIES AND FUND BALANCES	\$ 20,006,405	\$ 5,203,784	\$ 6,852,114	\$ 32,062,303

(Continued)

TOWN OF JOHNSTON, RHODE ISLAND

Balance Sheet
Governmental Funds
June 30, 2009

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

Total Fund Balances (B-1)	\$ 9,631,711
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and therefore are not reported in the funds.	50,386,970
Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund statements.	(49,870,182)
Deferred revenues (net of an allowance for uncollectibles) are recorded in the fund statements, but are not deferred under the measurement focus employed in the Statement of Net Assets.	2,300,552
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.	229,563
Accrued interest payable on long-term debt obligations is recorded in the statement of net assets for governmental funds, but is not recorded in the fund statements.	<u>(224,156)</u>
Total Net Assets (A-1)	<u><u>\$ 12,454,458</u></u>

(Concluded)

TOWN OF JOHNSTON, RHODE ISLAND

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2009**

	General Fund	School Unrestricted Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:				
Property taxes	\$ 64,274,634			\$ 64,274,634
Departmental fees and revenues	4,879,736			4,879,736
State and federal grants	21,521,068		\$ 2,377,285	23,898,353
Medicaid reimbursement	830,002			830,002
Investment income	178,527		58,400	236,927
State on behalf pension contributions		\$ 1,710,455		1,710,455
Other miscellaneous	678,345		3,158,250	3,836,595
TOTAL REVENUES	92,362,312	1,710,455	5,593,935	99,666,702
EXPENDITURES:				
Current:				
Legislative, judicial, and general administrative	1,479,169			1,479,169
Financial administration	967,843			967,843
Assessors office	261,162			261,162
Federal coordinator	10,930			10,930
Public safety	26,450,535			26,450,535
Public works	7,667,676			7,667,676
Human resources	128,090			128,090
Miscellaneous	3,323,972			3,323,972
Planning and assessment review	151,691			151,691
Library	564,210			564,210
Education		48,968,748	1,944,149	50,912,897
Other	7,751		1,529,512	1,537,263
Debt Service:				
Principal	1,283,833			1,283,833
Interest	1,089,415			1,089,415
Capital:				
Capital expenditures	341,408	161,845	1,172,506	1,675,759
TOTAL EXPENDITURES	43,727,685	49,130,593	4,646,167	97,504,445
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	48,634,627	(47,420,138)	947,768	2,162,257
OTHER FINANCING SOURCES (USES)				
Issuance of bonds and lease purchase obligations			1,430,000	1,430,000
Transfers in	805,352	48,137,421	713,918	49,656,691
Transfers out	(48,510,524)	(240,815)	(805,352)	(49,556,691)
TOTAL OTHER FINANCING SOURCES (USES)	(47,705,172)	47,896,606	1,338,566	1,530,000
NET CHANGE IN FUND BALANCES	929,455	476,468	2,286,334	3,692,257
FUND BALANCE AT BEGINNING OF YEAR	3,605,959	-	2,333,495	5,939,454
FUND BALANCE AT END OF YEAR	\$ 4,535,414	\$ 476,468	\$ 4,619,829	\$ 9,631,711

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, 2009**

Net Change in Fund Balances - Total Governmental Funds (B-2):	\$ 3,692,257
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. Depreciation in excess of capital outlays.	(1,288,054)
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 2009.	(275,880)
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.	436,720
Governmental funds report the issuance of debt as other financing sources whereas the issuance of new debt would have no effect on the net assets.	(1,430,000)
Governmental funds report principal repayments on debt obligations as an expenditure. However, the repayment of principal has no effect on the net assets.	1,837,245
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds. Deferred tax revenue decreased from fiscal 2008.	(599,877)
Allowance for doubtful accounts on tax and fire rescue services receivables is not reported in the governmental funds Statement of revenues, expenditures, and changes in fund balances. The change in the allowance is included in the fund balance sheet as a contra to both tax receivables and deferred tax revenue. The increase in the allowance provision is recorded against tax revenue, rescue fees and other revenue in the statement of activities.	(216,000)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds. Deferred departmental revenue increased from fiscal 2008.	94,495
Allowance for doubtful accounts on departmental receivables is not reported in the governmental funds Statement of revenues, expenditures, and changes in fund balances. The change in the allowance is included in the fund balance sheet as a contra to both receivables and deferred revenue. The increase in the allowance provision is recorded against departmental revenue in the statement of activities.	(16,544)
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.	(1,413,000)
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.	(13,805,404)
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.	585,992
Excess of internal service funds revenues over expenses, reported as governmental fund activities in the statement of activities.	229,563
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.	43,566
Change in Net Assets of Governmental Activities in the Statement of Activities (A-2)	\$ (12,124,921)

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

TOWN OF JOHNSTON, RHODE ISLAND

**Statement of Net Assets
Proprietary Funds
June 30, 2009**

	Business-type Activities - Enterprise Funds					Governmental	
	Water Control Fund (current year)	Water Control Fund (prior year)	Memorial Plat Sewer (current year)	Cafeteria Fund (current year)	Cafeteria Fund (prior year)	Totals	Health Care Management Internal Service Fund
ASSETS:							
Current Assets:							
Cash and cash equivalents				\$ 750	\$ 750	\$ 750	
Accounts and other receivables, net	\$ 416,315	\$ 452,455				416,315	
Intergovernmental receivables				80,707	30,126	80,707	
Inventory				14,931	5,748	14,931	
Due from other funds	2,725,858	2,529,021				2,725,858	\$ 989,237
Total Current Assets	3,142,173	2,981,476	\$ -	96,388	36,624	3,238,561	989,237
Capital Assets, net of accumulated depreciation	9,341,759	9,458,417	32,490	13,966	9,977	9,388,215	
TOTAL ASSETS	12,483,932	12,439,893	32,490	110,354	46,601	12,626,776	989,237
LIABILITIES:							
Current Liabilities:							
Cash overdraft				17,850	47,737	17,850	
Accounts payable				46,355	30,435	46,355	759,674
Accrued compensated absences	38,704	17,006				38,704	
Due to other funds		2,453	32,490	67,483		99,973	
Total Current Liabilities	38,704	19,459	32,490	131,688	78,172	202,882	759,674
NET ASSETS:							
Invested in capital assets net of related debt	9,341,759	9,458,417		13,966	9,977	9,355,725	
Unrestricted	3,103,469	2,962,017	0	(35,300)	(41,548)	3,068,169	** 229,563
TOTAL NET ASSETS	\$ 12,445,228	\$ 12,420,434	\$ -	\$ (21,334)	\$ (31,571)	\$ 12,423,894	\$ 229,563

* - Memorial Plat Sewer Fund commenced during the fiscal year ended June 30, 2009 and therefore only 1 year is presented.

** - The unrestricted net assets (\$229,563) in the Health Care Management Fund represent net assets to be utilized for future claims of the School Department.

TOWN OF JOHNSTON, RHODE ISLAND

**Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the Year Ended June 30, 2009**

	Business-type Activities-Enterprise Funds					Governmental Activities	
	Water Control Fund (current year)	Water Control Fund (prior year)	Memorial Plat Sewer (current year)	Cafeteria Fund (current year)	Cafeteria Fund (prior year)	Totals	Health Care Management Internal Service Fund
OPERATING REVENUES:							
Charges for usage and service	\$ 1,062,473	\$ 1,210,826		\$ 567,279	\$ 584,633	\$ 1,629,752	\$ 12,994,445
Total operating revenues	1,062,473	1,210,826	\$ -	567,279	584,633	1,629,752	12,994,445
OPERATING EXPENSES:							
Salaries and benefits	73,531	57,719		403,664	367,108	477,195	
Contracts				613,404	645,294	613,404	
Materials and supplies		372				0	
Repair and maintenance	46,212	59,883				46,212	
Utilities	43,409	55,155				43,409	
Office expense	1,047	2,285				1,047	
Purchased water and state surcharges	387,186	418,379				387,186	
Departmental expense	264,091	162,646				264,091	
Health care management						0	12,764,882
Bad debts, net of recovery	0	3,800				0	
Other expenses	5,546	23,079				5,546	
Depreciation	116,657	116,630		2,558	2,932	119,215	
Total operating expenses	937,679	899,948	0	1,019,626	1,015,334	1,957,305	12,764,882
OPERATING INCOME (LOSS)	124,794	310,878	0	(452,347)	(430,701)	(327,553)	229,563
NON-OPERATING REVENUES:							
State and federal grants				449,560	438,210	449,560	
State matching funds				13,024	12,221	13,024	
TOTAL NONOPERATING REVENUES	0	0	0	462,584	450,431	462,584	0
INCOME (LOSS) BEFORE TRANSFERS	124,794	310,878	0	10,237	19,730	135,031	229,563
Transfers In (Out)	(100,000)	(100,000)	0	0	127,197	(100,000)	
CHANGE IN NET ASSETS	24,794	210,878	0	10,237	146,927	35,031	229,563
TOTAL NET ASSETS - BEGINNING	12,420,434	12,209,556	0	(31,571)	(178,498)	12,388,863	0
TOTAL NET ASSETS - ENDING	\$ 12,445,228	\$ 12,420,434	\$ -	\$ (21,334)	\$ (31,571)	\$ 12,423,894	\$ 229,563

* - Memorial Plat Sewer Fund commenced during the fiscal year ended June 30, 2009 and therefore only 1 year is presented.

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, 2009**

	Business-type Activities - Enterprise Funds			Governmental
	Water Control Fund	Memorial Plat Sewer Fund	Cafeteria Fund	Health Care Management Internal Service Fund
			Totals	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 1,098,614		\$ 567,279	\$ 1,665,893
Cash received from providing services				-
Cash paid to suppliers	(747,491)		(597,484)	(1,344,975)
Cash paid to employees	(51,833)		(403,664)	(455,497)
Cash paid for claims				0
Net cash provided by (used for) operating activities	299,290	\$ -	(433,869)	(134,579)
				989,237
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers (to) from other funds	(100,000)			(100,000)
Nonoperating grants received			412,003	412,003
(Increase) decrease in inventory on hand			(9,183)	(9,183)
(Increase) decrease in due from other funds	(196,837)		0	(196,837)
Increase (decrease) in due to other funds	(2,453)	32,490	67,483	97,520
Net cash provided by (used for) noncapital financing activities	(299,290)	32,490	470,303	203,503
				(989,237)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition of capital assets	0	(32,490)	(6,547)	(39,037)
Net cash used for capital and related financing activities	0	(32,490)	(6,547)	(39,037)
				0
NET INCREASE IN CASH AND CASH EQUIVALENTS	0	0	29,887	29,887
				0
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	0	0	(46,987)	(46,987)
				0
CASH AND CASH EQUIVALENTS (OVERDRAFT) AT END OF YEAR	\$ -	\$ -	\$ (17,100)	\$ (17,100)
				\$ -

(Continued)

TOWN OF JOHNSTON, RHODE ISLAND

**Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2009**

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water Control Fund	Memorial Plat Sewer Fund	Cafeteria Fund	Totals	Health Care Management Internal Service Fund
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:					
Operating income (loss)	\$ 124,794	\$ -	\$ (452,347)	\$ (327,553)	\$ 229,563
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	116,657		2,558	119,215	
Decrease in provision for doubtful accounts	(704)			(704)	
(Increase) decrease in accounts receivable	36,845			36,845	
Increase (decrease) in accounts payable	0		15,920	15,920	759,674
Increase (decrease) in accrued vacation and sick leave	21,698			21,698	
Net cash provided by (used for) operating activities	\$ 299,290	\$ -	\$ (433,869)	\$ (134,579)	\$ 989,237

(Concluded)

TOWN OF JOHNSTON, RHODE ISLAND

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2009

	<u>Pension Trust Funds</u>	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
ASSETS:			
Cash and cash equivalents	\$ 530,796	\$ 23,326	\$ 418,691
Investments	30,662,333		
Other receivables			5,807
Due from governmental funds	554,732		151,500
TOTAL ASSETS	<u>31,747,861</u>	<u>23,326</u>	<u>575,998</u>
LIABILITIES:			
Due to student groups			198,111
Deposits held in custody for others			377,887
Due to governmental funds	32,416		
TOTAL LIABILITIES	<u>32,416</u>	<u>0</u>	<u>575,998</u>
NET ASSETS:			
Held in trust for perpetual care		23,326	
Held in trust for pension benefits	31,715,445		
TOTAL NET ASSETS	<u>\$ 31,715,445</u>	<u>\$ 23,326</u>	<u>\$ 0</u>

TOWN OF JOHNSTON, RHODE ISLAND

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
Fiduciary Funds
For the year ended June 30, 2009

	Pension Trust Funds	Private-Purpose Trust Funds
Additions:		
Contributions:		
Employer	\$ 1,657,091	
Plan members	749,114	
Total contributions	<u>2,406,205</u>	<u>\$ -</u>
Investment income (expense)		
Net dividends, interest, and change in fair value	<u>(6,426,509)</u>	<u>104</u>
Net investment income (expense)	<u>(6,426,509)</u>	<u>104</u>
Total additions and changes in fair value	<u>(4,020,304)</u>	<u>104</u>
Deductions:		
Administration and benefit expenses	6,101	0
Pension expenses	<u>1,368,835</u>	<u>0</u>
Total deductions	<u>1,374,936</u>	<u>0</u>
Change in net assets	(5,395,240)	104
Net assets - beginning of year	<u>37,110,685</u>	<u>23,222</u>
Net assets - end of year	<u>\$ 31,715,445</u>	<u>\$ 23,326</u>

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

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

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 2009:

- 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, 2009. Therefore, the activity of the Johnston Senior Citizens Center, Inc. has been omitted from the Town of Johnston, Rhode Island's June 30, 2009 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, 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

Government-Wide Financial Statements

The statement of net assets and statement of activities report information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

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

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

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

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

Special Revenue Funds

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

Capital Project Funds

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

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds (Continued)

Permanent Funds

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

Proprietary Funds

Proprietary Funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The Proprietary Funds include the Water Control Fund, Memorial Plat Sewer Fund, and the School Cafeteria Fund which are considered Enterprise Funds.

Fiduciary Funds (Not Included in government wide statements)

Agency Funds

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

- Performance Bonds
- Student Activities funds

Private-Purpose Trust Funds

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

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

Pension Trust Funds

Pension trust funds are used to account for resources held in trust for future pension obligations of the Town. The Pension trust funds held at June 30, 2009 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, 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Major and Non-Major Funds

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

<u>Fund</u>	<u>Brief Description</u>
Major:	
General Fund:	See above for description
Capital Project Funds:	The Town does not have any Capital Project Funds that meet the definition of being classified as a Major Fund at June 30, 2009.
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	See above for description.
Memorial Plat Sewer Fund	
School Cafeteria Fund	
Non-Major:	
Special Revenue Funds:	School Restricted Funds, Community Development Block Grant, Johnston Comprehensive Plan, Underage Drinking, Seat Belt Grant, Police Special Account, Recreation Department, Governors Justice Commission, Substance Abuse Prevention Grant, Blue Riptide Grant, Police Detail, Youth Tobacco Grant, Recreation Fees From Developers, Historical Trust Fund, COPS Technology Grant, Fire Plan Review, Neighborhood Crime Prevention, Fire Memorial Fund, Fire Prevention Grant, Memorial Library Fund, Champlin Foundation, Cops in Schools, Police Vest Grant, Fire Dept. Detail, Fire Equipment Grant, EMA Certification Grant, Homeland Security Grant, Emergency OPS Grant, Federal JAG Grant, State JAG Grant, Reserve for Health Care, OPEB, Storm Water Management Grant, and Secure Our Schools.

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TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Major and Non-Major Funds (Continued)

Non-Major (Continued):

Capital Project Funds: 1998 Capital Improvement Bond, Senior Center Grant, Autocad Map Digitizing, Fire Station #4 Renovations, Police Station Renovations, Police Equipment, Tall Oaks Sewer, DEM Grant, School Improvements, West End Fire Station, Road Resurfacing, Revaluation Reserve, Highland Ave. Drainage, High School Renovation, Middle School Renovation, Ferri School Renovation, West End Water, Rotary Drive Sewer Project, Library Renovations, Town Hall Repair, Unobligated Capital Fund, Sewer Project Capri & Belliare, Tanglewood Estates, Hartford Ave. 295 Project, Fire Headquarters Replacement, Rainone Gym Renovations, Little League Field, DAM Renovations, Pezza Property Acquisition, Champlin Community Park, Fire Station #2, Early Learning Center, Capital Lease, Memorial Park Playground, Police Station Construction, Recreation Bldg Repairs, Senior Center Tank Removal, Fire HQ Renovations, Fire HQ HVAC, Fire Oil Tank, DPW Backflow Program, Lombardi Judgment, Recreation Bridge Repair, Open Space Grant, Carte Graph Software, Little League Asphalt, Hazard Mitigation Plan, Winsor Hill School, Fire Station #1, Library Building, Golden View Drainage, Cherry Hill Sewer, and Borden Avenue Water.

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.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

- (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.

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.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 \$5,044,304 at June 30, 2009. The allowance for uncollectible accounts includes \$4,630,000 for property taxes, \$131,544 for Municipal Court fees and traffic fines, \$58,260 for special sewer assessment, \$216,000 for fire rescue services, and \$8,500 for enterprise fund (Water Fund) service fees. Major receivable balances for the governmental activities include property taxes (52% 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.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Fund Equity (Continued)

Prepaid Items

Prepaid items are accounted for under the allocation method whereby a prepaid asset is established at the date of payment and subsequently amortized over the accounting periods expected to benefit from the initial payment. Prepaids recorded in governmental fund types do not reflect current appropriated resources and, thus, an equivalent portion of the fund balance is reserved.

Encumbrances

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

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.

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TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

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, 2007 and prior and are not collected within 60 days of June 30, 2009. Net deferred taxes included in the fund financial statements were approximately \$1,191,000 at June 30, 2009. In addition, deferred revenue in the General Fund (fund financial statements) included approximately \$255,350 for Municipal Court fees and traffic fines, \$265,000 for fire rescue services, and \$589,500 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, 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity Classifications (Continued)

Government-Wide Statements (Continued)

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

Fund Financial Statements

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

Compensated Absences

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

Reconciliation of Government-wide and Fund Financial Statements

The governmental fund Balance Sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide Statement of Net Assets. One element of that reconciliation explains that "long-term liabilities are not due and payable in the current period and therefore are not reported in the funds." The details of this \$49,870,182 are as follows:

Bonds payable and capital lease obligations.....	\$ 22,890,919
Net pension benefit obligation	5,081,000
Net OPEB obligation	13,805,404
Accrued claims and judgments.....	68,000
Compensated absences	<u>8,024,859</u>
Total	<u>\$ 49,870,182</u>

Another element of the reconciliation states that "deferred revenues (net of an allowance for uncollectibles) are recorded in the funds, but are not deferred under the measurement focus employed in the Statement of Net Assets." The details of this \$2,300,552 difference are as follows:

Deferred tax revenue (net of allowance \$4,630,000).....	\$ 1,191,046
Deferred municipal court fees (net of allowance \$131,544)	255,350
Deferred fire rescue fees (net of allowance \$216,000).....	264,639
Deferred sewer assessment revenue (net of allowance \$58,260)	<u>589,517</u>
Total	<u>\$ 2,300,552</u>

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances includes reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide Statement of Activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures." However, in the statement of activities the cost of those assets is capitalized and depreciated over the assets estimated useful life. The details of the \$(1,288,054) is as follows:

Capital outlay expenditures reclassified to capital assets	\$ 1,533,961
Depreciation expense	<u>(2,822,015)</u>
Total	<u>\$(1,288,054)</u>

Another element of the reconciliation states that "the governmental funds report principal repayments on debt obligations as an expenditure," the details of the \$1,837,645 is as follows:

Principal payment of general obligation bonds	\$1,283,833
Principal payment of capital lease obligations	<u>553,812</u>
Total	<u>\$1,837,645</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 \$585,992 is as follows:

Decrease in liability for compensated absences	\$ 384,992
Decrease in liability for claims and judgments	<u>201,000</u>
Total	<u>\$ 585,992</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 \$(737,926) are as follows:

Deferred tax revenue, net - ending	\$ 1,191,046
Deferred municipal court fees, net – ending	255,350
Deferred fire rescue, net – ending	264,639
Deferred sewer assessment, net – ending	589,517
Deferred tax revenue, net – beginning	(1,990,923)
Deferred municipal court fees – beginning	(223,631)
Deferred fire rescue fees, net – beginning	(197,562)
Deferred sewer assessment, net – beginning	<u>(626,362)</u>
Total	<u>\$ (737,926)</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 \$(1,413,000) was comprised of the following:

Net pension benefit obligation – beginning of year	\$3,668,000
Net pension benefit obligation – end of year	<u>5,081,000</u>
Increase in net pension benefit obligation	<u>\$(1,413,000)</u>

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Another element of the reconciliation relates to the Net OPEB Obligations and states that "the governmental fund reflects this activity when it will be paid with measurable and available resources." The decrease in net assets of \$(13,805,404) was comprised of the following:

Net OPEB obligation – beginning of year	\$ 0
Net OPEB obligation – end of year	<u>13,805,404</u>
Increase in net OPEB obligation	<u>\$(13,805,404)</u>

Recently Issued Accounting Standards

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

- ✓ GASB Statement No. 51 – Accounting and Financial Reporting for Intangible Assets, effective for the Town's fiscal year ending June 30, 2010.
- ✓ GASB Statement No. 53 – Accounting and Financial Reporting for Derivative Instruments, effective for the Town's fiscal year ending June 30, 2010.
- ✓ GASB Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions, effective for the Town's fiscal year ending June 30, 2011.

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

During the fiscal year ended June 30, 2009 the Town implemented the following governmental accounting standards:

- ✓ GASB Statement No. 45 – Accounting and Financial Reporting by Employees for Post-employment Benefits Other Than Pensions.
- ✓ GASB Statement No. 49 – Accounting for Financial Reporting for Pollution Remediation Obligations.
- ✓ GASB Statement No. 52 – Land and Other Real Estate Held as Investments by Endowments.

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, 2009**

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 encumbrances are considered to be expenditures for budgetary purposes but not for GAAP purposes. Encumbrances for fiscal year 2009 and 2008 were \$0. As a result, there was no difference between the budgetary basis and GAAP basis of accounting.

(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 2009 were \$1,163 as compared to \$3,700 at June 30, 2008. 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	\$49,847,876
Adjustments:	
State on behalf pension contribution not budgeted	(1,710,455)
Total budgetary basis revenues and other financing sources from RSI - 3	<u>\$48,137,421</u>

EXPENDITURES

Total School Unrestricted expenditures and other financing uses, from Exhibit B-2	\$49,371,408
Adjustments:	
Prior year encumbrances	(3,700)
Current year encumbrances	1,163
State on behalf pension contribution not budgeted	(1,710,455)
Total budgetary basis expenditures and other financing uses, from RSI - 3	<u>\$47,658,416</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, 2009**

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, 2009 was \$17,046,855 (including Fiduciary Funds and net of cash overdraft of \$17,850) while the bank balance was \$16,805,657. Of the bank balance, \$2,697,342 was covered by federal depository insurance and \$14,108,315 was uninsured. The Town has entered into collateralization agreements with various financial institutions and as a result, \$12,991,600 of the uninsured balance at June 30, 2009 was collateralized by securities held by the financial institutions and/or third parties in the name of the Town. The remaining uninsured balance of \$1,116,715 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.

Investments

At June 30, 2009 the Town's investments totaled \$30,662,333 (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>\$30,662,333</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, 2009 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, 2009**

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, 2009, 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 2009 were based on an assessed value of approximately \$2,945,587,000 at December 31, 2007 and amounted to approximately \$61,791,200. Total collections through June 30, 2009, on the 2008 tax levy, amounted to approximately \$59,540,000 (excluding 60-day rule receipts), which represents approximately 96% of the net tax levy. Total collections including 60-day receipts amounted to approximately \$60,316,000, which represents approximately 97.6% 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 (\$6,720,750) as of June 30, 2009 are recorded as a receivable, net of an allowance for uncollectible property taxes of \$4,630,000. Those property taxes receivable, which were not collected within the 60 days immediately following June 30, 2009, are recorded as deferred revenue, net of the allowance of \$4,630,000 and amounted to \$1,191,046 at June 30, 2009. Property taxes recognized as revenue for the fiscal year ended June 30, 2009 (due to their collection within the 60 days immediately following June 30, 2009) amounted to \$899,704.

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, 2009 consisted of the following:

	<u>General</u>	<u>School Unrestricted Fund</u>	<u>Other Governmental Funds</u>	<u>Business-type Activities</u>	<u>Total</u>
Receivables:					
2008 tax year	\$2,250,461				\$2,250,461
2007 and prior years	4,470,290				4,470,290
Accounts	1,699,801			\$424,815	2,124,616
Miscellaneous		\$183,797	\$119,287	0	303,084
Gross receivables	8,420,552	183,797	119,287	424,815	9,148,451
Less: allowance for uncollectibles	(5,035,804)	0	0	(8,500)	(5,044,304)
Total receivables	<u>\$3,384,748</u>	<u>\$183,797</u>	<u>\$119,287</u>	<u>\$416,315</u>	<u>\$4,104,147</u>

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

5. INTERGOVERNMENTAL RECEIVABLE

Amounts due from the Federal Government and the State of Rhode Island consisted of the following at June 30, 2009:

General Fund:

Rhode Island Solid Waste Management Corporation.....	\$1,086,602
State Fiscal Stabilization Funds (SFSF)	316,125
State of Rhode Island – State Aid and Meals & Beverage tax.....	83,671
State of Rhode Island – Miscellaneous grants and fees	26,963
State telephone tax	<u>274,183</u>
Total General Fund	<u>1,787,544</u>

Other Governmental Funds:

State of Rhode Island:	
School Restricted Grant Funds – From State of RI	714,902
Community Development Block Grant.....	10,945
Youth Tobacco.....	2,400
Memorial Library Fund.....	<u>1,500</u>
Total other governmental funds	<u>729,747</u>

Business-type Activities:

Cafeteria Fund:	
From State of RI.....	<u>80,707</u>
Total intergovernmental receivables	<u>\$2,597,998</u>

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009 was as follows:

	Balances <u>7/1/08</u>	Additions	Retirements & <u>Adjustments</u>	Balances <u>6/30/09</u>
Governmental Activity:				
Nondepreciable assets:				
Land	\$ 6,467,343	\$ 0	\$ 0	\$ 6,467,343
Construction in progress.....	1,079,164	1,107,063	675,207	1,511,020
Depreciable assets:				
Buildings, building improvements, and land improvements.....	36,499,979	755,702	0	37,255,681
Vehicles and equipment.....	6,930,076	507,243	0	7,437,319
Infrastructure.....	52,327,797	0	0	52,327,797
Total cost	<u>103,304,359</u>	<u>2,370,008</u>	<u>675,207</u>	<u>104,999,160</u>

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

6. CAPITAL ASSETS (Continued)

	Balances <u>7/1/08</u>	Additions	Retirements & <u>Adjustments</u>	Balances <u>6/30/09</u>
Governmental Activity:				
Accumulated Depreciation:				
Buildings and improvements.....	(13,192,383)	(957,782)	0	(14,150,165)
Vehicles and equipment	(4,206,699)	(567,298)	0	(4,773,997)
Infrastructure.....	<u>(34,391,093)</u>	<u>(1,296,935)</u>	0	<u>(35,688,028)</u>
Total accumulated depreciation...	<u>(51,790,175)</u>	<u>(2,822,015)</u>	0	<u>(54,612,190)</u>
Net capital assets	<u>\$51,514,184</u>	<u>\$(452,007)</u>	<u>\$(675,207)</u>	<u>\$ 50,386,970</u>
Business- type Activities:				
Nondepreciable assets:				
Land	\$ 40,000	\$ 0	\$ 0	\$ 40,000
Construction in progress.....	0	32,490	0	32,490
Depreciable assets:				
Motor vehicles.....	37,477	0	0	37,477
Machinery and equipment	130,489	6,547	0	137,036
Water distribution	<u>11,665,735</u>	<u>0</u>	<u>0</u>	<u>11,665,735</u>
Total cost.....	<u>11,873,701</u>	<u>39,037</u>	<u>0</u>	<u>11,912,738</u>
Accumulated Depreciation:				
Motor vehicles.....	(37,477)	0	0	(37,477)
Machinery and equipment	(120,512)	(2,558)	0	(123,070)
Water distributions	<u>(2,247,319)</u>	<u>(116,657)</u>	<u>0</u>	<u>(2,363,976)</u>
Total accumulated depreciation...	<u>(2,405,308)</u>	<u>(119,215)</u>	<u>0</u>	<u>(2,524,523)</u>
Net capital assets	<u>\$9,468,393</u>	<u>\$(80,178)</u>	<u>\$ 0</u>	<u>\$9,388,215</u>

Depreciation expense for the year ended June 30, 2009 was charged to the following functions/programs of the Town:

Governmental Activities:	
Education	\$ 627,296
Public safety.....	602,282
Public works.....	1,430,597
Library	11,807
Other	<u>150,033</u>
Total	<u>\$2,822,015</u>
Business Type Activities:	
Water fund	\$ 116,657
School cafeteria fund	<u>2,558</u>
Total	<u>\$ 119,215</u>

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

6. CAPITAL ASSETS (Continued)

The following is a summary of Construction in Progress at June 30, 2009:

Governmental Activities:

Library Construction.....	\$ 235,451
Community park soccer field	911,969
Fire Station	299,968
Golden View Drainage.....	16,316
Pine Hill Drainage.....	41,013
Storm water management project	6,303
Total construction in progress – Governmental Activities	<u>\$1,511,020</u>

Business-Type Activities:

Memorial Plat Sewer Project	<u>\$ 32,490</u>
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7. NOTES PAYABLE

At June 30, 2009 the Town had a general obligation bond anticipation note, dated September 10, 2008 in the amount of \$1,430,000. The note is due on September 9, 2009 with interest at an annual rate of 2.35%. The accrued interest on this obligation is included in accrued liabilities in the government-wide Statements of Net Assets and Activities. Interest is not accrued or expensed in the governmental funds until it is paid with current measurable and available resources. Proceeds from this bond anticipation note are utilized to finance capital project acquisitions prior to entering long-term financing agreements.

<u>Balance</u> <u>7/1/2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/2009</u>
<u>\$1,430,000</u>	<u>\$1,430,000</u>	<u>\$2,860,000</u>	<u>\$0</u>

Subsequent to June 30, 2009 the \$1,430,000 bond anticipation note was repaid as part of the issuance of General Obligation Bonds in the amount of \$4,430,000 dated September 9, 2009. Due to the fact that the short term BAN obligation was converted into a long-term debt obligation prior to the issuance of the financial statements, the Town has elected to report the proceeds from the bond obligation for the fiscal year ended June 30, 2009. Accordingly, the short term BAN obligation has been satisfied and removed from presentation as a Fund liability. In addition, the bond obligation is reported as a long-term debt obligation in the government-wide statement of net assets at June 30, 2009.

8. LONG-TERM DEBT

(a) General

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

The current three percent debt limit of the Town is approximately \$88,367,600, based on the net assessed valuation at December 31, 2007 of \$2,945,586,910. The entire \$21,868,641 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, 2009**

8. LONG-TERM DEBT (Continued)

(b) At June 30, 2009 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, 2008	Additions	Retirements	Balance June 30, 2009	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%	\$ 1,355,000		\$ 245,000	\$ 1,110,000	\$ 260,000
1998 General Obligation Bond Series B	8/15/1998	8/15/2012	5,915,000	6.5%-5.05%	3,970,000		275,000	3,695,000	290,000
RI Clean Water Bond	4/25/2002	9/1/2022	750,000	.661%	605,474		31,833	573,641	32,885
2004 General Obligation Bond	6/1/2004	6/1/2024	8,775,000	5%-5.25%	7,720,000		340,000	7,380,000	350,000
2005 General Obligation Bond	6/1/2005	6/1/2025	6,325,000	4%-4.75%	5,795,000		250,000	5,545,000	260,000
2007 General Obligation Bond - Senior Center	9/13/2007	9/1/2019	2,277,000	5.05%	2,277,000		142,000	2,135,000	150,000
2008 General Obligation Bond	9/9/2009	9/1/2029	1,430,000	3%-7%	0	\$ 1,430,000		1,430,000	-
Total bonds outstanding			\$ 28,382,000		21,722,474	1,430,000	1,283,833	21,868,641	1,342,885
Capital lease obligations:									
Town capital lease obligations:									
Capital lease obligation	2/15/2000	8/1/2009	\$ 500,000	6.25%	118,151		57,391	60,760	60,760
Capital lease obligation	10/21/2005	11/2/2009	390,000	3.44%	201,593		99,092	102,501	102,501
Capital lease obligation	10/21/2005	11/2/2013	360,000	3.73%	279,633		42,445	237,188	44,028
Capital lease obligation	6/21/2007	6/21/2010	167,809	4.28%	114,278		55,901	58,377	58,377
Capital lease obligation	6/21/2007	6/21/2012	125,000	4.60%	102,196		23,853	78,343	24,949
Capital lease obligation	9/27/2007	9/27/2010	290,888	3.93%	244,734		95,046	149,688	98,818
Capital lease obligation	11/29/2007	11/28/2010	142,484	3.93%	119,877		46,556	73,321	48,403
Capital lease obligation	12/28/2007	12/28/2010	113,364	3.93%	95,377		37,041	58,336	38,511
Capital lease obligation	4/14/2008	4/14/2011	299,851	3.93%	299,851		96,087	203,764	99,900
Total Town capital lease obligations			\$ 2,389,396		1,575,690	-	553,412	1,022,278	576,247
Compensated absences and severance estimate					8,409,851	1,871,444	2,256,436	8,024,859	1,900,000
Net pension benefit obligation					3,668,000	1,413,000		5,081,000	-
Net OPEB obligation					-	13,805,404		13,805,404	-
Claims and judgements					269,000		201,000	68,000	7,600
Governmental activities long-term liabilities					\$ 35,645,015	\$ 18,519,848	\$ 4,294,681	\$ 49,870,182	\$ 3,826,732

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

8. LONG-TERM DEBT (Continued)

(c) Debt Service Requirements

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

	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 1,919,132	\$1,007,457	\$ 2,926,589
2011	1,700,217	1,010,445	2,710,662
2012	1,599,766	907,478	2,507,244
2013	1,645,396	834,445	2,479,841
2014	1,403,427	764,145	2,167,572
2015 – 2019	7,791,670	2,748,717	10,540,387
2020 – 2024	6,041,311	1,040,625	7,081,936
2025 – 2029	740,000	59,162	799,162
2030	50,000	1,125	51,125
Total	<u>\$22,890,919</u>	<u>\$8,373,599</u>	<u>\$31,264,518</u>

(d) Authorized But Unissued Debt

At June 30, 2009, the Town has a total of \$18,140,000 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	7,225,000
Ordinance No. 2009-07 Sewer Projects	8,000,000	7,315,000
Total	<u>\$21,925,000</u>	<u>\$18,140,000</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, 2009 amounted to \$8,024,859 of which \$2,555,039 and \$5,469,820 is related to School and Town employees, respectively.

(f) Schedule of long-term debt by purpose at June 30, 2009 is as follows:

	<u>Amount</u>	<u>Percent</u>
School, public improvement, and public safety ...	\$ 21,868,641	44%
Town equipment and vehicle leases	1,022,278	2
Police and fire net pension benefit obligations	5,081,000	10
Net OPEB obligations	13,805,404	28
Claims and judgments – Town	68,000	0
Compensated absences and severance	8,024,859	16
Total	<u>\$ 49,870,182</u>	<u>100%</u>

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

9. OPERATING LEASES

The Town of Johnston entered into a three-year lease agreement on October 1, 1992. The agreement was for the Municipal Court facility and has been recorded as an operating lease. The annual rent was \$20,580 which was paid in monthly installments of \$1,715. The lease agreement expired on September 30, 1995, and since that time, the Town has been paying rent on a month to month basis. Total lease expense paid under this agreement was approximately \$35,000 for the year ended June 30, 2009.

In January 2006 the Town entered into a twelve (12) month lease agreement for a facility that would be used to house the West End fire station. The monthly rent under this agreement was \$2,000. Upon termination of this agreement the Town continued to rent the facility on a month to month basis through April 2007. Effective May 2007 the Town entered into a new two year lease agreement for this facility with a monthly rent of \$2,200 during the first year, and \$2,400 per month for the second year. For the year ended June 30, 2009 the Town incurred rent expense of approximately \$29,000 on this facility. In addition, per the terms of the agreement noted above, the Town is also responsible for all utilities, including heat and electricity that are chargeable to the facility, and for a proportionate share of increases in real estate taxes and assessment, in excess of the real property taxes assessed as of December 31, 2007.

On August 1, 2007, the School Department entered into a sixty-month lease agreement for nineteen (19) units of equipment. The lease agreement requires a base monthly rental charge of \$5,612 for the first 2 months of each fiscal year and \$10,081 for the remaining 10 months. Lease expense incurred under the terms of this agreement was approximately \$113,000 for the fiscal year ended June 30, 2009.

On July 30, 2008, the School Department entered into a one year lease agreement for unimproved land and a parking lot located on Federal Way to be used for the parking and storage of buses. The lease commenced on August 1, 2008 and requires twelve monthly payments, in advance, of \$3,150. During the fiscal year ended June 30, 2009 total expenditures incurred under the terms of this agreement were approximately \$35,000.

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>	
2010	\$118,336
2011	112,036
2012	112,036
2013	<u>5,612</u>
Total	<u>\$348,020</u>

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

10. INTERFUND BALANCES AND TRANSFERS

Interfund balances represent short-term advances from one fund (primarily the General Fund) to another fund. The advances may represent balances resulting from operating advances or reimbursement for expenditures paid by one fund on behalf of another fund. The composition of interfund balances at June 30, 2009 is as follows:

<u>Governmental Funds:</u>	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
General Fund.....	\$ 2,581,842	\$ 10,201,513
School Unrestricted Fund.....	3,779,247	715,024
All non-major funds.....	<u>2,435,361</u>	<u>2,168,851</u>
Total governmental funds.....	<u>8,796,450</u>	<u>13,085,388</u>
<i>Proprietary Funds:</i>		
Water Fund.....	2,725,858	0
Memorial Plat.....	0	32,490
Internal Service Fund.....	989,237	0
Cafeteria Fund.....	<u>0</u>	<u>67,483</u>
Total proprietary funds.....	<u>3,715,095</u>	<u>99,973</u>
<i>Fiduciary Funds:</i>		
Pension Trust Funds.....	554,732	32,416
Agency Funds.....	<u>151,500</u>	<u>0</u>
Total fiduciary funds.....	<u>706,232</u>	<u>32,416</u>
 TOTAL ALL FUNDS.....	 <u>\$13,217,777</u>	 <u>\$13,217,777</u>

The composition of interfund transfers for the year ended June 30, 2009 is as follows:

<u>Transfer Out</u>	<u>General Fund</u>	<u>School Unrestricted Fund</u>	<u>Non-major Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Total Transfer Out</u>
General Fund.....	\$ 0	\$48,137,421	\$ 373,103	\$ 0	\$48,510,524
School Unrestricted Fund.....	0	0	240,815	0	240,815
Non-major Governmental Funds	805,352	0	0	0	805,352
Proprietary Funds.....	0	0	100,000	0	100,000
Total transfer in.....	<u>\$ 805,352</u>	<u>\$48,137,421</u>	<u>\$ 713,918</u>	<u>\$ 0</u>	<u>\$49,656,691</u>

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

11. DEFINED BENEFIT PENSION PLANS

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

Plan Description

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

The payroll for employees covered by the System for the year ended June 30, 2009 was approximately \$8,543,000 and the Town wide payroll was approximately \$52,907,000.

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, 2006.

The annual required contribution for the Town which equals the annual pension cost for the year ended June 30, 2009 was approximately \$927,000 (\$493,000 on behalf of Town employees and \$434,000 for School employees). This contribution represents 11.04% of covered payroll. General employees were required to contribute approximately \$598,000 (\$313,000 from Town employees and \$285,000 for non-certified School employees). This contribution represents 7% of covered payroll.

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

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

11. DEFINED BENEFIT PENSION PLANS (Continued)

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

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

Valuation date.....	6/30/2007
Actuarial Cost Method.....	Entry age normal cost
Amortization Method.....	Level percent closed - 30 year from 6/30/99
Asset Valuation Method.....	5 Year Smoothed Market Value
Investment Rate of Return.....	8.25% annual, compounded annually
Projected Salary Increase.....	4.5% to 8.5% compounded annually
Inflation adjustment.....	3%
Cost of Living adjustments.....	3% non-compounded
Participant Information (June 30, 2008).....	282 Active; 167 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>
6/30/09	\$927,000	100%	\$ 0
6/30/08	\$939,800	100%	\$ 0
6/30/07	\$765,900	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, 2008 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, 2008 which is the most recent report available from the State who administers this plan.

Actuarial value of assets - \$31,206,540
Actuarial accrued liability - \$35,051,692
Unfunded actuarial accrued liability (UAAL) - \$3,845,152
Funded Ratio - 89.0%
Annual covered payroll - \$8,570,160
UAAL as percentage of payroll - 44.9%

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

11. DEFINED BENEFIT PENSION PLANS (Continued)

(b) Teacher's Pension Plan

All full-time teachers as well as superintendents, principals, school nurses and certain other school officials ("classified employees") in the Johnston School District participate in the Employees Retirement System of the State of Rhode Island (ERSRI), a cost-sharing multiple-employer public employee retirement system. In addition to classified employees, the System covers substantially all employees of the State of Rhode Island. The payroll for Town certified employees covered by the System for the year ended June 30, 2009, was approximately \$21,200,000; total payroll for all School employees was approximately \$27,400,000.

Plan Description

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

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

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

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

11. DEFINED BENEFIT PENSION PLANS (Continued)

(b) Teacher's Pension Plan (Continued)

Plan Description (Continued)

The ERS plan also provides a survivor benefit to public school teachers via a "Teachers Survivor Benefits Fund" in lieu of Social Security. The details of the survivor death benefits and other death benefits are provided in the financial section of the Annual Financial Report of the Employees' Retirement System of Rhode Island for the fiscal year ending June 30, 2008 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 11.886%, 13.04%, and 11.62% for all full-time employees for fiscal years 2009, 2008 and 2007, respectively. The required contributions include (a) normal costs; (b) payments to amortize the unfunded frozen actuarial accrued liability as of June 30, 1999 over 30 years; and (c) interest on the unfunded frozen actuarial liability. Normal cost is determined using the entry age normal cost method with frozen initial liability. A variety of significant actuarial assumptions are used to determine the standardized measure of the pension benefit obligation and these assumptions are summarized below:

- A. **Mortality** – 1994 Group Annuity Mortality Table
- B. **Investment return** – 8.25 percent, compounded annually.
- C. **Salary increase** - Salaries will increase at a rate of 4.5 to 13.25 percent, 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 percent compounded annually.
Schedule B Members: 2.5%.

As prescribed by Rhode Island general law, the State pays the entire portion of the annual required contribution attributable to the costs of contributions deferred by the State in prior years plus 40% of contributions assessed to employers on payroll not reimbursable through Federal programs. For fiscal year 2009, actuarial required contributions were 20.07% of the participant's salary. This resulted in contribution rates paid by the State on behalf of the School Department of 8.18% of non-federally reimbursable payrolls totaling \$1,710,455 for the year ended June 30, 2009. The School Department contributed the remaining 11.89% of the required 20.07%.

The School Department does not have any investments on related party investments with the State Plan. The School Department's (employer) contribution represented approximately 1.1% of total (employer) contributions required of all participating entities for the fiscal year ended June 30, 2008 (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>
2009	\$2,015,300	\$2,557,000	100%
2008	\$1,995,200	\$2,818,300	100%
2007	\$1,913,000	\$2,484,000	100%

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

11. DEFINED BENEFIT PENSION PLANS (Continued)

(b) Teacher's Pension Plan (Continued)

Funding Policy (Continued)

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

Trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the State of Rhode Island's Employee Retirement System's June 30, 2008 annual financial report, which may be obtained from the administrative offices of the State of Rhode Island Retirement Board, 40 Fountain Street, Providence, Rhode Island. This report is the most recent report available from the State, who administers the Plan. The report can also be found at www.ersri.org.

(c) Police and Fire Pensions

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

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

Police Pension Plan

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

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

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

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

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

11. DEFINED BENEFIT PENSION PLANS (Continued)

(c) Police and Fire Pensions (Continued)

Police Pension Plan (Continued)

At June 30, 2009, approximately 73 active employees and 80 retirees were enrolled in the police pay-as-you-go pension plan. For the year ended June 30, 2009, contributions to the pension trust fund were approximately \$906,000, which consisted of approximately \$300,000 from the employees and \$606,000 from the Town. The Town's payroll for police officers covered under this plan was approximately \$5,008,000 and the Town's total payroll for the year ended June 30, 2009 was approximately \$52,907,000.

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, 2009, the Town of Johnston paid retirement benefits of approximately \$1,986,200, 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, 2009 was as follows:

Annual required contribution (ARC).....	\$3,338,000
Interest on net pension obligation.....	81,000
Adjustment to ARC	<u>(76,000)</u>
Annual pension cost.....	3,343,000
Town contributions made.....	<u>2,817,000</u>
Increase in net pension obligation	526,000
Adjustment to beginning balance of obligation at June 30, 2008	(40,000)
Net pension benefit obligation, June 30, 2008	<u>1,092,000</u>
Net pension benefit obligation, June 30, 2009.....	<u>\$1,578,000</u>

Three-Year Trend Information

Fiscal Year Ending	Town Contribution	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2009	\$2,817,000	\$3,343,000	84%	\$1,578,000
6/30/2008	\$2,883,000	\$2,847,000	101%	\$1,092,000
6/30/2007	\$2,703,000	\$2,753,000	98%	\$1,128,000

Funded Status of Plan

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

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

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

11. DEFINED BENEFIT PENSION PLANS (Continued)

(c) Police and Fire Pensions (Continued)

Fire Pension Plan

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

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

At June 30, 2009 approximately 42 active employees and 74 retirees were enrolled in the firefighters pay-as-you-go pension plan. During the year ended June 30, 2009, contributions to the fund were approximately \$933,000, which consisted of approximately \$373,000 from the employees and \$560,000 from the Town. The Town's payroll for fire department personnel covered under the plan was approximately \$4,667,000 and the Town's total payroll for the year ended June 30, 2009 was approximately \$52,907,000.

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

In addition to the contributions being made by and on behalf of the active members of the fire department, the Town of Johnston is also paying pension/retirement benefits out of the General Fund for former employees of the Fire Department. Accordingly, there are no contributions being made to the pension fund for these former employees. For the year ended June 30, 2009, the Town of Johnston paid retirement benefits approximately \$2,026,100, 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, 2009 was follows:

Annual required contribution (ARC)	\$3,704,000
Interest on net pension obligation	203,000
Adjustment to ARC	<u>(189,000)</u>
Annual pension cost (APC)	3,718,000
Town contributions made	<u>2,833,000</u>
Increase in net pension obligation	885,000
Adjustment to beginning balance of obligation at June 30, 2008	42,000
Net pension benefit obligation, June 30, 2008	<u>2,576,000</u>
Net pension benefit obligation, June 30, 2009	<u>\$3,503,000</u>

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

11. DEFINED BENEFIT PENSION PLANS (Continued)

(c) Police and Fire Pensions (Continued)

Fire Pension Plan (Continued)

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Town Contribution</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2009	\$2,833,000	\$3,718,000	76%	\$3,503,000
6/30/2008	\$3,253,000	\$3,228,000	101%	\$2,576,000
6/30/2007	\$3,544,000	\$3,127,000	113%	\$2,601,000

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

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

Funded Status of Plan

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

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

Post July 1, 1999 Fire Fighter Plan

The Town contributes to the Municipal Employee's Retirement System of the State of Rhode Island (the "System"), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participants. The fire fighters hired after July 1, 1999 are covered under Option D of the MERS Plan (20 year optional Police and Fire Plan). The Town's payroll for employees covered by the System for the year ended June 30, 2009 was approximately \$1,850,000, the Town's total payroll (subject to pension) for all fire department employees was approximately \$6,517,000. The Town's total payroll for the year ended June 30, 2009 was approximately \$52,907,000.

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TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

11. DEFINED BENEFIT PENSION PLANS (Continued)

(c) Police and Fire Pensions (Continued)

Post July 1, 1999 Fire Fighter Plan (Continued)

Covered employees are required to contribute 8% of their salary to the plan. The Town is required to contribute 10.45% of covered payroll. Total contributions to the plan were approximately \$340,000 which consisted of approximately \$192,000 by the Town and \$148,000 by employees.

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2009	\$192,000	100%	\$-0-
2008	\$163,800	100%	\$-0-
2007	\$122,100	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.....	6/30/2007
Actuarial Cost Method.....	Entry age normal cost
Amortization Method.....	Level percent closed 30 years from 6/30/1999
Asset Valuation Method.....	5 Year Smoothed Market Value
Investment Rate of Return.....	8.25% annual, compounded annually
Projected Salary Increase.....	4.75% to 14.75% compounded annually
Inflation adjustment.....	3%
Cost of Living Adjustments.....	3% non-compounded
Participant information (June 30, 2008).....	32 Active members 1 Retired member

Funded Status of Plan

The required supplementary information which follows the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Listed below are the details of the funding progress of the Post July 1, 2000 Fire Employees Pension Plan with a valuation date of June 30, 2008 which is the most recent report available from the State who administers this plan.

- Actuarial value of assets - \$1,711,089
- Actuarial accrued liability - \$1,599,225
- Unfunded actuarial accrued liability (UAAL) - (\$111,863)
- Funded Ratio - 107.0%
- Annual covered payroll - \$1,663,174
- UAAL as percentage of payroll - (6.7%)

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

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

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

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

Benefit Types: Medical, Prescription Drug, and Vision.

Duration of Coverage: Lifetime

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

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

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

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

Funding Policy:

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

The ARC for the fiscal year ended June 30, 2009 was calculated as follows:

Normal Cost adjusted for timing	\$10,519,826
Past Service Costs adjusted for timing	<u>7,682,988</u>
ARC for fiscal year June 30, 2009	<u>\$18,202,814</u>

The ARC noted above represents \$7,023,653 and \$11,179,161, for School and Town personnel, respectively.

The current year expenditures for these post-retirement benefits are recognized on a pay-as-you-go basis, as the monthly costs for the benefits become due. During the year ended June 30, 2009, expenditures of approximately \$4,397,400 were recognized for post-retirement benefits. Of this amount approximately \$2,289,500 was paid for 220 Town retirees, and \$2,107,900 was paid for 256 School retirees. Current year expenditures represent approximately 24.2% of the ARC.

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TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

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

Funding Policy (Continued):

As noted above the Town did not comply with the funding requirements for the fiscal year ended June 30, 2009 which were determined by the actuarial valuation report with a valuation date of June 30, 2008. As a result, the government-wide financial statements include a long-term liability and an expense for this Net OPEB Obligation (NOO) of approximately \$13,805,404. The NOO at June 30, 2009 was calculated as follows:

Annual Required Contribution	\$18,202,814
Contribution made during fiscal 2009.....	<u>(4,397,410)</u>
NOO at June 30, 2009.....	<u>\$13,805,404</u>

Funded Status of Plan:

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

- Actuarial value of assets - \$0
- Actuarial accrued liability (AAL) - \$226,245,500
- Unfunded actuarial accrued liability (UAAL) - \$226,245,500
- Funded ratio – 0.00%
- Annual covered payroll – N/A
- UAAL as percent of payroll – N/A

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

Actuarial Assumptions:

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

Number of Participants:

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

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

13. FUND EQUITY BALANCES (DEFICITS)

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

(a) Fund Balances

Reservations of fund balances at June 30, 2009 were as follows:

General Fund:	
Reserved for prepaids	\$ 911,780
Reserve for amounts due from other funds	991,825
School Unrestricted Fund:	
Reserved for prepaids	57,808
Reserved for encumbrances.....	1,163
Other Governmental Funds	
Reserved for encumbrances.....	<u>25,842</u>
Total reservation of fund balance	<u>\$1,988,418</u>

(b) Fund Deficits

The following individual funds had deficits for the year ended June 30, 2009, as follows:

Non-major Governmental Funds:

Special Revenue Funds:	
Johnston Comprehensive Plan	\$ 4,694
Recreation Fees from Developers.....	200
Neighborhood Crime Prevention	29
Fire Prevention Grant	2,080
Champlin Foundation	34
Fire Equipment Grant	2,812
EMA Certification Grant.....	115
Reserve Healthcare	100,000
Capital Project Funds:	
Fire Station #4	5,500
Police Station Renovations	4,041
Police Equipment.....	10,900
School Improvements.....	5,100
Road Resurfacing.....	99,262
Revaluation Reserve	95,243
Rotary Drive Sewer Project	6,989
Library Renovations.....	26,048
Sewer Project Capri & Bellaire	2,432
Tanglewood Estates	15,693
Hartford Avenue 295 Project.....	75,000
Little League Field	29
Champlin Community Park.....	177,750

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

13. FUND BALANCE (DEFICITS) (Continued)

(b) Fund Deficits (Continued)

Individual fund deficits for the year ended June 30, 2009 (continued):

Capital Project Funds (continued):

Capital Lease	108,690
Memorial Park Playground	9,494
Recreation Building Repairs	265
Fire HQ Renovations	8,390
Fire Oil Tank	29,553
DPW Backflow Program	14,646
Carte Graph Software	11,000
Little League Asphalt	2,000
Winsor Hill School	<u>7,762</u>
Total deficits non-major governmental activities for the year ended June 30, 2009.....	<u>\$825,751</u>

The following funds had cumulative deficits as of June 30, 2009:

Non-major Governmental Funds:

Capital Project Funds:

Senior Center Grant.....	\$ 195,301
Middle School Renovation	123,410
Winsor Hill School.....	284,285
Fire Station #1.....	279,951
Library Building	<u>108,878</u>
Total Cumulative Fund Deficits - Non-major Governmental Funds	<u>\$991,825</u>

Business-Type Funds:

Cafeteria Fund.....	<u>\$21,334</u>
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The cumulative fund deficits of the capital project funds noted above are expected to be reduced in future years through the issuance of bonds and transfers from other funds.

The cumulative fund deficit of the business-type fund is expected to be reduced in future years through excess program revenue.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

14. RISK MANAGEMENT and HEALTH CARE MANAGEMENT FUND

Health Care

Effective July 1, 2008 the Town of Johnston established a Health Care Management Fund (an Internal Service Fund) to account for its health care coverage programs for current active and retire employees. In addition, effective July 1, 2008 the Town became a member of Rhode Island Municipal Insurance Corporation (RIMIC), a collaborative of various municipal entities, for health insurance claims. All departments of the Town participate in the self insurance program (cost plus basis) through RIMIC. Prior to the fiscal year ended June 30, 2009 the all Town departments paid claims on a cost plus basis (self insured) except for the School Department which was on a prospective premium basis (fully insured).

The Town currently maintains stop loss insurance to protect the taxpayers from catastrophic loss resulting from excessive health insurance claims. At June 30, 2009 the stop loss insurance contract covered all claims exceeding \$175,000 per individual on an annual basis. In addition, specific stop loss maximum for the Town for the year is maintained at approximately \$1,825,000.

The Town's Finance Department oversees the self-insured program for all Town employees and claims payment services are provided by Blue Cross and Blue Shield of Rhode Island (Plan Administration). All funds of the Town make payments to the Health Care Management Fund (an Internal Service Fund) based on actual claims or based on estimated working rates. Billings from the Health Care Management Fund to other Town funds for the fiscal year ended June 30, 2009 were approximately \$12,782,000 which represented approximately \$5,380,000 and \$7,402,000 for Town and School Department personnel, respectively. At June 30, 2009 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, 2009.

IBNR at beginning of year.....	\$ 194,000
Claims incurred year ended June 30, 2009.....	12,570,882
Claims paid during year ended June 30, 2009....	<u>(12,005,208)</u>
IBNR at June 30, 2009	<u>\$ 759,674</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.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

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

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

15. OTHER AGREEMENTS

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

The terms of the agreement are as follows:

1. Town received \$3,150,000 in April 1996 as settlement of all disputed amounts owed to the Town by the Corporation from the beginning of time up to the effective date of the agreement.
 2. Annual payments shall be made to the Town in the amount of \$1,500,000 plus 3 1/2% of the Corporation's gross revenue. However, the annual payment must not be less than \$1,500,000 nor greater than 10% of the Corporation's gross revenue.
 3. The annual payments are due on a quarterly basis beginning July 1, 1996. If the Corporation fails to make a payment within thirty (30) days after the due date, interest shall accrue from the expiration of the due date at the rate of six percent (6%) per annum.
 4. For the contract year beginning April 1, 2001, and every five (5) years thereafter, the base payment in effect for the previous five (5) years shall be increased ten percent (10%).
 5. Total revenue recognized under this agreement and recorded in the General Fund for the year ended June 30, 2008 was approximately \$4,163,000. In addition to the \$4.163 million the Town also recognized revenue for Tipping Fees of approximately \$272,000 during the fiscal year ended June 30, 2009.
- 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, 2009**

15. 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, 2009.

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

2010.....	\$ 2,500,000
2011.....	2,500,000
2012.....	2,500,000
2013.....	2,500,000
2014.....	2,500,000
2015.....	2,500,000
2016.....	<u>2,500,000</u>
Total.....	<u>\$17,500,000</u>

16. COMMITMENTS, CONTINGENCIES AND LITIGATION

The School has contracted to have bus service provided for students through the last day of school in June 2010, with an option to renew the contract for up to an additional two years. Total costs incurred under this contract were approximately \$2,552,000 for the year ended June 30, 2009. Estimated costs to be incurred over the remaining 1-year life of this contract are approximately \$3,240,000.

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, 2009, 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, 2009, the liability, if any, resulting from these claims was not determinable.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

16. 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. As of June 30, 2009, the outstanding balance was approximately \$61,000 while the amount available under this program was approximately \$26,000.

In February 2008, the Town received another commitment from the Rhode Island Clean Water Finance Agency to finance the Town's Community Septic System Loan Program. The loan agreement provides the Town with an additional \$250,000 non-restoring line-of-credit, with the same terms and purpose as the loan received in 2003 (as described above). As of June 30, 2009, there was no outstanding balance on this loan and the entire loan amount of \$250,000 was available under this program.

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, 2009 was approximately \$68,000. The liability has been recorded in the Government-Wide statements at June 30, 2009. The liability is not recorded in the Fund Statements as it is not expected to be paid with current measurable and available resources.

17. SUBSEQUENT EVENT

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

On September 9, 2009 the Town entered into a 20 year general obligation bond in the amount of \$3,000,000. The proceeds from the bond issuance will be used for construction of a new library. Principal and interest payments commence on September 1, 2010 through September 1, 2029 at an estimated interest rate of 4.25%.

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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, 2009
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.....	6/30/2006	\$ 26,140,455	\$ 32,107,884	\$ (5,967,429)	81.4%	\$ 8,614,394	-69.3%
	6/30/2007	\$ 28,777,664	\$ 33,643,759	\$ (4,866,095)	85.5%	\$ 9,037,436	-53.8%
	6/30/2008	\$ 31,206,540	\$ 35,051,692	\$ (3,845,152)	89.0%	\$ 8,570,160	-44.9%
Post July 1, 2000 Fire employees							
pension plan.....	6/30/2006	\$ 981,959	\$ 1,189,707	\$ (207,748)	82.5%	\$ 1,140,830	-18.2%
	6/30/2007	\$ 1,312,361	\$ 1,299,565	\$ 12,796	101.0%	\$ 1,565,638	0.8%
	6/30/2008	\$ 1,711,089	\$ 1,599,225	\$ 111,864	107.0%	\$ 1,663,174	6.7%

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

Pension Trust Funds**Municipal police**

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

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

TOWN OF JOHNSTON, RHODE ISLAND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND - BUDGETARY BASISFOR THE YEAR ENDED JUNE 30, 2009
UNAUDITED

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Tax revenues:				
Current year	\$ 59,424,291	\$ 59,424,291	\$ 60,023,555	\$ 599,264
1st preceding year	2,262,037	2,262,037	1,618,837	(643,200)
2nd preceding year	323,936	323,936	181,872	(142,064)
All other preceding years	50,000	50,000	74,382	24,382
Abatements	(100,000)	(100,000)	(124,012)	(24,012)
Power plant tax treaty	2,500,000	2,500,000	2,500,000	0
Total revenues	64,460,264	64,460,264	64,274,634	(185,630)
Departmental fees and revenue:				
Business licenses and fees	145,000	145,000	68,854	(76,146)
Non business licenses and fees	1,050,000	1,050,000	664,035	(385,965)
Infrastructure fees	4,000	4,000	17,822	13,822
Tipping fees	500,000	500,000	272,426	(227,574)
Inspection fees:				
Mechanical	48,000	48,000	181,568	133,568
Plumbing	21,000	21,000	39,710	18,710
Building	403,000	403,000	814,069	411,069
Electrical	71,000	71,000	180,223	109,223
Engineering fees	7,000	7,000	11,832	4,832
Interest and penalties on taxes	210,000	210,000	737,894	527,894
Sewer maintenance fees	0	0	3,404	3,404
Planning board fees	45,000	45,000	70,554	25,554
Tax collector's fees	25,000	25,000	36,837	11,837
Investment and interest income	190,000	190,000	178,527	(11,473)
Methane gas	110,000	110,000	117,016	7,016
Zoning board	60,000	60,000	65,264	5,264
Cell phone towers	125,000	125,000	168,363	43,363
Fire rescue fees	710,000	710,000	948,950	238,950
Court fees	564,666	564,666	480,915	(83,751)
Total departmental fees and revenue	4,288,666	4,288,666	5,058,263	769,597
State and federal aid grants:				
State MV phase-out	5,240,728	5,240,728	5,064,868	(175,860)
State aid - school	10,750,364	10,750,364	9,426,836	(1,323,528)
State Fiscal Stabilization Funds (SFSF)	0	0	632,253	632,253
Solid waste in lieu of taxes	4,159,435	4,159,435	4,163,118	3,683
School housing	300,000	300,000	441,354	141,354
State revenue sharing	2,164,904	2,164,904	981,746	(1,183,158)
Federal Housing Authority	30,500	30,500	0	(30,500)
Other - state miscellaneous	265,762	265,762	0	(265,762)
Library aid	122,433	122,433	122,433	0
Statistical property appraisal	0	0	1,365	1,365
Meals and beverage tax	454,311	454,311	412,912	(41,399)
Telephone tax	554,466	554,466	274,183	(280,283)
Total state and federal aid grants	24,042,903	24,042,903	21,521,068	(2,521,835)
Miscellaneous	177,000	177,000	559,030	382,030
School miscellaneous	750,000	750,000	949,317	199,317
Total revenues before other financing sources	93,718,833	93,718,833	92,362,312	(1,356,521)
Other financing sources:				
Transfer from other funds	295,000	295,000	805,352	510,352
Total other financing sources	295,000	295,000	805,352	510,352
Total revenues and other financing sources	94,013,833	94,013,833	93,167,664	(846,169)

(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, 2009
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
Legal counsel	35,000	35,000	-	35,000
Employee benefits	40,827	40,827	22,786	18,041
Department	10,500	10,500	20	10,480
Telephone	3,300	3,300	2,990	310
Office	500	500	0	500
Town Sargent salary	2,400	2,400	2,400	0
Claims	5,000	5,000	0	5,000
Total Town Council	130,227	130,227	60,896	69,331
Mayor:				
Salaries:				
Mayor	75,000	75,000	70,500	4,500
Chief of Staff salary	75,000	75,000	73,269	1,731
Full time salaries	45,500	45,500	45,150	350
Employee benefits	54,920	54,920	42,565	12,355
Office	2,500	2,500	1,832	668
Telephone	1,320	1,320	1,021	299
Department expense	4,000	4,000	3,960	40
Total Mayor	258,240	258,240	238,297	19,943
Courts:				
Probate	7,500	7,500	7,558	(58)
Employee benefits	17,591	17,591	12,035	5,556
Department	600	600	284	316
Total Courts	25,691	25,691	19,877	5,814
Canvassers:				
Salaries:				
Board	6,000	6,000	6,000	0
Full time salaries	62,216	62,216	64,899	(2,683)
Employee benefits	28,786	28,786	26,247	2,539
Office	2,250	2,250	4,609	(2,359)
Department expense	1,000	1,000	438	562
Election and voting	63,800	83,800	60,497	3,303
Total Canvassers	164,052	164,052	162,690	1,362
Legal:				
Salaries	94,000	94,000	86,527	7,473
Paralegal	35,000	35,000	0	35,000
Employee benefits	24,631	24,631	16,992	7,639
Legal services	266,000	266,000	432,510	(166,510)
Claims, judgments and settlements	25,000	25,000	24,185	815
Office	8,629	8,629	7,463	1,166
Total Legal	453,260	453,260	567,677	(114,417)
Town Clerk:				
Full-time salaries	186,335	186,335	185,380	955
Deputy clerk	40,600	40,600	35,834	4,766
Severance pay	0	0	40,533	(40,533)
Employee benefits	96,592	96,592	82,114	14,478
Stenographer	20,000	20,000	13,580	6,420
Department	2,000	2,000	1,874	126
Operating	80,500	80,500	74,759	5,741
Total Town Clerk	406,027	406,027	414,074	(8,047)

(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, 2009
UNAUDITED

	Originally Adopted Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Legislative, judicial and general administrative (continued):				
Zoning Board:				
Salaries	8,800	8,800	8,800	0
Employee benefits	15	15	673	(658)
Stenographer	5,100	5,100	5,207	(107)
Department	6,000	6,000	978	5,022
Total Zoning Board	19,915	19,915	15,658	4,257
Zoning Board of Appeals:				
Board salaries	8,800	8,800		8,800
Conference fees	495	495		495
Training and college	165	165		165
Office expense	605	605		605
Stenographer	5,100	5,100		5,100
Department	620	620		620
Total Zoning Board of Appeals	15,785	15,785	0	15,785
Total legislative, judicial, and general administrative	1,473,197	1,473,197	1,479,169	(5,972)
Financial Administration:				
Finance:				
Salaries	499,365	499,365	450,906	48,459
Severance pay	0	0	36,546	(36,546)
Employee benefits	198,496	198,496	172,974	25,522
Office	4,500	4,500	5,935	(1,435)
Audit	35,000	35,000	35,475	(475)
Consulting fee	143,040	143,040	71,985	71,055
Department	13,100	13,100	20,355	(7,255)
Dues, publications, and subscriptions	500	500	1,970	(1,470)
Equipment service	2,500	2,500	2,395	105
Payroll processing	36,000	36,000	37,018	(1,018)
Training	2,000	2,000	3,974	(1,974)
Fiscal counsel	10,000	10,000	0	10,000
Fiscal advisor	5,000	5,000	1,215	3,785
Computer contracts	8,105	8,105	11,019	(2,914)
Postage	11,600	11,600	9,190	2,410
Conference fees	1,500	1,500	1,465	35
Bank fees	5,000	5,000	4,929	71
Telephone	12,000	12,000	14,267	(2,267)
Bond rating fees	10,000	10,000	0	10,000
Tax collection fees	15,000	15,000	86,225	(71,225)
Total financial administration	1,012,706	1,012,706	967,843	44,863
Assessor:				
Full-time salaries	168,005	168,005	148,147	19,858
Part/over time	12,500	12,500	8,193	4,307
Severance pay	0	0	10,623	(10,623)
Employee benefits	61,313	61,313	55,634	5,679
Dues, publications & subs	500	500	25	475
Processing tax roll	18,000	18,000	11,733	6,267
Bidding and advertising	500	500	503	(3)
Consulting fee	600	600	0	600
Training and college	1,000	1,000	0	1,000
Computer service contracts	10,000	10,000	8,052	1,948
Equipment service contract	2,000	2,000	5,555	(3,555)
Office	5,500	5,500	12,273	(6,773)
Department expense	1,500	1,500	424	1,076
Total assessor	281,418	281,418	261,162	20,256
Federal Coordinator:				
Full-time salaries	10,153	10,153	10,153	0
Employee benefits	777	777	777	0
Total Federal Coordinator	10,930	10,930	10,930	0

(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, 2009
UNAUDITED

	Originally Adopted Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Public safety:				
Police Department:				
Salaries	4,706,575	4,706,575	4,464,222	242,353
Overtime salaries	483,500	483,500	503,815	(20,315)
Holiday salaries	243,476	243,476	224,275	19,201
Training and college	63,000	63,000	53,154	9,846
Training and accreditation	5,000	5,000	4,705	295
Part-time salaries	48,007	48,007	47,950	57
JARE Overtime salaries	160,000	160,000	159,978	22
Employee benefits	1,752,968	1,752,968	1,706,234	46,734
Severance pay	135,000	135,000	458,582	(323,582)
Gasoline	140,000	140,000	136,092	3,908
Arms and ammunition	9,000	9,000	8,522	478
Clothing and maintenance	134,750	134,750	136,834	(2,084)
Firearm allowance	0	0	39,500	(39,500)
Police pension	2,400,000	2,400,000	1,986,179	413,821
Bureau of criminal investigation	16,000	16,000	10,008	5,992
Office	11,800	11,800	11,495	305
Department - chief	3,000	3,000	3,000	0
Retirement	699,290	699,290	605,885	93,405
Retiree health Insurance	808,449	808,449	563,641	244,808
Retiree life insurance	4,816	4,816	4,865	(49)
Dues and publications	1,404	1,404	1,349	55
Radio maintenance	2,000	2,000	2,970	(970)
Vehicle repair	16,000	16,000	8,206	7,794
Equipment rental	7,740	7,740	1,406	6,334
Computer service contracts	32,333	32,333	28,421	3,912
Equipment maintenance	5,963	5,963	5,277	686
Annual physical exam	3,925	3,925	3,833	92
Explorer	9,000	9,000	9,000	0
Heating	15,000	15,000	6,345	8,655
Electric	35,000	35,000	26,434	8,566
Telephone	45,000	45,000	61,505	(16,505)
Water	6,000	6,000	5,743	257
Rent	1,800	1,800	1,800	0
Grant matching funds	12,500	12,500	7,559	4,941
Automobile lease purchase	166,500	166,500	288,741	(122,241)
Department	15,000	15,000	15,846	(846)
Recruits expense	25,600	25,600	2,304	23,296
Information technology	16,828	16,828	2,147	14,681
Longevity	262,802	262,802	246,128	16,674
Animal control	31,036	31,036	6,171	24,865
Total police department	12,536,062	12,536,062	11,860,121	675,941
Municipal Court:				
Full time salaries	150,068	150,068	142,745	7,323
Employee benefits	68,500	68,500	53,898	14,602
Severance pay	0	0	29,950	(29,950)
Postage	500	500	453	47
Utilities	6,000	6,000	3,966	2,034
Office	1,640	1,640	1,427	213
Rent	32,400	32,400	31,376	1,024
Building maintenance	1,180	1,180	1,116	64
Telephone	1,440	1,440	982	458
Service contracts	8,336	8,336	7,403	933
Department	4,630	4,630	4,349	281
Total municipal court	274,694	274,694	277,665	(2,971)

(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, 2009
UNAUDITED

	Originally Adopted Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Public safety (continued):				
Fire department:				
Department salaries	4,773,120	4,773,120	4,657,288	115,832
Holiday salaries	273,404	273,404	271,401	2,003
Sick time salaries	20,000	20,000	18,149	1,851
Employee benefits	1,964,034	1,964,034	1,875,061	88,973
Severance pay	69,000	69,000	712,225	(643,225)
Radio maintenance and supplies	30,000	30,000	17,159	12,841
Fire prevention	12,000	12,000	5,980	6,020
Sanitary supplies	23,034	23,034	15,470	7,564
Clothing and allowance	161,200	161,200	161,200	0
Fire alarm	16,100	16,100	7,087	9,013
First aid and ambulance service	54,973	54,973	45,380	9,593
Gasoline	90,000	90,000	77,684	12,316
Office	15,000	15,000	11,531	3,469
Longevity	535,793	535,793	488,935	46,858
Overtime salaries	1,598,275	1,598,275	2,058,000	(459,725)
Haz-Mat stipend	46,280	46,280	46,142	138
Fire pension	1,801,642	1,801,642	2,026,055	(224,413)
SCBA operations	18,504	18,504	9,705	8,799
Utilities	81,401	81,401	83,787	(2,386)
Telephone	38,500	38,500	53,736	(15,236)
Postage	300	300	238	62
Rent	32,400	32,400	31,443	957
Hydrants	257,000	257,000	134,351	122,649
Military leave	19,777	19,777	4,000	15,777
Hazardous materials	12,829	12,829	0	12,829
Fire chief department	6,280	6,280	2,745	3,535
Retirement	819,079	819,079	765,609	53,470
Retiree health care	699,744	699,744	581,218	118,526
Retiree life insurance	1,000	1,000	1,132	(132)
Training and college	55,000	55,000	39,717	15,283
Equipment rental	233,386	233,386	314,838	(81,452)
Department expense	7,000	7,000	14,779	(7,779)
Building maintenance	6,000	6,000	7,127	(1,127)
Fire fighter equipment and supplies	33,565	33,565	36,060	(2,495)
Physical exam	3,000	3,000	3,000	0
Grant Matching Funds	7,000	7,000	0	7,000
Info Technology	1,200	1,200	0	1,200
Total fire department	13,816,820	13,816,820	14,578,232	(761,412)
Emergency Management:				
Salaries	6,000	6,000	3,035	2,965
Employee benefits	459	459	229	230
Telephone	3,000	3,000	321	2,679
Office supplies	1,000	1,000	100	900
Grant matching funds	1,500	1,500	0	1,500
Total emergency management	11,959	11,959	3,685	8,274
Tenant affairs	689	669	0	689
Total public safety	26,640,224	26,640,224	26,719,703	(79,479)
Public works department:				
Streets and highways:				
Salaries	821,184	821,184	733,047	88,137
Overtime	91,350	91,350	69,627	21,723
Severance	0	0	60,111	(60,111)
Employee benefits	396,907	396,907	355,380	41,527
Snow removal	220,000	220,000	351,435	(131,435)
Drainage	10,000	10,000	1,454	8,546
Street lighting	500,000	500,000	463,004	36,996
Street and traffic control	10,000	10,000	13,156	(3,156)
Street and highway materials	50,000	50,000	38,901	11,099

(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, 2009
UNAUDITED

	Originally Adopted Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Public works department (Continued):				
Streets and highways (Continued):				
Advertising	100	100	0	100
Equipment maintenance	2,500	2,500	3,965	(1,465)
Capital purchases	0	0	557,404	(557,404)
Department expense	2,000	2,000	1,465	535
Safety equipment	0	0	6,892	(6,892)
Detention basin maintenance	20,000	20,000	0	20,000
Total streets and highways	2,124,041	2,124,041	2,655,841	(531,800)
Building maintenance:				
Salaries	196,700	196,700	190,597	6,103
Part time	16,546	16,546	4,626	11,920
Overtime	7,105	7,105	6,188	917
Severance	0	0	43,981	(43,981)
Employee benefits	121,876	121,876	95,447	26,429
Building supplies	60,500	60,500	47,624	12,876
Department expense	1,100	1,100	313	787
Total building maintenance	403,827	403,827	388,776	15,051
Public Works Administration:				
Salaries	240,005	240,005	231,481	8,524
Overtime	500	500	5,049	(4,549)
Employee benefits	78,739	78,739	59,644	19,095
Emergency management	5,000	5,000	0	5,000
Garbage collections	1,472,857	1,472,857	1,531,771	(58,914)
Recycling bins	3,000	3,000	5,995	(2,995)
Safety equipment	7,000	7,000	4,168	2,832
Tree Removal	15,000	15,000	14,490	510
Gasoline	90,160	90,160	81,226	8,934
Leased equipment	95,286	95,286	102,229	(6,943)
Telephone	23,610	23,610	23,850	(240)
Utilities	45,100	45,100	41,418	3,682
Office expense	8,350	8,350	9,838	(1,488)
Department	1,500	1,500	3,776	(2,276)
Uniforms	15,100	15,100	15,024	76
Total Public Works Administration	2,101,207	2,101,207	2,129,959	(28,752)
Sewer Department:				
Service salaries	128,125	128,125	119,225	8,900
Overtime salaries	500	500	0	500
Employee benefits	40,985	40,985	30,203	10,782
Equipment rental	250	250	0	250
Department	500	500	704	(204)
Total sewer department	170,360	170,360	150,132	20,228
Waste water management:				
Part time salaries	7,920	7,920	6,744	1,176
Employee benefits	1,157	1,157	1,045	112
Postage	600	600	575	25
Bidding and advertising	300	300	799	(499)
Board salaries	7,200	7,200	6,917	283
Leased equipment	300	300	0	300
Office expense	250	250	0	250
Department expense	500	500	0	500
Total waste water management	18,227	18,227	16,080	2,147

(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, 2009
UNAUDITED

	Originally Adopted Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Fleet maintenance:				
Salaries	211,867	211,867	151,486	60,381
Overtime salaries	15,000	15,000	18,179	(3,179)
Employee benefits	134,484	134,484	96,613	37,871
Vehicle repair - Utility	1,500	1,500	787	713
Vehicle repair - Police	55,000	55,000	31,738	23,262
Vehicle repair - Fire	65,000	65,000	186,772	(121,772)
Vehicle repair - Highway	85,000	85,000	60,746	24,254
Vehicle repair - Inspectors	2,200	2,200	0	2,200
Department	1,000	1,000	44	956
Total fleet maintenance	571,051	571,051	546,365	24,686
Utilities:				
Salaries	242,018	242,018	207,999	34,019
Overtime salaries	42,000	42,000	31,699	10,301
Employee benefits	133,289	133,289	99,522	33,767
Heat	500	500	264	236
Materials	2,000	2,000	1,161	839
Department	1,000	1,000	33	967
Sewer pumping station maintenance	38,000	38,000	32,243	5,757
Pump station electric	14,000	14,000	8,524	5,476
Sewer Damage Claims	45,000	45,000	78,905	(33,905)
Repairs-sewer systems	15,000	15,000	65,616	(50,616)
Contingency	100	100	0	100
Total utilities	532,907	532,907	525,966	6,941
Inspector's fees:				
Salaries	77,581	77,581	33,561	44,020
Overtime	300	300	927	(627)
Severance	0	0	12,616	(12,616)
Plumbing inspector	14,906	14,906	14,800	106
Building inspector	20,056	20,056	14,232	5,824
Electrical inspector	14,906	14,906	14,800	106
Mechanical inspector-reliant	7,917	7,917	5,045	2,872
Building official	60,900	60,900	53,862	7,038
Employee benefits	79,377	79,377	56,691	22,686
Training and college	800	800	0	800
Dues, publications and subscriptions	200	200	125	75
Office	4,800	4,800	3,892	908
Leased equipment	3,500	3,500	3,502	(2)
Minimum housing officer	45,676	45,676	44,654	1,022
Department	3,000	3,000	2,615	385
Building Consultant	100	100	0	100
Total Inspector's office	334,019	334,019	261,322	72,697

(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, 2009
UNAUDITED

	Originally Adopted Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Public works department (Continued):				
Parks and recreation:				
Park salaries	466,598	466,598	431,630	34,968
Recreation salaries	158,110	158,110	166,786	(8,676)
Overtime salaries	7,500	7,500	24,104	(16,604)
Part time seasonal salaries	5,000	5,000	340	4,660
Severance pay	0	0	25,913	(25,913)
Employee benefits	358,518	358,518	280,531	77,987
Equipment maintenance and supplies	3,000	3,000	2,679	321
Park maintenance	20,500	20,500	20,926	(426)
Vehicle repairs	7,000	7,000	6,453	547
Equipment lease	3,200	3,200	16,278	(13,078)
Recreation supplies	500	500	392	108
Utilities	32,750	32,750	39,029	(6,279)
Gasoline	13,800	13,800	17,835	(4,035)
Telephone	7,700	7,700	12,892	(5,192)
Uniforms	4,000	4,000	5,852	(1,852)
Office	2,000	2,000	1,287	713
Day camp	1,500	1,500	0	1,500
Parking rental	5,000	5,000	5,000	0
Department	6,000	6,000	7,548	(1,548)
Total parks and recreation	1,102,676	1,102,676	1,065,475	37,201
Total public works	7,358,315	7,358,315	7,739,916	(381,601)
Municipal land trust:				
Employee benefits	551	551	551	0
Board salaries	7,200	7,200	7,200	0
Stenographer	400	400	0	400
Total Municipal land trust	8,151	8,151	7,751	400
Human resources:				
General Public Assistance:				
Salaries	15,123	15,123	15,279	(156)
Employee benefits	1,371	1,371	1,381	(10)
Department	1,000	1,000	1,000	0
Food stamps and holidays	1,000	1,000	700	300
Total general public assistance	18,494	18,494	18,360	134
Personnel:				
Full time salaries	59,518	59,518	51,723	7,795
Severance pay	0	0	29,828	(29,828)
Employee benefits	45,068	45,068	27,192	17,876
Board Salaries	1,400	1,400	225	1,175
Office	500	500	187	313
Department	1,000	1,000	575	425
Total personnel	107,486	107,486	109,730	(2,244)
Total human resources	125,980	125,980	128,090	(2,110)

(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, 2009
UNAUDITED

	Originally Adopted Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Miscellaneous appropriations:				
Liability insurance and workman's compensation	1,082,000	1,082,000	923,116	158,884
Payroll taxes (FICA)	20,863	20,863	12,170	8,693
Retirement	0	0	9,324	(9,324)
Blue cross and group insurance	917,667	917,667	1,015,886	(98,219)
Stop - loss health insurance	250,000	250,000	250,000	0
Dues, publications, and subscriptions	5,000	5,000	0	5,000
Sealer of weights and measures	6,000	6,000	6,000	0
Tree warden	600	600	0	600
Contingency	5,000	5,000	17,035	(12,035)
Grants	1,500	1,500	0	1,500
Medical insurance mgt costs	14,000	14,000	0	14,000
Human needs program	0	0	4,988	(4,988)
Rent	3,800	3,800	3,800	0
Unemployment compensation	15,000	15,000	2,332	12,668
Police/Fire Pension Actuarial	20,000	20,000	14,000	6,000
Johnston Mental Health	24,750	24,750	0	24,750
Johnston Senior Citizen Center, Inc.	237,527	237,527	211,443	26,084
Tri-Town	30,000	30,000	30,000	0
Utilities	24,000	24,000	26,749	(2,749)
Equipment lease	20,145	20,145	27,180	(7,035)
Capital expense	250,000	250,000	150,738	99,262
Unfunded pension liability	480,230	480,230	480,230	0
Blue cross reimbursements	137,899	137,899	138,981	(1,082)
Total miscellaneous appropriations	3,545,981	3,545,981	3,323,972	222,009
Planning and Assessment Board:				
Planning Board:				
Salaries	117,734	117,734	109,535	8,199
Overtime	2,030	2,030	670	1,360
Board salaries	7,200	7,200	7,200	0
Employee benefits	33,888	33,888	24,427	9,461
Stenographer	6,000	6,000	4,775	1,225
Dues, publications, and subscriptions	300	300	0	300
Department	500	500	0	500
Office	1,500	1,500	1,219	281
Bidding and advertising	9,000	9,000	1,120	7,880
Total planning board	178,152	178,152	148,946	29,206
Assessment Board:				
Board salaries	2,550	2,550	2,550	0
FICA	195	195	195	0
Total assessment board	2,745	2,745	2,745	0
Total planning and assessment board	180,897	180,897	151,691	29,206

(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, 2009
UNAUDITED

	Originally Adopted Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Library:				
Full time salaries	290,070	290,070	267,609	22,461
Part time salaries	104,397	104,397	90,577	13,820
Overtime	4,000	4,000	196	3,804
FICA	30,483	30,483	27,130	3,353
Blue Cross	102,468	102,468	48,196	54,272
Life Insurance	2,400	2,400	2,362	38
Delta Dental	5,843	5,843	4,085	1,758
Retirement Town's share	32,465	32,465	29,517	2,948
Dues and publications	40,550	40,550	40,893	(343)
Computer service contracts	23,700	23,700	23,626	74
Postage	2,500	2,500	1,536	964
Bidding and advertising	500	500	0	500
Training	250	250	0	250
Auto expense	250	250	524	(274)
Conferences	500	500	165	335
Sanitary supplies	800	800	0	800
Printing	1,100	1,100	280	820
Heat	5,000	5,000	4,050	950
Electric	14,000	14,000	9,645	4,355
Telephone	3,000	3,000	2,297	703
Water	1,000	1,000	1,139	(139)
Building Maintenance	4,000	4,000	2,254	1,746
Office supplies	4,600	4,600	4,744	(144)
Department expense	3,500	3,500	3,385	115
Total library	677,376	677,376	564,210	113,166
Debt service:				
Principal	1,283,833	1,283,833	1,283,833	0
Interest	1,025,234	1,025,234	1,089,415	(64,181)
Total debt service	2,309,067	2,309,067	2,373,248	(64,181)
Total expenditures before other financing uses:	43,624,242	43,624,242	43,727,685	(103,443)
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	11,500,364	11,500,364	10,376,153	1,124,211
Transfer to School - Federal SFSF	0	0	832,253	(832,253)
Transfer to Non-Major Governmental Funds	0	0	373,103	(373,103)
Total other budgeted financing uses	50,389,591	50,389,591	48,510,524	1,879,067
Total expenditures and other budgeted financing uses	94,013,833	94,013,833	92,238,209	1,775,624
Net change in fund balance	\$ -	\$ -	\$ 929,455	\$ 929,455

(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, 2009
UNAUDITED**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:				
Expenditures:				
Salaries	\$ 24,555,149	\$ 25,076,573	\$ 25,581,794	\$ (505,221)
Employee benefits	13,164,137	12,548,823	11,553,656	995,167
Purchased services	9,904,169	9,998,236	9,088,153	910,083
Supplies and materials	717,563	717,563	1,245,882	(528,319)
Other	213,361	213,184	27,086	186,098
Capital outlay	75,000	75,000	161,845	(86,845)
Total expenditures	48,629,379	48,629,379	47,658,416	970,963
Excess (deficiency) of revenues over (under) expenditures	(48,629,379)	(48,629,379)	(47,658,416)	970,963
Other financing sources (uses):				
Transfer from Town of Johnston General Fund	37,129,015	37,129,015	37,129,015	-
Transfer from Town General Fund - State Aid	10,750,364	10,750,364	9,426,836	(1,323,528)
Transfer from Town General Fund - Federal SFSF	-	-	632,253	632,253
Transfer from Town General Fund - Medicaid & Other	750,000	750,000	949,317	199,317
Total other financing sources (uses)	48,629,379	48,629,379	48,137,421	(491,958)
 NET CHANGE IN FUND BALANCES	 \$ -	 \$ -	 \$ 479,005	 \$ 479,005

TOWN OF JOHNSTON, RHODE ISLAND

**Required Supplementary Information
Schedule of Funding Progress for OPEB Plans
Pay-As-You-Go Assumptions
June 30, 2009
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	\$0	\$ 226,245,500	\$ (226,245,500)	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.

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TOWN OF JOHNSTON, RHODE ISLAND

OTHER SUPPLEMENTARY INFORMATION

TOWN OF JOHNSTON, RHODE ISLAND

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes. The following funds are considered Special Revenue Funds at June 30, 2009:

****School Restricted Funds**

**Community Development Block Grant
Johnston Comprehensive Plan
Underage Drinking
Seatbelt Grant
Police Special Account
Recreation Department
Governors Justice Commission
Substance Abuse Prevention Grant
Blue Riptide Grant
Police Detail
Youth Tobacco Grant
Recreation Fees From Developers
Historical Trust Fund
COPS Technology Grant
Fire Plan Review
Neighborhood Crime Prevention**

**Fire Memorial Fund
Fire Prevention Grant
Memorial Library Fund
Champlin Foundation
Cops in School
Police Vest Grant
Fire Department Detail
Fire Equipment Grant
EMA Certification Grant
Homeland Security Grant
Emergency OPS Grant
Federal JAG Grant
State JAG Grant
Reserve Healthcare Fund
OPEB
Storm Water Management Grant
Secure Our Schools**

**School Restricted Funds are comprised of the following:

**Preschool IDEA Section 619
IDEA Part B
UCOA
Title I
Title V
Homeland Security
Achieve Algebra Grant
Title IV
Title II
Title III**

**Literacy
MCI Project
RI Education Foundation
Walmart Grant
Donation & Miscellaneous Grant
Perkins Vocational
General Assembly
Champlin MS
Feinstein**

TOWN OF JOHNSTON, RHODE ISLAND

NONMAJOR GOVERNMENTAL FUNDS (Continued)

CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds. Funding sources include debt proceeds, intergovernmental sources, third party contributions and General Fund operating transfers. The following funds are considered Capital Project Funds at June 30, 2009:

1998 Capital Improvement Bond
Senior Center Grant
AutoCad Map Digitizing
Fire Station #4 Renovations
Police Station Renovations
Police Equipment
Tall Oaks Sewer
DEM Grant
School Improvements
West End Fire Station
Road Resurfacing
Revaluation Reserve
Highland Avenue Drainage
High School Renovation
Middle School Renovation
Ferri School Renovation
West End Water
Rotary Drive Sewer Project
Library Renovations
Town Hall Repair
Unobligated Capital Fund
Sewer Project Capri & Bellaire
Tanglewood Estates
Hartford Avenue 295 Project
Fire Headquarters Replacement
Ralnone Gym Renovations
Little League Field

DAM Renovations
Pezza Property Acquisition
Champlin Community Park
Fire Station #2
Early Learning Center
Capital Lease
Memorial Park Playground
Police Station Construction
Recreation Building Repairs
Senior Center Tank Removal
Fire HQ Renovations
Fire HQ HVAC
Fire Oil Tank
DPW Backflow Program
Lombardi Judgment
Recreation Bridge Repair
Open Space Grant
Carte Graph Software
Little League Asphalt
Hazard Mitigation Plan
Winsor Hill School
Fire Station #1
Library Building
Golden View Drainage
Cherry Hill Sewer
Borden Avenue Water

TOWN OF JOHNSTON, RHODE ISLAND

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2009**

	SPECIAL REVENUE FUNDS											
	School Restricted Fund	Community Development Block Grant	Johnston Comprehensive Plan	Underage Drinking	Seat Belt Grant	Police Special Account	Recreation Department	Governors Justice Commission	Substance Abuse Prevention Grant	Blue Riptide Grant	Police Detail	Youth Tobacco Grant
ASSETS												
Cash and cash equivalents		\$ 9,620				\$ 128,978	\$ 31,206					
Accounts and other receivables											\$ 119,287	
Due from federal & state governments	\$ 714,902	10,945										\$ 2,400
Due from other funds	42,580								\$ 5,068	\$ 4,292	217,492	
TOTAL ASSETS	\$ 757,482	\$ 20,565	\$ -	\$ -	\$ -	\$ 128,978	\$ 31,206	\$ -	\$ 5,068	\$ 4,292	\$ 336,779	\$ 2,400
LIABILITIES AND FUND BALANCE												
LIABILITIES												
Accounts payable	\$ 16,020											
Due to federal & state governments						\$ 1,611						
Due to other funds	692,351						\$ 25,459					
Deferred revenue	6,946	\$ 20,565										
TOTAL LIABILITIES	715,317	20,565	\$ -	\$ -	\$ -	1,611	25,459	\$ -	\$ -	\$ -	\$ -	\$ -
FUND BALANCES												
Reserved for encumbrances	25,842											
Unreserved	16,323	0	0	0	0	127,367	5,747	0	5,068	4,292	336,779	2,400
TOTAL FUND BALANCES	42,165	0	0	0	0	127,367	5,747	0	5,068	4,292	336,779	2,400
TOTAL LIABILITIES AND FUND BALANCES	\$ 757,482	\$ 20,565	\$ -	\$ -	\$ -	\$ 128,978	\$ 31,206	\$ -	\$ 5,068	\$ 4,292	\$ 336,779	\$ 2,400

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2009

	SPECIAL REVENUE FUNDS										
	Recreation Fees From Developers	Historical Trust Fund	COPS Technology Grant	Fire Plan Review	Neighborhood Crime Prevention	Fire Memorial Fund	Fire Prevention Grant	Memorial Library Fund	Champlin Foundation	Cops in School	Police Vest Grant
ASSETS											
Cash and cash equivalents		\$ 227,028						\$ 129,494			
Accounts and other receivables								1,500			
Due from federal & state governments											
Due from other funds		86,388		\$ 330,552			\$ 1,020				
TOTAL ASSETS	\$ -	\$ 313,416	\$ -	\$ 330,552	\$ -	\$ -	\$ 1,020	\$ 130,994	\$ -	\$ -	\$ -
LIABILITIES AND FUND BALANCE											
LIABILITIES											
Accounts payable		\$ 558									
Due to federal & state governments											
Due to other funds											
Deferred revenue											
TOTAL LIABILITIES	\$ -	\$ 558	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FUND BALANCES											
Reserved for encumbrances											
Unreserved	0	312,858	0	330,552	0	0	1,020	130,994	-	-	-
TOTAL FUND BALANCES	0	312,858	0	330,552	0	0	1,020	130,994	0	0	0
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ 313,416	\$ -	\$ 330,552	\$ -	\$ -	\$ 1,020	\$ 130,994	\$ -	\$ -	\$ -

TOWN OF JOHNSTON, RHODE ISLAND

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2009

SPECIAL REVENUE FUNDS												
	Fire Dept. Detail	Fire Equipment Grant	EMA Certification Grant	Homeland Security Grant	Emergency OPS Grant	Federal JAG Grant	State JAG Grant	Reserve Health Care	OPEB	Storm Water Management Grant	Secure Our Schools	Total Special Revenue Fund
ASSETS												
Cash and cash equivalents												\$ 526,326
Accounts and other receivables												119,287
Due from federal & state governments												729,747
Due from other funds								\$ 271,370	\$ 100,000		\$ 30,791	1,089,553
TOTAL ASSETS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 271,370	\$ 100,000	\$ -	\$ 30,791	\$ 2,464,913
LIABILITIES AND FUND BALANCE												
LIABILITIES												
Accounts payable												\$ 16,578
Due to federal & state governments												1,611
Due to other funds								\$ 100,000				817,810
Deferred revenue												27,511
TOTAL LIABILITIES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	100,000	\$ -	\$ -	\$ -	863,510
FUND BALANCES												
Reserved for encumbrances												25,842
Unreserved	0	0	0	0	0	0	0	171,370	100,000	0	30,791	1,575,561
TOTAL FUND BALANCES	0	0	0	0	0	0	0	171,370	100,000	0	30,791	1,601,403
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 271,370	\$ 100,000	\$ -	\$ 30,791	\$ 2,464,913

TOWN OF JOHNSTON, RHODE ISLAND

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2009

CAPITAL PROJECT FUNDS

	1998 Capital Improvement Bond	Senior Center Grant	AutoCad Map Digitizing	Fire Station #4 Renovations	Police Station Renovations	Police Equipment	Tall Oaks Sewer	DEM Grant	School Improvements	West End Fire Station	Road Resurfacing
ASSETS											
Cash and cash equivalents	\$ 770,606									\$ 2,264,950	
Accounts and other receivables											
Due from federal & state governments											
Due from other funds			\$ 14,244			\$ 9,586			\$ 10,900		
TOTAL ASSETS	\$ 770,606	\$ -	\$ 14,244	\$ -	\$ -	\$ 9,586	\$ -	\$ -	\$ 10,900	\$ 2,264,950	\$ -
LIABILITIES AND FUND BALANCE											
LIABILITIES											
Accounts payable	\$ 2,725									\$ 8,300	
Due to federal & state governments											
Due to other funds	359,216	\$ 195,301									
Deferred revenue											
TOTAL LIABILITIES	361,941	195,301	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	8,300	\$ -
FUND BALANCES											
Reserved for encumbrances											
Unreserved	408,665	(195,301)	14,244	0	0	9,586	0	0	10,900	2,256,650	-
TOTAL FUND BALANCES	408,665	(195,301)	14,244	0	0	9,586	0	0	10,900	2,256,650	0
TOTAL LIABILITIES AND FUND BALANCES	\$ 770,606	\$ -	\$ 14,244	\$ -	\$ -	\$ 9,586	\$ -	\$ -	\$ 10,900	\$ 2,264,950	\$ -

TOWN OF JOHNSTON, RHODE ISLAND

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2009

CAPITAL PROJECT FUNDS

	Revaluation Reserve	Highland Ave Drainage	High School Renovation	Middle School Renovation	Ferri School Renovation	West End Water	Rotary Drive Sewer Project	Library Renovations	Town Hall Repair	Unobligated Capital Fund	Sewer Project Capri & Belliare
ASSETS											
Cash and cash equivalents											
Accounts and other receivables											
Due from federal & state governments											
Due from other funds		\$ 111,970	\$ 620,758		\$ 85,854	\$ 47,257				\$ 45,327	
TOTAL ASSETS	\$ -	\$ 111,970	\$ 620,758	\$ -	\$ 85,854	\$ 47,257	\$ -	\$ -	\$ -	\$ 45,327	\$ -
LIABILITIES AND FUND BALANCE											
LIABILITIES											
Accounts payable											
Due to federal & state governments											
Due to other funds				\$ 123,410							
Deferred revenue											
TOTAL LIABILITIES	\$ -	\$ -	\$ -	\$ 123,410	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FUND BALANCES											
Reserved for encumbrances											
Unreserved	0	111,970	620,758	(123,410)	85,854	47,257	0	0	0	45,327	0
TOTAL FUND BALANCES	0	111,970	620,758	(123,410)	85,854	47,257	0	0	0	45,327	0
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ 111,970	\$ 620,758	\$ -	\$ 85,854	\$ 47,257	\$ -	\$ -	\$ -	\$ 45,327	\$ -

TOWN OF JOHNSTON, RHODE ISLAND

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2009

	CAPITAL PROJECT FUNDS										
	Tanglewood Estates	Hartford Avenue 295 Project	Fire Headquarters Replacement	Rainone Gym Renovations	Little League Field	DAM Renovations	Pezza Property Acquisition	Champlin Community Park	Fire Station #2	Early Learning Center	Capital Lease
ASSETS											
Cash and cash equivalents							\$ 5,837				
Accounts and other receivables											
Due from federal & state governments											
Due from other funds				\$ 17,021		\$ 57,745	36,404	\$ 22,970			
TOTAL ASSETS	\$ -	\$ -	\$ -	\$ 17,021	\$ -	\$ 57,745	\$ 42,241	\$ 22,970	\$ -	\$ -	\$ -
LIABILITIES AND FUND BALANCE											
LIABILITIES											
Accounts payable											
Due to federal & state governments											
Due to other funds											
Deferred revenue											
TOTAL LIABILITIES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FUND BALANCES											
Reserved for encumbrances											
Unreserved	0	0	0	17,021	0	57,745	42,241	22,970	0	0	0
TOTAL FUND BALANCES	0	0	0	17,021	0	57,745	42,241	22,970	0	0	0
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ -	\$ -	\$ 17,021	\$ -	\$ 57,745	\$ 42,241	\$ 22,970	\$ -	\$ -	\$ -

TOWN OF JOHNSTON, RHODE ISLAND

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2009**

	CAPITAL PROJECT FUNDS											
	Memorial Park Playground	Police Station Construction	Recreation Bldg Repairs	Senior Ctr Tank Removal	Fire HQ Renovations	Fire HQ HVAC	Fire Oil Tank	DPW Backflow Program	Lombardi Judgment	Recreation Bridge Repair	Open Space Grant	Carte Graph Software
ASSETS												
Cash and cash equivalents												
Accounts and other receivables												
Due from federal & state governments												
Due from other funds		\$ 200,903									\$ 58,160	
TOTAL ASSETS	\$ -	\$ 200,903	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 58,160	\$ -
LIABILITIES AND FUND BALANCE												
LIABILITIES												
Accounts payable												
Due to federal & state governments												
Due to other funds												
Deferred revenue												
TOTAL LIABILITIES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FUND BALANCES												
Reserved for encumbrances												
Unreserved	0	200,903	0	0	0	0	0	0	0	0	58,160	0
TOTAL FUND BALANCES	0	200,903	0	0	0	0	0	0	0	0	58,160	0
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ 200,903	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 58,160	\$ -

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2009

	CAPITAL PROJECT FUNDS									
	Little League Asphalt	Hazard Mitigation Plan	Winsor Hill School	Fire Station #1	Library Building	Golden View Drainage	Cherry Hill Sewer	Borden Ave Water	Total Capital Project Funds	Total Nonmajor Government Funds
ASSETS										
Cash and cash equivalents									\$ 3,041,393	\$ 3,567,719
Accounts and other receivables									-	119,287
Due from federal & state governments									-	729,747
Due from other funds						\$ 1,592	\$ 5,117		1,345,808	2,435,361
TOTAL ASSETS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,592	\$ 5,117	\$ -	\$ 4,387,201	\$ 6,852,114
LIABILITIES AND FUND BALANCE										
LIABILITIES										
Accounts payable						\$ 1,592	\$ 5,117		\$ 17,734	\$ 34,312
Due to federal & state governments									0	1,611
Due to other funds			\$ 284,285	\$ 279,951	108,878				1,351,041	2,168,851
Deferred revenue									-	27,511
TOTAL LIABILITIES	\$ -	\$ -	284,285	279,951	108,878	1,592	5,117	\$ -	1,368,775	2,232,285
FUND BALANCES										
Reserved for encumbrances									0	25,842
Unreserved	0	0	(284,285)	(279,951)	(108,878)	0	0	0	3,018,426	4,593,987
TOTAL FUND BALANCES	0	0	(284,285)	(279,951)	(108,878)	0	0	0	3,018,426	4,619,829
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,592	\$ 5,117	\$ -	\$ 4,387,201	\$ 6,852,114

(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, 2009

SPECIAL REVENUE FUNDS

	School Restricted Fund	Community Development Block Grant	Johnston Comprehensive Plan	Underage Drinking	Seat Belt Grant	Police Special Account	Recreation Department	Governors Justice Commission	Substance Abuse Prevention Grant	Blue Riptide Grant	Police Detail	Youth Tobacco Grant
REVENUES												
Federal and state grants	\$ 1,687,257	\$ 84,158		\$ 6,181	\$ 1,167					\$ 25,068		\$ 2,833
Investment income							\$ 342					
Other	34,032					\$ 48,790	19,075	\$ 2,507	\$ 30,778		\$ 851,828	
Total revenues	<u>1,721,289</u>	<u>84,158</u>	<u>\$ -</u>	<u>6,181</u>	<u>1,167</u>	<u>48,790</u>	<u>19,417</u>	<u>2,507</u>	<u>30,778</u>	<u>25,068</u>	<u>851,828</u>	<u>2,833</u>
EXPENDITURES												
Current:												
Education	1,944,149											
Other expenses		84,158	10,400	5,818	1,167	3,687	31,364		29,304	20,776	667,760	1,077
Capital outlays												
Total expenditures	<u>1,944,149</u>	<u>84,158</u>	<u>10,400</u>	<u>5,818</u>	<u>1,167</u>	<u>3,687</u>	<u>31,364</u>	<u>-</u>	<u>29,304</u>	<u>20,776</u>	<u>667,760</u>	<u>1,077</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(222,860)</u>	<u>0</u>	<u>(10,400)</u>	<u>363</u>	<u>0</u>	<u>45,103</u>	<u>(11,947)</u>	<u>2,507</u>	<u>1,474</u>	<u>4,292</u>	<u>184,068</u>	<u>1,756</u>
Other financing sources (uses):												
Issuance of bonds and lease purchase obligations												
Transfers in	240,815		5,706			5,217	39,000					
Transfers out							(25,000)	(2,507)			(150,000)	
Total other financing sources	<u>240,815</u>	<u>0</u>	<u>5,706</u>	<u>0</u>	<u>0</u>	<u>5,217</u>	<u>14,000</u>	<u>(2,507)</u>	<u>0</u>	<u>0</u>	<u>(150,000)</u>	<u>0</u>
Net change in fund balances	<u>17,955</u>	<u>0</u>	<u>(4,694)</u>	<u>363</u>	<u>0</u>	<u>50,320</u>	<u>2,053</u>	<u>0</u>	<u>1,474</u>	<u>4,292</u>	<u>34,068</u>	<u>1,756</u>
Fund balances (deficits) - July 1, 2008	<u>24,210</u>	<u>0</u>	<u>4,694</u>	<u>(363)</u>	<u>0</u>	<u>77,047</u>	<u>3,694</u>	<u>0</u>	<u>3,594</u>	<u>0</u>	<u>302,711</u>	<u>644</u>
Fund balances (deficits) - June 30, 2009	<u>\$ 42,165</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 127,367</u>	<u>\$ 5,747</u>	<u>\$ -</u>	<u>\$ 5,068</u>	<u>\$ 4,292</u>	<u>\$ 336,779</u>	<u>\$ 2,400</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, 2009**

	SPECIAL REVENUE FUNDS										
	Recreation Fees From Developers	Historical Trust Fund	COPS Technology Grant	Fire Plan Review	Neighborhood Crime Prevention	Fire Memorial Fund	Fire Prevention Grant	Memorial Library Fund	Champlin Foundation	Cops in School	Police Vest Grant
REVENUES											
Federal and state grants											
Investment income		\$ 1,821						\$ 869			
Other		103,930		\$ 272,361	\$ 984	\$ 2,038	\$ 510	2,901			\$ 1,700
Total revenues	\$ -	105,751	\$ -	272,361	984	2,038	510	3,770	\$ -	\$ -	1,700
EXPENDITURES											
Current:											
Education											
Other expenses	200	2,777				1,870	2,590	1,905	34		33,089
Capital outlays										85,313	
Total expenditures	200	2,777	-	-	-	1,870	2,590	1,905	34	85,313	33,089
Excess (deficiency) of revenues over (under) expenditures	(200)	102,974	-	272,361	984	168	(2,080)	1,865	(34)	(85,313)	(31,389)
Other financing sources (uses):											
Issuance of bonds and lease purchase obligations											
Transfers in			4,999							85,313	32,020
Transfers out					(1,013)						
Total other financing sources	0	0	4,999	0	(1,013)	0	0	0	0	85,313	32,020
Net change in fund balances	(200)	102,974	4,999	272,361	(29)	168	(2,080)	1,865	(34)	0	631
Fund balances (deficits) - July 1, 2008	200	209,884	(4,999)	58,191	29	(168)	3,100	129,129	34	0	(631)
Fund balances (deficits) - June 30, 2009	\$ -	\$ 312,858	\$ -	\$ 330,552	\$ -	\$ -	\$ 1,020	\$ 130,994	\$ -	\$ -	\$ -

(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, 2009**

SPECIAL REVENUE FUNDS

	Fire Dept. Detail	Fire Equipment Grant	EMA Certification Grant	Homeland Security Grant	Emergency OPS Grant	Federal JAG Grant	State JAG Grant	Reserve Health Care	OPEB	Storm Water Management Grant	Secure Our Schools	Total Special Revenue Funds
REVENUES												
Federal and state grants				\$ 297,716		\$ 30,374	\$ 26,240					\$ 2,160,994
Investment income												3,032
Other	\$ 89,412		\$ 1,724		\$ 719							1,463,289
Total revenues	89,412	\$ -	1,724	297,716	719	30,374	26,240	\$ -	\$ -	\$ -	\$ -	3,627,315
EXPENDITURES												
Current:												
Education												1,944,149
Other expenses	57,994		1,839	281,278	719	14,150	26,240			17,011		1,297,207
Capital outlays				16,438		16,224						117,975
Total expenditures	57,994	-	1,839	297,716	719	30,374	26,240	-	-	17,011	-	3,359,331
Excess (deficiency) of revenues over (under) expenditures	31,418	-	(115)	0	0	0	0	0	0	(17,011)	0	267,984
Other financing sources (uses):												
Issuance of bonds and lease purchase obligations												
Transfers in									100,000	23,314		536,384
Transfers out	(20,000)	(2,812)						(100,000)				(301,332)
Total other financing sources	(20,000)	(2,812)	0	0	0	0	0	(100,000)	100,000	23,314	0	235,052
Net change in fund balances	11,418	(2,812)	(115)	0	0	0	0	(100,000)	100,000	6,303	0	503,036
Fund balances (deficits) - July 1, 2008	(11,418)	2,812	115	0	0	0	0	271,370	0	(6,303)	30,791	1,098,367
Fund balances (deficits) - June 30, 2009	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 171,370	\$ 100,000	\$ -	\$ 30,791	\$ 1,601,403

(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, 2009

	CAPITAL PROJECT FUNDS										
	1998 Capital Improvement Bond	Senior Center Grant	AutoCad Map Digitizing	Fire Station #4 Renovations	Police Station Renovations	Police Equipment	Tall Oaks Sewer	DEM Grant	School Improvements	West End Fire Station	Road Resurfacing
REVENUES											
Federal and state grants											
Investment income	\$ 12,015									\$ 22,734	
Other	408,642						507	9,747		1,150,000	
Total revenues	420,657	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 507	\$ 9,747	\$ -	1,172,734	\$ -
EXPENDITURES											
Current:											
Education											
Other expenses	7,604							37	5,100		99,262
Capital outlays	345,474					10,900				185,976	
Total expenditures	353,078	-	-	-	-	10,900	-	37	5,100	185,976	99,262
Excess (deficiency) of revenues over (under) expenditures	67,579	0	0	0	0	(10,900)	507	9,710	(5,100)	986,758	(99,262)
Other financing sources (uses):											
Issuance of bonds and lease purchase obligations											
Transfers in											
Transfers out				(5,500)	(4,041)			(9,710)			
Total other financing sources	0	0	0	(5,500)	(4,041)	0	0	(9,710)	0	0	0
Net change in fund balances	67,579	0	0	(5,500)	(4,041)	(10,900)	507	0	(5,100)	986,758	(99,262)
Fund balances (deficits) - July 1, 2008	341,086	(195,301)	14,244	5,500	4,041	20,486	(507)	0	16,000	1,269,892	99,262
Fund balances (deficits) - June 30, 2009	\$ 408,665	\$ (195,301)	\$ 14,244	\$ -	\$ -	\$ 9,586	\$ -	\$ -	\$ 10,900	\$ 2,256,650	\$ -

(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, 2009

	CAPITAL PROJECT FUNDS										
	Revaluation Reserve	Highland Ave Drainage	High School Renovation	Middle School Renovation	Ferri School Renovation	West End Water	Rotary Drive Sewer Project	Library Renovations	Town Hall Repair	Unobligated Capital Fund	Sewer Project Capri & Belliare
REVENUES											
Federal and state grants											
Investment income		\$ 2,130	\$ 2,986	\$ 3,709	\$ 1,731	\$ 247					\$ 209
Other											
Total revenues	\$ -	2,130	2,986	3,709	1,731	247	\$ -	\$ -	\$ -	\$ -	209
EXPENDITURES											
Current:											
Education											
Other expenses	95,243										
Capital outlays											
Total expenditures	95,243	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	(95,243)	2,130	2,986	3,709	1,731	247	0	0	0	0	209
Other financing sources (uses):											
Issuance of bonds and lease purchase obligations											
Transfers in									38,812		
Transfers out							(6,989)	(26,048)			(2,641)
Total other financing sources	0	0	0	0	0	0	(6,989)	(26,048)	38,812	0	(2,641)
Net change in fund balances	(95,243)	2,130	2,986	3,709	1,731	247	(6,989)	(26,048)	38,812	0	(2,432)
Fund balances (deficits) - July 1, 2008	95,243	109,840	617,772	(127,119)	84,123	47,010	6,989	26,048	(38,812)	45,327	2,432
Fund balances (deficits) - June 30, 2009	\$ -	\$ 111,970	\$ 620,758	\$ (123,410)	\$ 85,854	\$ 47,257	\$ -	\$ -	\$ -	\$ 45,327	\$ -

(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, 2009

CAPITAL PROJECT FUNDS

	Tanglewood Estates	Hartford Avenue 295 Project	Fire Headquarters Replacement	Rainone Gym Renovations	Little League Field	DAM Renovations	Pezza Property Acquisition	Champlin Community Park	Fire Station #2	Early Learning Center	Capital Lease
REVENUES											
Federal and state grants								\$ 216,291			
Investment income							\$ 1,756			\$ 1,200	\$ 1,575
Other											
Total revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	1,756	216,291	\$ -	1,200	1,575
EXPENDITURES											
Current:											
Education											
Other expenses					29						22,765
Capital outlays								394,041			
Total expenditures	-	-	-	-	29	-	-	394,041	-	-	22,765
Excess (deficiency) of revenues over (under) expenditures	0	0	0	0	(29)	0	1,756	(177,750)	0	1,200	(21,190)
Other financing sources (uses):											
Issuance of bonds and lease purchase obligations											
Transfers in			24,020						64,357		
Transfers out	(15,693)	(75,000)									(87,500)
Total other financing sources	(15,693)	(75,000)	24,020	0	0	0	0	0	64,357	0	(87,500)
Net change in fund balances	(15,693)	(75,000)	24,020	0	(29)	0	1,756	(177,750)	64,357	1,200	(108,690)
Fund balances (deficits) - July 1, 2008	15,693	75,000	(24,020)	17,021	29	57,745	40,485	200,720	(64,357)	(1,200)	108,690
Fund balances (deficits) - June 30, 2009	\$ -	\$ -	\$ -	\$ 17,021	\$ -	\$ 57,745	\$ 42,241	\$ 22,970	\$ -	\$ -	\$ -

(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, 2009

CAPITAL PROJECT FUNDS												
	Memorial Park Playground	Police Station Construction	Recreation Bldg Repairs	Senior Ctr Tank Removal	Fire HQ Renovations	Fire HQ HVAC	Fire Oil Tank	DPW Backflow Program	Lombardi Judgment	Recreation Bridge Repair	Open Space Grant	Carte Graph Software
REVENUES												
Federal and state grants												
Investment income												
Other										\$ 15	\$ 8,160	
Total revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	15	8,160	\$ -
EXPENDITURES												
Current:												
Education												
Other expenses			265									
Capital outlays												
Total expenditures	-	-	265	-	-	-	-	-	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	0	0	(265)	0	0	0	0	0	0	15	8,160	0
Other financing sources (uses):												
Issuance of bonds and lease purchase obligations									910,000			
Transfers in				37,477		3,696			4,827			
Transfers out	(9,494)				(8,390)		(29,553)	(14,646)				(11,000)
Total other financing sources	(9,494)	0	0	37,477	(8,390)	3,696	(29,553)	(14,646)	914,827	0	0	(11,000)
Net change in fund balances	(9,494)	0	(265)	37,477	(8,390)	3,696	(29,553)	(14,646)	914,827	15	8,160	(11,000)
Fund balances (deficits) - July 1, 2008	9,494	200,903	265	(37,477)	8,390	(3,696)	29,553	14,646	(914,827)	(15)	50,000	11,000
Fund balances (deficits) - June 30, 2009	\$ -	\$ 200,903	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 58,160	\$ -

(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, 2009

CAPITAL PROJECT FUNDS										
	Little League Asphalt	Hazard Mitigation Plan	Winsor Hill School	Fire Station #1	Library Building	Golden View Drainage	Cherry Hill Sewer	Borden Ave Water	Total Capital Project Funds	Total Nonmajor Government Funds
REVENUES										
Federal and state grants									\$ 216,291	\$ 2,377,285
Investment income			\$ 3,138	\$ 3,138					55,368	58,400
Other		\$ 116,690							1,694,961	3,158,250
Total revenues	\$ -	116,690	3,138	3,138	\$ -	\$ -	\$ -	\$ -	1,966,620	5,593,935
EXPENDITURES										
Current:										
Education										1,944,149
Other expenses	2,000								232,305	1,529,512
Capital outlays			10,900		107,240				1,054,531	1,172,506
Total expenditures	2,000	-	10,900	-	107,240	-	-	-	1,286,836	4,646,167
Excess (deficiency) of revenues over (under) expenditures	(2,000)	116,690	(7,762)	3,138	(107,240)	0	0	0	679,784	947,768
Other financing sources (uses):										
Issuance of bonds and lease purchase obligations					127,000	60,000	333,000		1,430,000	1,430,000
Transfers in								4,345	177,534	713,918
Transfers out		(116,690)				(27,007)	(54,118)		(504,020)	(805,352)
Total other financing sources	0	(116,690)	0	0	127,000	32,993	278,882	4,345	1,103,514	1,338,566
Net change in fund balances	(2,000)	0	(7,762)	3,138	19,760	32,993	278,882	4,345	1,783,298	2,286,334
Fund balances (deficits) - July 1, 2008	2,000	0	(276,523)	(283,089)	(128,638)	(32,993)	(278,882)	(4,345)	1,235,128	2,333,495
Fund balances (deficits) - June 30, 2009	\$ -	\$ -	\$ (284,285)	\$ (279,951)	\$ (108,878)	\$ -	\$ -	\$ -	\$ 3,018,426	\$ 4,619,829

(CONCLUDED)

TOWN OF JOHNSTON

EXHIBIT 3

**Combining Balance Sheet
School Restricted Funds
Reported as Nonmajor Governmental Funds
June 30, 2009**

SPECIAL REVENUE FUNDS

ASSETS	Preschool IDEA Section 619	Idea Part B	UCOA	Title I	Title V	Homeland Security	Achieve Algebra Grant	Title IV	Title II	Title III
Intergovernmental receivable Due from other funds	\$ 24,855	\$ 323,373		\$ 241,246		\$ 22,595		\$ 28,410	\$ 55,365	\$ 11,812
TOTAL ASSETS	\$ 24,855	\$ 323,373	\$ -	\$ 241,246	\$ -	\$ 22,595	\$ -	\$ 28,410	\$ 55,365	\$ 11,812
Liabilities:										
Accounts payable		\$ 196		\$ 15,214					\$ 270	
Due to other funds	\$ 21,981	322,300		222,912		22,595		\$ 28,410	55,095	\$ 11,812
Deferred revenue	2,874	877		3,120						
Total liabilities	24,855	323,373	\$ -	241,246	\$ -	22,595	\$ -	28,410	55,365	11,812
Fund balances:										
Reserved for encumbrances	0	0								
Unreserved, undesignated			0	0	0	0	0	0	0	0
Total fund balances	0	0	0	0	0	0	0	0	0	0
TOTAL LIABILITIES AND FUND BALANCE	\$ 24,855	\$ 323,373	\$ -	\$ 241,246	\$ -	\$ 22,595	\$ -	\$ 28,410	\$ 55,365	\$ 11,812

(Continued)

TOWN OF JOHNSTON

EXHIBIT 3 (CONTINUED)

**Combining Balance Sheet
School Restricted Funds
Reported as Nonmajor Governmental Funds
June 30, 2009**

SPECIAL REVENUE FUNDS										
ASSETS	<u>Literacy</u>	<u>MCI Project</u>	<u>RI Education Foundation</u>	<u>Walmart Grant</u>	<u>Donation & Misc Grant</u>	<u>Perkins Vocational</u>	<u>General Assembly</u>	<u>Champlin MS</u>	<u>Feinstein Elementary</u>	<u>Total School Restricted Funds</u>
Intergovernmental receivable						\$ 7,246				\$ 714,902
Due from other funds			\$ 150	\$ 150	\$ 15,883		\$ 719	\$ 163	\$ 25,515	\$ 42,580
TOTAL ASSETS	\$ -	\$ -	\$ 150	\$ 150	\$ 15,883	\$ 7,246	\$ 719	\$ 163	\$ 25,515	\$ 757,482
Liabilities:										
Accounts payable									\$ 340	\$ 16,020
Due to other funds						\$ 7,246				692,351
Deferred revenue								\$ 61	14	6,946
Total liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	7,246	\$ -	61	354	715,317
Fund balances:										
Reserved for encumbrances					14,527				11,315	25,842
Unreserved, undesignated	0	0	150	150	1,356	0	719	102	13,846	16,323
Total fund balances	0	0	150	150	15,883	0	719	102	25,161	42,165
TOTAL LIABILITIES AND FUND BALANCE	\$ -	\$ -	\$ 150	\$ 150	\$ 15,883	\$ 7,246	\$ 719	\$ 163	\$ 25,515	\$ 757,482

(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, 2009**

SPECIAL REVENUE FUNDS

	Preschool IDEA Section 619	Idea Part B	UCOA	Title I	Title V	Homeland Security	Achieve Algebra Grant	Title IV	Title II	Title III
Revenues:										
Federal and state grants	\$ 41,281	\$ 793,642	\$ 5,539	\$ 521,819	\$ 2,435	\$ 22,595	\$ 11,310	\$ 28,410	\$ 204,653	\$ 11,812
Other revenue										
Total revenues	41,281	793,642	5,539	521,819	2,435	22,595	11,310	28,410	204,653	11,812
Expenditures:										
Current:										
Salaries	23,513	512,021	5,539	301,494	2,400			26,380	165,789	3,742
Employee benefits	10,410	223,040		118,063	35			2,030	38,864	54
Purchased services		28,958								225
Supplies and materials	7,358	29,623		102,262		22,595	11,310			7,791
Capital outlays										
Total expenditures	41,281	793,642	5,539	521,819	2,435	22,595	11,310	28,410	204,653	11,812
Excess (deficiency) of revenues over (under) expenditures	0	0	0	0	0	0	0	0	0	0
Other financing sources:										
Transfers in from School Unrestricted Fund										
Total other financing sources	0	0	0	0	0	0	0	0	0	0
Net change in fund balances	0	0	0	0	0	0	0	0	0	0
Fund balances, July 1, 2008	0	0	0	0	0	0	0	0	0	0
Fund balances, June 30, 2009	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 School Restricted Funds
 Reported as Nonmajor Governmental Funds
 For the year ended June 30, 2009

SPECIAL REVENUE FUNDS

	Literacy	MCI Project	RI Education Foundation	Walmart Grant	Donation & Misc Grant	Perkins Vocational	General Assembly	Champlin MS	Feinstein Elementary	Total School Unrestricted Funds
Revenues:										
Federal and state grants		\$ 23,960				\$ 19,801				\$ 1,687,257
Other revenue			\$ 3,500	\$ 1,000	\$ 14,532			\$ 15,000		34,032
Total revenues	\$ -	23,960	3,500	1,000	14,532	19,801	\$ -	\$ -	15,000	1,721,289
Expenditures:										
Current:										
Salaries	240,815					18,625				1,300,318
Employee benefits						270				392,766
Purchased services				850		906				30,939
Supplies and materials		23,960	3,350				281	1,700	9,896	220,126
Capital outlays										-
Total expenditures	240,815	23,960	3,350	850	0	19,801	281	1,700	9,896	1,944,149
Excess (deficiency) of revenues over (under) expenditures	(240,815)	0	150	150	14,532	0	(281)	(1,700)	5,104	(222,860)
Other financing sources:										
Transfers in from School Unrestricted Fund	240,815									240,815
Total other financing sources	240,815	0	0	0	0	0	0	0	0	240,815
Net change in fund balances	0	0	150	150	14,532	0	(281)	(1,700)	5,104	17,955
Fund balances, July 1, 2008	0	0	0	0	1,351	0	1,000	1,802	20,057	24,210
Fund balances, June 30, 2009	\$ -	\$ -	\$ 150	\$ 150	\$ 15,883	\$ -	\$ 719	\$ 102	\$ 25,161	\$ 42,165

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, 2009 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, 2009

	<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	\$ 249,111	\$ 84,396	\$ 197,289	\$ 530,796
Investments	11,496,478	14,367,083	4,798,772	30,662,333
Due from governmental funds	19,518		535,214	554,732
	<hr/>			
TOTAL ASSETS	11,765,107	14,451,479	5,531,275	31,747,861
<hr/>				
LIABILITIES				
Due to governmental funds		32,416		32,416
Total liabilities	0	32,416	0	32,416
<hr/>				
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	\$ 11,765,107	\$ 14,419,063	\$ 5,531,275	\$ 31,715,445
<hr/>				

TOWN OF JOHNSTON, RHODE ISLAND

**Combining Statement of Changes In Net Assets
Pension Trust Funds
For the year ended June 30, 2009**

	<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	\$ 569,338	\$ 559,991	\$ 527,762	\$ 1,657,091
Plan members	265,697	373,328	110,089	749,114
Total contributions	<u>835,035</u>	<u>933,319</u>	<u>637,851</u>	<u>2,406,205</u>
Investment expense				
Net dividends, interest, and decrease in fair value	(1,972,017)	(2,999,589)	(1,454,903)	(6,426,509)
Net investment expense	<u>(1,972,017)</u>	<u>(2,999,589)</u>	<u>(1,454,903)</u>	<u>(6,426,509)</u>
Total additions and changes in fair value	<u>(1,136,982)</u>	<u>(2,066,270)</u>	<u>(817,052)</u>	<u>(4,020,304)</u>
Deductions:				
Administration expenses	3,840	2,261		6,101
Pension expenses	179,088		1,189,747	1,368,835
Total deductions	<u>182,928</u>	<u>2,261</u>	<u>1,189,747</u>	<u>1,374,936</u>
Net increase (decrease) in plan assets	(1,319,910)	(2,068,531)	(2,006,799)	(5,395,240)
Net assets held in trust for pension benefits:				
Beginning of year	<u>13,085,017</u>	<u>16,487,594</u>	<u>7,538,074</u>	<u>37,110,685</u>
End of year	<u>\$ 11,765,107</u>	<u>\$ 14,419,063</u>	<u>\$ 5,531,275</u>	<u>\$ 31,715,445</u>

TOWN OF JOHNSTON, RHODE ISLAND

PRIVATE PURPOSE TRUST FUNDS

Private-Purpose Trust Funds are used to account for resources legally held in trust for use by parties outside of the Town, and can not be used at the Town's discretion or to support the Town's general obligations. The net assets of these funds are utilized for the care and maintenance of cemeteries within the Town. The following funds are considered Private-Purpose Funds at June 30, 2009:

- 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, 2009**

	Daniel Elder <u>Burial Fund</u>	Manton Perpetual <u>Care</u>	Celina Ester <u>Brook</u>	Sara Irons	Kelly Burial <u>Grounds</u>	Nicholas Smith	Kimball Burial <u>Ground</u>	Richardson <u>Burial Ground</u>	C.T. <u>Tourtellot</u>	Total Private Purpose <u>Funds</u>
ASSETS										
Cash and cash equivalents	\$ 914	\$ 3,967	\$ 3,465	\$ 1,442	\$ 3,766	\$ 1,880	\$ 4,718	\$ 1,429	\$ 1,745	\$ 23,326
NET ASSETS										
Held in trust for perpetual care	\$ 914	\$ 3,967	\$ 3,465	\$ 1,442	\$ 3,766	\$ 1,880	\$ 4,718	\$ 1,429	\$ 1,745	\$ 23,326

TOWN OF JOHNSTON

**Combining Statement of Changes in Net Assets
Private Purpose Trust Funds
For the year ended June 30, 2009**

	Daniel Elder <u>Burial Fund</u>	Manton Perpetual <u>Care</u>	Celina Ester <u>Brook</u>	Sara Irons	Kelly Burial <u>Grounds</u>	Nicholas Smith	Kimball Burial <u>Ground</u>	Richardson <u>Burial Ground</u>	C.T. <u>Tourtellot</u>	Total Private Purpose <u>Funds</u>
REVENUES:										
Investment income	\$ 4	\$ 18	\$ 16	\$ 6	\$ 17	\$ 9	\$ 21	\$ 6	\$ 7	\$ 104
EXPENDITURES	0	0	0	0	0	0	0	0	0	0
INCREASE IN NET ASSETS	4	18	16	6	17	9	21	6	7	104
NET ASSETS - JULY 1, 2008	910	3,949	3,449	1,436	3,749	1,871	4,697	1,423	1,738	23,222
NET ASSETS - JUNE 30, 2009	\$ 914	\$ 3,967	\$ 3,465	\$ 1,442	\$ 3,766	\$ 1,880	\$ 4,718	\$ 1,429	\$ 1,745	\$ 23,326

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, 2009

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<u>STUDENT ACTIVITY FUNDS</u>				
Assets:				
Cash and cash equivalents	\$ 201,665	\$ 115,983	\$ 125,344	\$ 192,304
Other receivables	-	5,807		5,807
Total assets	\$ 201,665	\$ 121,790	\$ 125,344	\$ 198,111
Liabilities:				
Due to student groups	\$ 201,665	\$ 121,790	\$ 125,344	\$ 198,111
<u>PERFORMANCE BONDS</u>				
Assets:				
Cash and cash equivalents	\$ 253,673	\$ 1,043	\$ 28,329	\$ 226,387
Due from governmental funds	151,500			151,500
Total assets	\$ 405,173	\$ 1,043	\$ 28,329	\$ 377,887
Liabilities:				
Deposits held in custody for others	\$ 405,173	\$ 1,043	\$ 28,329	\$ 377,887
<u>Total - All Agency Funds</u>				
Assets:				
Cash and cash equivalents	\$ 455,338	\$ 117,026	\$ 153,673	\$ 418,691
Other receivables		5,807		5,807
Due from governmental funds	151,500			151,500
Total assets	\$ 606,838	\$ 122,833	\$ 153,673	\$ 575,998
Liabilities:				
Due to student groups	\$ 201,665	\$ 121,790	\$ 125,344	\$ 198,111
Deposits held in custody for others	405,173	1,043	28,329	377,887
Total liabilities	\$ 606,838	\$ 122,833	\$ 153,673	\$ 575,998

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TOWN OF JOHNSTON, RHODE ISLAND

OTHER EXHIBITS



EXHIBIT 10

**TOWN OF JOHNSTON, RHODE ISLAND
SCHEDULE OF PROPERTY TAXES RECEIVABLE
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

<u>Year</u>	<u>Mill Rate</u>	<u>Property Taxes Receivable July 1, 2008</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, 2009</u>
2008	\$18.91		\$ 61,791,239	\$ 79,032	\$ 508,663	\$ 61,361,608	\$ 59,111,148	\$ 2,250,460
2007	\$17.84	\$ 3,205,384		157,092	144,864	3,217,612	2,570,781	646,831
2006	\$17.41	809,310		18,201	92,898	734,613	439,356	295,257
2005	\$16.99	320,289		7,979	3,334	324,934	51,699	273,235
2004	\$16.40	297,545		2,293	2,076	297,762	16,644	281,118
2003	\$26.30	507,532		1,965	1,352	508,145	23,777	484,368
2002	\$25.10	516,580		2,255	2,183	516,652	8,687	507,965
2001	\$23.79	393,920		3,106	1,324	395,702	1,917	393,785
2000	\$27.06	399,380		712	2,115	397,977	2,754	395,223
1999	\$27.06	369,807			2,312	367,495	3,269	364,226
1998	\$25.89	347,333		71	4,055	343,349	3,406	339,943
1997	\$20.90	91,096				91,096		91,096
1996	\$20.90	93,998				93,998		93,998
1995	\$20.90	114,138				114,138	68	114,070
1994	\$20.90	91,120				91,120		91,120
1993	\$34.64	95,419				95,419		95,419
1992	\$32.90	2,637				2,637		2,637
Subtotal		7,655,488	\$ 61,791,239	\$ 272,706	\$ 765,176	\$ 68,954,257	\$ 62,233,506	6,720,751
Less: estimated allowance for uncollectable accounts		<u>4,430,000</u>						<u>4,630,000</u>
Net property taxes receivable		\$ 3,225,488						\$ 2,090,751

(CONTINUED)

**TOWN OF JOHNSTON, RHODE ISLAND
SCHEDULE OF PROPERTY TAXES RECEIVABLE
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Schedule of Net Assessed Property Value by Category			Reconciliation of Current Year Property Tax Revenue	
Description of Property	Assessed December 31, 2007			
	Valuations	Levy		
Real property	\$ 3,234,032,023	\$ 51,335,233	Collections net of refunds in 2009	\$ 62,233,506
Motor vehicles	227,622,395	5,090,894	Revenue received 60 days subsequent to fiscal year ending June 30, 2009	899,704
Tangible property	95,805,316	5,365,112	Subtotal	63,133,210
Wholesale and retail inventory	12,263,216		Prior year revenue received in current year (2008 60 day rule)	(1,234,564)
Total	3,569,722,950	61,791,239	Current year property tax revenue	\$ 61,898,646
Exemptions and adjustments	624,136,040			
Net assessed value	\$ 2,945,586,910	\$ 61,791,239		

(CONCLUDED)

TOWN OF JOHNSTON, RHODE ISLAND

SINGLE AUDIT SECTION

This section contains information regarding federal grant activity for the year ended June 30, 2009, 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, 2009**

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	\$ 521,819
Title II	84.367A	204,653
Title III	84.365A	11,812
Drug Free Schools	84.186A	28,410
Title V	84.298A	2,435
IDEA Part B	84.027A	793,642
IDEA Sec 619 - Preschool	84.173A	41,281
Perkins Vocational Education	84.048A	19,801
MCI	84.318X	23,960
State Fiscal Stabilization Fund (SFSF)	84.394	632,253
Total U.S. Department of Education		2,280,066
U.S. Department of Housing and Urban Development		
Pass Through State Governor's Office of Housing, Energy and Intergovernmental Relations:		
Community Development Block Grant	14.219	84,158
U.S. Department of Homeland Security		
Pass Through from Rhode Island Emergency Management Agency:		
Homeland Security	97.067	22,595
Public Assistance Grants	97.036	1,724
Hazard Mitigation Grant	97.039	297,716
Total U.S. Department of Homeland Security		322,035
U.S. Department of Justice		
Pass Through the State of Rhode Island:		
Public Safety Partnership and Community Policing	16.710	56,614
U.S. Department of Agriculture		
Pass Through RI Department of Education:		
National School Lunch Program	10.555	462,584
Food Commodity	10.556	61,983
Total U.S. Department of Agriculture		524,567
U.S. Department of Health and Human Services		
Pass Through the State of Rhode Island:		
Underage Drinking and Alcohol Grant	93.XXX	5,818
U.S. Department of Transportation		
Passed through RI Department of Transportation		
Seatbelt Enforcement Grant	20.604	21,943
TOTAL EXPENDITURES OF FEDERAL AWARDS		\$ 3,295,201

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2009**

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.

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, 2009, the following programs were considered a major program:

IDEA Part B.....	** CFDA #84.027A
Early Learning – preschool	** CFDA #84.173A
Title I	CFDA #84.010A
State Fiscal Stabilization Funds (SFSF).....	CFDA #84.394

** 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, 2009, which collectively comprise the Town of Johnston, Rhode Island's basic financial statements and have issued our report thereon dated December 30, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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 2009-1 through 2009-4) to be material weaknesses.

A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies. The significant deficiencies noted are identified as 2009-1 through 2009-5 in the accompanying schedule of findings and questioned costs.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2009-6 and 2009-7.

We noted certain matters that we reported to management of the Town of Johnston, Rhode Island in a separate letter dated December 30, 2009.

The Town of Johnston's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs for Finding 2009-7 and in our correspondence titled *Communications of Matters Prescribed by Statement on Auditing Standards #115 for the fiscal year ended June 30, 2009* for all other findings, comments, and recommendations. We did not audit the Town of Johnston's responses and, accordingly, we express no opinion on them.

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



Braver PC
Providence, Rhode Island
December 30, 2009

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND 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 compliance of the Town of Johnston, Rhode Island with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. 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.

As described in item 2009-7 in the accompanying schedule of findings and questioned costs, the Town of Johnston did not comply with the requirements regarding allowable costs that are applicable to its Title I and IDEA Programs. Compliance with such requirements is necessary, in our opinion, for the Town of Johnston to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the Town of Johnston complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The 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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Johnston, Rhode Island's internal control over compliance.

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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.



Braver PC
Providence, Rhode Island
December 30, 2009

TOWN OF JOHNSTON, RHODE ISLAND

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009**

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expressed an unqualified opinion on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Johnston, Rhode Island.
2. Five significant deficiencies in internal control over financial reporting have been identified and are described in Part B below as items 2009-1 through 2009-5. Items 2009-1 through 2009-4 are significant deficiencies which are considered to be material weaknesses.
3. One instance of noncompliance material to the financial statements of the Town of Johnston, Rhode Island was 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 auditor's report on compliance for the major federal award programs for the Town of Johnston, Rhode Island expresses a qualified opinion.
6. Audit findings relative to the major federal award programs for the Town of Johnston are reported in Part C of this schedule.
7. The programs tested as major programs were:

IDEA Part B.....	** CFDA #84.027A
Early Learning – preschool.....	** CFDA #84.173A
Title I.....	CFDA #84.010A
State Fiscal Stabilization Funds (SFSF).....	CFDA #84.394

** 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.

B. FINDINGS – RELATED TO AUDIT OF FINANCIAL STATEMENTS

Current Year Findings:

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

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009**

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

Current Year Findings (Continued):

- 2009-2:** During our review of the internal control policies and procedures practiced by the Town's Finance Department, we noted that the Town is lacking controls over the processing of accounts payable and the related disbursing of funds. In addition, we also noted a lack of controls over the processing of payroll transactions. The accounts payable clerk and payroll clerk currently have access to all aspects of the respective transactions. The accounts payable clerk is responsible for entering the vendor invoices into the general ledger system, processing checks for payment, and mailing out the payments. In completing these tasks the payable's clerk has total access to the blank check stock and the electronic signature stamp. Similarly, the payroll clerk processes the bi-weekly payroll, posts the payroll transactions to the general ledger and distributes all payroll checks. The Town does not currently have procedures in place requiring the payroll reports to be reviewed and approved or to have the payroll checks delivered to someone independent of the payroll processing function.
- 2009-3:** Governmental Accounting Standards Statement #34 requires governmental entities to prepare a government-wide financial statement utilizing the full accrual basis of accounting. Accordingly, the government-wide statements include all long-term debt obligations (i.e. compensated absences) and capital assets of the governmental activities as well as those reported in the business-type activities. During our audit we noted that the Town of Johnston (including the School Department) does not have adequate policies or procedures in place for maintaining and updating these records.
- 2009-4:** The Town receives various grants which are reported as non-major governmental funds in the Fund financial statements. Some of these grants are administered by personnel outside of the Town's Finance Department (i.e. Police Department personnel). During our audit process we noted that there were grant receivables and deferred revenue which have been outstanding for several years and were reversed during fiscal year ended June 30, 2009 without any supporting documentation. We also noted that the Town does not have a central location for maintaining all grant agreements or related financial reports. The lack of controls, including monitoring and following-up on old outstanding items may result in the material misstatement of the assets and liabilities reported in the government-wide and non-major governmental fund statements.
- 2009-5:** During our audit we noted that the Town segregated credit balances on tax receivables into a separate liability account at June 30, 2009. Per our inquiry of Town personnel we noted that some of these credit balances were the result of overpayments made by taxpayers, duplicate payments made by the mortgage company and the taxpayer, and credits generated upon the abatement of tax assessments or changes in property valuations. As a result of our audit procedures we noted that the liability was understated due to the reversal of a number of credit balances which were outstanding as of the beginning of the fiscal year. Upon further examination it was determined that the credit balances should not have been reversed. We believe that this error resulted due to a lack of controls and procedures for monitoring credit balances on receivable accounts.
- 2009-6:** Effective July 1, 2008 (early implementation) the Johnston School Department began maintaining its general ledger accounting records in accordance with the Uniform Chart of Accounts (UCOA) as established by the Rhode Island Department of Education and Rhode Island General Law. However, during our audit of the School Departments compliance with the UCOA requirements we noted the following: instances where expenditure transactions were not properly allocated; Funds which were required to be reported separately were reported as part of the School's Unrestricted/General Fund; and instances where invalid/unauthorized accounts were utilized.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009**

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

Prior Year Findings:

- 2008-1:** During the fiscal year ended June 30, 2008 we noted that the Town did not have adequate controls in place for reviewing and maintaining the general ledger accounting records on a periodic basis, including maintenance of documentation to support journal entries made within the Phoenix Accounting System. At the commencement of the audit field work management provided trial balances for the numerous funds maintained by the Town. Upon initial review of these trial balances we noted instances where the trial balance reports were out of balance and the fund balance was not in agreement with the balance reported as of the end of the previous fiscal year. The lack of a balanced trial balance may be the result of incorrect posting of journal entries and transactions, and it is also an indication that the general ledger is not being reviewed and maintained on an ongoing basis. **Status:** See current year finding 2009-1.
- 2008- 2:** During our review of the internal control policies and procedures practiced by the Town's finance department, we noted that the Town is lacking controls over the processing of accounts payable and the related disbursing of funds. In addition, we also noted a lack of controls over the processing of payroll transactions. The account's payable clerk and payroll clerk currently have access to all aspects of the respective transactions. The account's payable clerk is responsible for entering the vendor invoices into the general ledger system, processing checks for payment, and mailing out the payments. In completing these tasks the payable's clerk has total access to the blank check stock and the electronic signature stamp. Similarly, the payroll clerk processes the bi-weekly payroll, posts the payroll transactions to the general ledger and distributes all payroll checks. The Town does not currently have procedures in place requiring the payroll reports to be reviewed and approved or to have the payroll checks delivered to someone independent of the payroll processing function. **Status:** See current year finding 2009-2.
- 2008-3:** Generally accepted accounting principles require receivable balances to be reported net of allowances for potential uncollectible accounts. All receivable balances (including tax, water, sewer, etc) should be reviewed on a periodic basis and evaluated for collectability. During the fiscal year ended June 30, 2008 the Town did not have a policy or procedure for reviewing receivable accounts to properly report the net receivable in the general ledger accounting records maintained by finance personnel. **Status:** During fiscal 2009 the Finance Director monitored and reconciled receivable balances on a period basis. Comment cleared.
- 2008- 4:** The Town of Johnston maintains one primary operating account for paying virtually all expenditures of the Town's General Fund as well as its various side funds including certain transactions related to the School Department. As a result of this procedure and the significant number of separate side funds maintained by the Town, there are numerous interfund transactions which occur throughout the year resulting in interfund balances being owed to and from the Town's General Fund. During our audit we noted that the Town does not have a policy or procedure for reconciling the activity on an ongoing basis to ensure that all interfund transactions are properly reported. As a result, we noted instances where the interfund balances did not agree from one fund to another fund and that in the aggregate the variances resulted in a material misstatement of the internal financial records maintained by Town personnel. **Status:** During fiscal 2009 finance personnel reviewed and reconciled interfund activity on a periodic basis. At year-end we noted a discrepancy in the interfund between the Town and School Department. However, the variance was the result of a year end adjustment which was recorded in preparation for the annual audit. This was considered an isolated incidence and as a result the comment is deemed cleared.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009**

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

Prior Year Findings (Continued):

- 2008-5:** Generally accepted accounting principles for governmental activities require proceeds received from long-term borrowings to be reported as other financing sources in the fund financial statements. During the fiscal year ended June 30, 2008 the Town entered into four lease purchase agreements for the acquisition of capital assets for approximately \$850,000. The Town does not have procedures in place to ensure that issuance of long-term borrowings are properly reported in the general ledger accounting records. As a result of this weakness in controls, the internal financial records of the Town understated other financing sources (revenue) by approximately \$850,000 and also failed to report expenditures of approximately \$850,000 for the items acquired through the use of the lease purchase obligations. **Status:** Procedures have been established to centralize lease purchase obligations to ensure that all financing activity is properly recorded in the general ledger accounting records.
- 2008-6:** 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 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 2009-3.
- 2008-7:** The Town receives various grants which are reported as non-major governmental funds in the Fund financial statements. Some of these grants are administered by personnel outside of the Town's Finance Department (i.e. Police Department personnel). During our audit process we noted that there were grant receivables and deferred revenue which have been outstanding for several years. 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 2009-4.
- 2008-8:** The Town of Johnston currently bills Water Fund customers twice a year for water consumption and other fees and charges. These billings have historically been sent in October/November and April/May. The Town does not have a policy or procedure to determine an estimated receivable for water consumption through the end of the fiscal year. As a result, the Town is not maintaining their internal financial records in accordance with generally accepted accounting principles which may result in the material misstatement of the financial position or results of operations for the Water Fund. **Status:** Procedures are now in place for estimating water consumption receivable through the end of the fiscal year.
- 2008-9:** During our audit we noted that the Town does not have adequate policies or procedures in place to monitor the health insurance claims to properly ensure that all amounts which should be reimbursed through the stop loss policy are being received. In addition, we noted that the Town does not have a policy or procedure to ensure that stop loss insurance reimbursements received are properly reported in the general ledger accounting records. As a result, there is an increase in the risk that the Town will not be reimbursed for all costs in excess of their stop loss policy limits and that assets will be overstated for prior year claims received but inappropriately netted against current year expenditures. **Status:** This is no longer an issue as health insurance claims are being monitored on a quarterly basis through the healthcare collaborative (RIMIC).

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009**

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

Prior Year Findings (Continued):

2008-10: During our analysis of the detailed tax receivable report we noted a significant number of accounts which had credit balances. Per inquiry of Town personnel we noted that some of these credit balances are the result of overpayments made by taxpayers, duplicate payments made by the mortgage company and the taxpayer, and credits generated upon the abatement of tax assessments or changes in property valuations. The Town currently does not have a procedure for monitoring these credit balances or for analyzing these credit balances to properly present a liability for amounts due to taxpayers for the overpayment of taxes. As a result, the internal financial records of the Town understate the tax receivable balance and the liability which may result from these credit balances. **Status:** See current year finding 2009-5.

2008-11: A sound internal control system includes policies and procedures which provide guidance for monitoring year end cut-off to ensure that financial activity is reported in the proper period. Based on our audit procedures we believe that the Town, including the School Department, has a significant deficiency in its ability to properly report all liabilities and revenue to the appropriate fiscal year. We noted instances where receivables at June 30, 2008 were not properly recorded, and accounts payable and accrued expenses omitted amounts which should have been recorded at June 30, 2008. **Status:** Instances were not noted during our audit of the June 30, 2009 financial statements. Year-end cut-off procedures appear to be working effectively.

C. FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS

Current Year Findings:

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

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

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

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009**

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

Current Year Findings (Continued):

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

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

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

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

Corrective Action: The Johnston School Department is currently in the process of implementing a policy requiring each employee charged to federal grants to keep track of their activities and time spent working on federal programs. Attendance forms have been set up, for these employees to complete on a daily basis. For those employees that spend 100% of their time on a single program, the School Department now requires them to complete certification forms stating that their time is charged 100% to a particular program.

(CONCLUDED)

TOWN OF JOHNSTON, RHODE ISLAND

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2009**

C. FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS

Prior Year Findings:

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

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