

TOWN OF JOHNSTON, RHODE ISLAND

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED
JUNE 30, 2012**

TOWN OF JOHNSTON, RHODE ISLAND

INTRODUCTORY SECTION

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TOWN OF JOHNSTON, RHODE ISLAND

**FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

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TOWN OF JOHNSTON, RHODE ISLAND

**TOWN OFFICIALS
JUNE 30, 2012**

MAYOR

Joseph M. Polisena

TOWN COUNCIL

Robert V. Russo, Esq., President

Stephanie P. Manzi, Vice President

Ernest F. Pitochelli

David J. Santilli

Eileen Fuoco

SCHOOL COMMITTEE

Janice D. Mele, Chairperson

Robert A. Lafazia, Vice Chairperson

Lorraine C. Iafrate

Joseph W. Rotella

Susan M. Mansolillo

DEPARTMENT DIRECTORS

Richard S. Tamburini – Police Chief
Doug Jeffrey – Chief of Staff
Joseph L. Chiodo, CPA – Finance Director
Patricia N. Testa, CPA – Controller
William Conley, Esq. – Town Solicitor
Daniel Mazzulla – Director of Parks & Recreation
Arnold Vecchione – Director of Public Works

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

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TOWN OF JOHNSTON, RHODE ISLAND

FINANCIAL SECTION

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

REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Johnston, Rhode Island as of and for the year ended June 30, 2012, 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, 2012, 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 31, 2012 on our consideration of the Town of Johnston, Rhode Island's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Needham

Concord

Taunton

Providence

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Funding Progress for Pension Plans, budgetary comparison information, and Schedule of Funding Progress for OPEB Plans, on Pages 3 through 11, Page 69, Pages 70 through 81, and Page 82, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Johnston, Rhode Island's financial statements as a whole. The combining and individual nonmajor fund financial statements and other exhibits are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, other exhibits, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.



Providence, Rhode Island
December 31, 2012

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, 2012.

Financial Highlights

- The liabilities of the Town of Johnston exceeded its assets as of June 30, 2012 by \$14,408,960. This represents a decrease in total net assets of \$11,617,666 from June 30, 2011.
- As of June 30, 2012, the Town of Johnston's governmental activities reported total net assets (deficit) of (\$27,546,335). The net assets are comprised of \$32,888,248 invested in capital assets net of related debt and an unrestricted net asset deficit of (\$60,434,583) versus an unrestricted net asset deficit of (\$46,250,087) (as restated) at June 30, 2011. Also included in this deficit is the negative change in net assets, (\$12,158,225), for the fiscal year ended June 30, 2012 for governmental activities as shown in Exhibit A-2.
- As of June 30, 2012, the total fund balance of the Town's General Fund was \$7,467,531 versus \$5,942,108 last year. This June 30, 2012 fund balance includes non-spendable fund balance of \$1,079,910 and unassigned fund balance of \$6,387,621. The difference is an increase in the fund balance of \$1,525,423 for the fiscal year ended June 30, 2012.
- As of June 30, 2012, the total fund balance of the School Unrestricted Fund was \$1,807,997. The School Unrestricted fund balance at June 30, 2011 was \$1,305,730. The net change in fund balance in the School Unrestricted fund balance for 2012 was \$502,267.
- The Town's Bond Rating was raised by Moody's and Standard & Poor's in 2009, the first upgrade the Town had received since 2002. However, Moody's downgraded the Town's bond rating in August 2012 from A2 to A3. Moody's outlook was largely a result of the challenges the Town faces in regard to the Town's large unfunded pension liabilities and the Town's large other post employment benefits liabilities (OPEB), which is health care. Currently, the Town's Bond ratings are "A-" with Standard and Poor's and "A3" with Moody's Investor Services.

Overview of the Financial Statements

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

During fiscal year ended June 30, 2011 the Town implemented Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which required the reclassification of fund balance reporting on the Town's financial position for governmental funds. Fiscal 2012 represents the Town's second year reporting under GASB 54.

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

Overview of the Financial Statements (Continued)

The Statement of Net Assets presents information on all of the Town of Johnston's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town of Johnston is improving or deteriorating.

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

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

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

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

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

The Town of Johnston maintains 58 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 56 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 83 through 92.

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

Overview of the Financial Statements (Continued)

Fiduciary funds - are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town of Johnston's programs. The fiduciary funds maintained by the Town of Johnston include private-purpose trusts, pension trust fund, and agency funds. The basic fiduciary fund financial statements can be found on pages 22 and 23 of this report and are detailed on pages 93 through 95.

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 68 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 69 through 82.

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 83 through 95. In addition, supplementary information also includes schedules of property taxes receivable which are included on pages 96 and 97.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town of Johnston, liabilities exceeded assets by \$14,408,960 at the close of 2012.

TOWN OF JOHNSTON, RHODE ISLAND

NET ASSETS

As of June 30, (in 000's)

	Governmental Activities		Business Activities		Total	Total
	2012	2011 (as restated)	2012	2011	2012	2011 (as restated)
Current and Other Assets	\$ 24,710	\$ 19,791	\$ 6,415	\$ 5,711	\$ 31,125	\$ 25,502
Capital Assets	53,743	53,437	11,871	10,978	65,614	64,415
Total Assets	78,453	73,228	18,286	16,689	96,739	89,917
Current Liabilities	11,310	10,216	2,271	1,708	13,581	11,924
Long-Term Liabilities	94,689	78,400	2,878	2,384	97,567	80,784
Total Liabilities	105,999	88,616	5,149	4,092	111,148	92,708
Net Assets:						
Invested in capital assets, net of related debt	32,888	30,862	8,961	9,411	41,849	40,273
Unrestricted	(60,434)	(46,250)	4,176	3,186	(56,258)	(43,064)
Total Net Assets	\$(27,546)	\$(15,388)	\$13,137	\$12,597	\$(14,409)	\$ (2,791)

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 \$32,888,248. 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 (\$11,617,666) during the current fiscal year. Of this amount, governmental activities accounted for (\$12,158,225) of the decrease while business-type activities accounted for an increase of \$540,559. The most significant reason for the decrease in the governmental activities was the increase in OPEB liability for fiscal year ended June 30, 2012 of \$11,899,097 in accordance with GASB Statement Number 45 which was implemented by the Town effective July 1, 2008 (fiscal 2009). Details of the OPEB obligation can be found in Note 11 on Pages 59 through 61. The OPEB Liability increased from \$39,681,891 at June 30, 2011 to \$51,580,988 at June 30, 2012.

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 2012 represents the tenth 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's)

	Governmental Activities 2012	Governmental Activities 2011	Business- type Activities 2012	Business- type Activities 2011	Total 2012	Total 2011
Revenues:						
Program Revenues:						
Charges for Services, Fees & Licenses	\$ 4,867	\$ 5,770	\$ 2,598	\$ 1,660	\$ 7,465	\$ 7,430
Operating Grants and Contributions	14,887	14,308	561	519	15,448	14,827
Capital Grants and Contributions	1,876	166			1,876	166
General Revenues:						
Property taxes	70,132	68,355			70,132	68,355
Other taxes	4,270	4,010			4,270	4,010
Grants and aid not restricted	889	1,016			889	1,016
Unrestricted investment earnings	76	97			76	97
Miscellaneous	1,119	1,245			1,119	1,245
Transfers	229	144	(229)	(144)	0	0
Total Revenues	<u>98,345</u>	<u>95,111</u>	<u>2,930</u>	<u>2,035</u>	<u>101,275</u>	<u>97,146</u>
Expenses:						
Leg., Judicial, and General admin.	2,787	2,400			2,787	2,400
Financial administration	935	949			935	949
Assessors office	234	241			234	241
Public safety	40,611	38,963			40,611	38,963
Public works	7,369	8,070			7,369	8,070
Human resources	66	62			66	62
Miscellaneous	2,458	2,706			2,458	2,706
Planning and assessment board	102	169			102	169
Library	732	567			732	567
Education	54,065	53,993			54,065	53,993
Other	225	316			225	316
Interest on long-term debt	919	1,010			919	1,010
Prior period restatement	0	772			0	772
Water fund			821	884	821	884
Sewer fund			572	63	572	63
School cafeteria fund			986	976	986	976
Summer school fund			11	3	11	3
Total expenses	<u>110,503</u>	<u>110,218</u>	<u>2,390</u>	<u>1,926</u>	<u>112,893</u>	<u>112,144</u>
Increase (decrease) in net assets	(12,158)	(15,107)	540	109	(11,618)	(14,998)
Net assets beginning of year restated	(15,388)	(281)	12,597	12,488	(2,791)	12,207
Net assets end of year	<u>\$(27,546)</u>	<u>\$(15,388)</u>	<u>\$13,137</u>	<u>\$ 12,597</u>	<u>\$(14,409)</u>	<u>\$(2,791)</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 unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of June 30, 2012, the Town of Johnston's governmental funds (page 14) reported combined ending fund balances of \$10,501,999.

The General Fund is the chief operating fund of the Town of Johnston, excluding its school department. As of June 30, 2012, the total fund balance of the general fund was \$7,467,531 of which \$6,387,621 was unassigned. The Town's General Fund also has \$1,079,910 of non-spendable fund balance as of June 30, 2012.

The fund balance of the general fund increased by \$1,525,423 in fiscal year 2012 as reported on page 16 of the report. Actual revenues and other sources were more than budgeted revenues in the general fund by \$792,106 (see page 71). Increases in actual revenues versus budgeted revenues were realized in total tax revenues \$377,388, in school miscellaneous revenues \$129,142, in town miscellaneous revenues \$76,348, and in departmental revenues and fees \$210,225. Expenditures and other financing uses were \$700,436 less than appropriated amounts (see page 80). Departmental expenditures which exceeded budgeted expenditures were Legal \$389,642, Police \$800,023, and Fire \$358,158. Departmental expenditures which were less than budgeted amounts were Streets & Highways \$313,525, miscellaneous appropriations \$320,175, and debt service (which includes fund balance restoration) \$1,661,073.

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 \$49,427,066 including a state on-behalf payment to the teacher's pension fund of \$1,843,223 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, Sewer Fund, School Cafeteria Fund, and the School Summer School Fund. The Town of Johnston's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The Water Control Fund experienced a surplus (before transfers) of \$632,566, Sewer Fund experienced a surplus (before transfers) of \$133,065, School Cafeteria Fund experienced a deficit (before transfers) of (\$1,567), and the Summer School Fund experienced a surplus (before transfers) of \$5,798. The June 30, 2012 Net Assets of the Water Fund are \$13,054,472, the June 30, 2012 Net Assets of the Sewer Fund are \$50,599, the June 30, 2012 Net Assets of the School Cafeteria Fund are \$25,394, while the June 30, 2012 Net Assets of the Summer School Fund are \$6,910.

Financial Analysis of the Government's Funds (Continued)

General Fund Budgetary Highlights – In fiscal year ended June 30, 2012 the Town was able to run an operating surplus of \$1,525,423. The result of the major challenges have not stopped as additional cuts in state aid to the Town of Johnston and the Johnston School District have been forthcoming since fiscal 2008. The revenue cuts and the proposed revenue cuts in 2008 through 2012 have a material compound effect of lost revenues not only in current fiscal year of 2012 but also going forward. Legacy costs such as pensions and healthcare continue to be a major challenge to the Town.

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, 2012, amounts to \$65,614,623 net of accumulated depreciation. This investment in capital assets includes land, buildings, building improvements, vehicles, equipment, infrastructure, and construction in progress. The net increase in the Town of Johnston's investment in capital assets for the current fiscal year was approximately \$1,199,109 comprised of acquisitions of capital assets of \$4,346,070 (net of transfers and construction in progress placed in service in 2012) less current year depreciation expense of \$3,297,665 and dispositions of \$1,747 (net of accumulated depreciation, transfers and construction in progress placed in service in 2012).

Additional information on the Town of Johnston's capital assets can be found in Note 6 (pages 41 to 43) to the financial statements, which accompany this report.

Town of Johnston's

Capital Assets

(Net of depreciation) in 000's

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 8,582	\$ 7,258	\$ 40	\$ 40	\$ 8,622	\$ 7,298
Buildings, improvements and land improvements	27,232	28,011			27,232	28,011
Vehicle and equipment	3,084	2,866	290	8	3,374	2,874
Water distributions			8,991	9,068	8,991	9,068
Infrastructure	14,006	15,252	2,550	1,862	16,556	17,114
Construction in progress	839	50			839	50
Total	\$ 53,743	\$ 53,437	\$ 11,871	\$ 10,978	\$ 65,614	\$ 64,415

Major additions to the Town's capital assets related to its governmental fund activities realized during the year, included: the purchase of police and fire vehicles; the purchase of public works vehicles; improvements to fire department facilities as well as construction in progress costs for a Municipal Court and a boiler project and installation at the Johnston High School.

Capital Asset and Debt Administration (Continued)

Long-term debt - At the end of the current fiscal year, the Town of Johnston has total bonded debt outstanding of \$22.7 million entirely backed by the full faith and credit of the government. In addition, the Town had long-term lease commitments outstanding of \$1,863,823 against which the assets are pledged as collateral. State statutes limit the amount of general obligation debt a governmental entity may issue to three percent of its total equalized valuation. The current debt limitation for the Town of Johnston is approximately \$73,944,356 based on a net assessed value of \$2,464,811,865 at December 31, 2010, which significantly exceeds the Town of Johnston's current outstanding general obligation debt. It is important to note that this is the fourth 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 \$51,580,988 (for Governmental Activities) at June 30, 2012 an increase of \$11,899,097 from fiscal year ending June 30, 2011.

Town of Johnston's

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

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
General Obligation Bonds	\$ 19,905	\$ 22,087	\$ 2,754	\$ 2,402	\$ 22,659	\$ 24,489
Town capital leases	1,592	655	272	0	1,864	655
Compensated absences, (as restated)	8,244	8,008	36	39	8,280	8,047
Net Pension Obligation, (as restated)	17,472	11,264			17,472	11,264
Net OPEB Obligation	51,581	39,682	59	48	51,640	39,730
Claims & Judgments	43	52			43	52
Total long-term debt	\$ 98,837	\$ 81,748	\$ 3,121	\$ 2,489	\$101,958	\$ 84,237

Additional information on the Town of Johnston's long-term debt obligations can be found in Note 7 (pages 43 to 46) to the financial statements. In addition, details of the OPEB obligation can be found in Note 11, pages 59 through 61, and in required supplementary information page 82.

Economic Factors and Next Year's Budgets

- The Town has successfully implemented a Financial Recovery Plan to address inherited accumulative and structural deficits. The Financial Recovery Plan was approved by the Auditor General of the State of Rhode Island and the Rhode Island General Assembly. The School Unrestricted Fund now has a cumulative fund balance of \$1,807,997 at June 30, 2012. 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 2012 and upcoming fiscal years in order to build a cumulative fund balance for the general fund at a minimal of 8% of the operating budget, as prescribed by the Financial Recovery Plan, and to combat any mid-year extraordinary cuts in revenue or increases in expenditures the Town is forced to endure unexpectedly, such as the mid-year cuts in state aid in fiscal years 2008 through 2012 as well as the potential cuts upcoming in 2013 and future years, as well as facing the challenges that are presented from the inherited legacy costs of pension and healthcare .

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

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TOWN OF JOHNSTON, RHODE ISLAND

BASIC FINANCIAL STATEMENTS



TOWN OF JOHNSTON, RHODE ISLANDStatement of Net Assets
June 30, 2012

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 18,613,232	\$ 452,689	\$ 19,065,921
Accounts and other receivables, net	5,090,703	2,567,357	7,658,060
Due from federal and state governments	2,445,450	98,350	2,543,800
Inventory		14,931	14,931
Prepays	1,084,439		1,084,439
Internal balances	(3,165,471)	3,165,471	0
Total Current Assets	24,068,353	6,298,798	30,367,151
Noncurrent assets:			
Deferred charges - refunding	531,808	70,350	602,158
Deferred charges - bond issuance	109,674	45,251	154,925
Capital Assets, not being depreciated	9,421,481	40,000	9,461,481
Capital Assets, net of accumulated depreciation	44,321,933	11,831,209	56,153,142
Total Noncurrent Assets	54,384,896	11,986,810	66,371,706
TOTAL ASSETS	78,453,249	18,285,608	96,738,857
LIABILITIES:			
Current Liabilities:			
Accounts payable	2,571,823	110,414	2,682,237
Accrued expenses	2,130,741		2,130,741
Advanced taxes	1,695,925		1,695,925
Due to federal and state governments	250,274		250,274
Due to fiduciary funds	133,109		133,109
Unearned revenue	381,182	1,917,119	2,298,301
Current portion of compensated absences	2,100,000	9,000	2,109,000
Current portion of capital lease obligations	378,880	52,144	431,024
Current portion of bonds and notes payable	1,660,375	181,880	1,842,255
Current portion of claims and judgments	8,000		8,000
Total Current Liabilities	11,310,309	2,270,557	13,580,866
Noncurrent Liabilities:			
Compensated absences	6,143,894	27,396	6,171,290
Net pension benefit obligation	17,472,000		17,472,000
Net OPEB obligation	51,580,988	58,440	51,639,428
Capital lease obligations	1,213,043	219,756	1,432,799
Bonds and notes payable	18,244,350	2,572,084	20,816,434
Claims and judgments	35,000		35,000
Total Noncurrent Liabilities	94,689,275	2,877,676	97,566,951
TOTAL LIABILITIES	105,999,584	5,148,233	111,147,817
NET ASSETS:			
Invested in capital assets net of related debt	32,888,248	8,960,946	41,849,194
Unrestricted	(60,434,583)	4,176,429	(56,258,154)
TOTAL NET ASSETS	\$ (27,546,335)	\$ 13,137,375	\$ (14,408,960)

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, 2012

Functions/Programs:	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	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	\$ 2,787,516	\$ 243,519			\$ (2,543,997)		\$ (2,543,997)
Financial administration	934,872	26,689			(908,183)		(908,183)
Assessors office	234,288				(234,288)		(234,288)
Public safety	40,611,090	1,534,862	\$ 71,910	\$ -	(39,004,318)		(39,004,318)
Public works	7,368,689	624,456	723,091	1,837,509	(4,183,633)		(4,183,633)
Human resources	65,723				(65,723)		(65,723)
Miscellaneous	2,458,246	565,152		23,057	(1,870,037)		(1,870,037)
Planning and assessment board	102,367	335,044			232,677		232,677
Library	732,031		113,866	15,000	(603,165)		(603,165)
Education	54,064,718	1,080,551	13,645,551		(39,338,616)		(39,338,616)
Other	225,316	456,699	332,721		564,104		564,104
Interest on long-term debt	918,619				(918,619)		(918,619)
Total governmental activities	110,503,475	4,866,972	14,887,139	1,875,566	(88,873,798)		(88,873,798)
Business-type activities:							
Water fund	821,079	1,453,645				\$ 632,566	632,566
Sewer fund	571,945	689,915	15,095		133,065		133,065
School cafeteria fund	985,511	437,744	546,200		(1,567)		(1,567)
Summer school fund	11,077	16,875			5,798		5,798
Total business-type activities	2,389,612	2,598,179	561,295	-	769,862		769,862
Total	\$ 112,893,087	\$ 7,465,151	\$ 15,448,434	\$ 1,875,566	(88,873,798)	769,862	(88,103,936)
General revenues:							
Property taxes					70,132,066		70,132,066
Other taxes					4,270,393		4,270,393
Grants and aid not restricted for a specific program					889,191		889,191
Unrestricted investment earnings					76,228		76,228
Miscellaneous					1,118,392		1,118,392
Transfers					229,303	(229,303)	-
Total general revenues					76,715,573	(229,303)	76,486,270
Change in Net Assets					(12,158,225)	540,559	(11,617,666)
Net Assets - beginning, as restated					(15,388,110)	12,596,816	(2,791,294)
Net Assets - ending					\$ (27,546,335)	\$ 13,137,375	\$ (14,408,960)

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

TOWN OF JOHNSTON, RHODE ISLAND

Balance Sheet
Governmental Funds
 June 30, 2012

	General Fund	School Unrestricted Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash and cash equivalents	\$ 14,937,580	\$ 879,289	\$ 1,072,377	\$ 16,889,246
Accounts and other receivables, net	5,090,703			5,090,703
Due from federal and state governments	1,042,592	127,820	1,275,038	2,445,450
Prepays	1,079,910	4,529		1,084,439
Due from other funds	251,347	3,315,979	818,554	4,385,880
TOTAL ASSETS	\$ 22,402,132	\$ 4,327,617	\$ 3,165,969	\$ 29,895,718
LIABILITIES AND FUND BALANCES:				
LIABILITIES:				
Accounts payable	\$ 395,812	\$ 885,808	\$ 332,014	\$ 1,613,634
Accrued expenses	1,272,360	660,409		1,932,769
Advanced taxes	1,695,925			1,695,925
Due to federal & state governments	248,664		1,610	250,274
Due to other funds	7,498,935	973,403	1,352,149	9,824,487
Deferred revenues	3,822,905		253,725	4,076,630
TOTAL LIABILITIES	14,934,601	2,519,620	1,939,498	19,393,719
FUND BALANCES:				
Non-spendable	1,079,910	4,529		1,084,439
Restricted			1,018,031	1,018,031
Committed		1,803,468	208,566	2,012,034
Unassigned	6,387,621		(126)	6,387,495
TOTAL FUND BALANCES	7,467,531	1,807,997	1,226,471	10,501,999
TOTAL LIABILITIES AND FUND BALANCES	\$ 22,402,132	\$ 4,327,617	\$ 3,165,969	\$ 29,895,718

(Continued)

TOWN OF JOHNSTON, RHODE ISLAND

Balance Sheet
Governmental Funds
June 30, 2012

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

Total Fund Balances (B-1)	\$ 10,501,999
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and therefore are not reported in the funds.	53,743,414
Deferred bond refunding costs, net of accumulated amortization, have been included in the governmental activities in the Statement of Net Assets, but are not recorded in the fund statements.	531,808
Deferred bond issuance costs, net of accumulated amortization, have been included in the governmental activities in the Statement of Net Assets, but are not recorded in the fund statements.	109,674
Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund statements.	(98,836,530)
Deferred revenues (net of an allowance for uncollectibles) are recorded in the fund statements, but are not deferred under the measurement focus employed in the Statement of Net Assets.	3,822,905
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.	2,905,824
Net premium on refunding has been recorded as deferred revenue on the Statement of Net Assets, but is recognized as revenue under other financing sources in the fund statements.	(127,457)
Accrued interest payable on long-term debt obligations is recorded in the statement of net assets for governmental activities, but is not recorded in the fund statements.	<u>(197,972)</u>
Total Net Assets (A-1)	<u><u>\$ (27,546,335)</u></u>

(Concluded)

TOWN OF JOHNSTON, RHODE ISLAND

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2012**

	General Fund	School Unrestricted Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:				
Property taxes	\$ 68,776,232			\$ 68,776,232
Departmental fees and revenues	4,103,150			4,103,150
State and federal grants	5,354,698	\$ 10,061,715	\$ 4,601,683	20,018,096
Medicaid reimbursement		885,395		885,395
Investment income	74,041		2,186	76,227
State on behalf pension contributions		1,843,223		1,843,223
Other miscellaneous	1,469,401	38,747	287,633	1,795,781
TOTAL REVENUES	79,777,522	12,829,080	4,891,502	97,498,104
EXPENDITURES:				
Current:				
Legislative, judicial, and general administrative	1,676,031			1,676,031
Financial administration	958,004			958,004
Assessors office	239,878			239,878
Public safety	25,488,120			25,488,120
Public works	5,818,784			5,818,784
Human resources	64,499			64,499
Miscellaneous	2,458,246			2,458,246
Planning and assessment review	113,367			113,367
Library	619,214			619,214
Education		49,259,407	1,866,607	51,126,014
Other	498,679		683,146	1,181,825
Debt Service:				
Principal	1,730,781		43,835	1,774,616
Interest	943,818			943,818
Bond issuance costs	25,000			25,000
Capital:				
Capital expenditures	277,488	167,659	3,675,261	4,120,408
TOTAL EXPENDITURES	40,911,909	49,427,066	6,268,849	96,607,824
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	38,865,613	(36,597,986)	(1,377,347)	890,280
OTHER FINANCING SOURCES (USES)				
Issuance of bonds and lease purchase obligations			1,158,100	1,158,100
Proceeds from refunding bonds	6,224,725			6,224,725
Payment to refunded bond escrow agent	(6,156,883)			(6,156,883)
Transfers in	125,000	37,129,015	95,397	37,349,412
Transfers out	(37,533,032)	(28,762)	(3,764)	(37,565,558)
TOTAL OTHER FINANCING SOURCES (USES)	(37,340,190)	37,100,253	1,249,733	1,009,796
NET CHANGE IN FUND BALANCES	1,525,423	502,267	(127,614)	1,900,076
FUND BALANCE AT BEGINNING OF YEAR	5,942,108	1,305,730	1,354,085	8,601,923
FUND BALANCE AT END OF YEAR	\$ 7,467,531	\$ 1,807,997	\$ 1,226,471	\$ 10,501,999

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, 2012**

Net Change in Fund Balances - Total Governmental Funds (B-2):	\$ 1,900,076
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets (meeting the capitalization policy) is allocated over their estimated useful lives through reporting of depreciation expense. This represents the net affect of capital outlays reclassified to capital assets and depreciated for the Government-wide financial statements. Capital outlay in excess of depreciation.	1,046,780
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 2012.	(1,747)
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.	23,057
Net transfer in resulting from reclassification of non-current assets and liabilities from the Governmental activities to Business-type activities is recorded as a transfer in on the Governmental activities in the statement of activities, but is not reported in the governmental funds.	445,449
Governmental funds report the issuance of debt as other financing sources, whereas the issuance of new debt would have no effect on the statement of activities and changes in net assets.	(7,382,825)
Governmental funds report payments to refunded bond escrow agents as an other financing use. Payments made to bond escrow agents have no impact on the statement of activities.	6,156,883
Governmental funds report principal repayments on debt obligations as an expenditure. However, the repayment of principal has no effect on the net assets.	1,796,410
Governmental funds report debt issuance costs and premiums on debt financing when they occur. The Government-wide statements amortize these costs over the life of the bond. This is the net effect of the amortization of bond premium and issuance costs reported on the Government-wide statements but not reported in the fund financial statements.	(15,430)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds. Also, allowance for doubtful accounts is not reported in the governmental funds statement of revenues, expenditures, and changes in fund balances. The increase in the allowance provision is recorded against revenue in the Statement of Activities. Net deferred revenue increased from fiscal 2012.	594,786
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.	(6,208,000)
Adjustment to the estimated net OPEB obligation. The Governmental Fund reflects this activity when it will be paid with measurable and available resources. The increase from prior year balances is reflected in the statement of activities and changes in net assets.	(11,899,097)
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 increase from prior year balances is reflected in the statement of activities and changes in net assets.	(226,497)
Excess of internal service funds' revenues over expenses, reported as governmental fund activities in the statement of activities and changes in net assets.	1,628,192
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.	<u>(16,262)</u>
Change in Net Assets of Governmental Activities in the Statement of Activities (A-2)	<u>\$ (12,158,225)</u>

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, 2012

	Business-type Activities - Enterprise Funds								Governmental Activities	
	Water Control Fund (current year)	Water Control Fund (prior year)	Sewer Fund (current year)	Sewer Fund (prior year)	Cafeteria Fund (current year)	Cafeteria Fund (prior year)	Summer School (current year)	Summer School (prior year)	Totals	Health Care Management Internal Service Fund
ASSETS:										
Current Assets:										
Cash and cash equivalents	\$ 375,932				\$ 76,757	\$ 26,599			\$ 452,689	\$ 1,723,986
Restricted cash held in escrow	380,511	\$ 483,310	\$ 2,181,697	\$ 787,079	5,149	6,751			2,567,357	
Accounts and other receivables, net				1,626,313	98,350	57,936			98,350	
Intergovernmental receivables					14,931	14,931			14,931	
Inventory	3,375,811	3,044,341							3,382,721	2,140,027
Due from other funds	4,132,254	3,527,651	2,181,697	2,413,392	195,187	106,217	6,910	1,112	6,516,048	3,864,013
Total Current Assets										
Non-current Assets:										
Deferred charges - refunding, net			70,350						70,350	
Deferred charges - bond issuance costs, net			45,251	47,887					45,251	
Capital Assets, net of accumulated depreciation	9,031,271	9,108,445	2,810,676	1,862,200	29,262	7,540			11,871,209	
Total Non-current Assets	9,031,271	9,108,445	2,926,277	1,910,087	29,262	7,540	0	0	11,986,810	0
TOTAL ASSETS	13,163,525	12,636,096	5,107,974	4,323,479	224,449	113,757	6,910	1,112	18,502,858	3,864,013
LIABILITIES:										
Current Liabilities:										
Accounts payable and accrued expenses	12,032		18,453	16,842	79,929	68,169			110,414	958,189
Due to other funds	2,185	2,185	95,939	336,005	119,126	47,389			217,250	
Unearned revenue			1,917,119	1,518,033					1,917,119	
Current portion of accrued compensated absences	9,000	5,000							9,000	
Current portion of capital lease obligation			52,144	100,000					52,144	
Current portion of bonds payable			181,880	1,970,880					181,880	
Total Current Liabilities	23,217	7,185	2,265,535	1,970,880	199,055	115,558	0	0	2,487,807	958,189
Non-current Liabilities:										
Accrued compensated absences	27,396	34,088							27,396	
Net OPEB obligation	58,440	47,917							58,440	
Capital lease obligation			219,756	2,302,000					219,756	
Bonds payable	85,836	82,005	2,572,084	2,302,000	0	0	0	0	2,572,084	
Total Non-current Liabilities	169,672	164,010	2,791,840	2,302,000	0	0	0	0	2,877,676	0
TOTAL LIABILITIES	192,889	171,195	5,057,375	4,272,880	199,055	115,558	0	0	5,365,483	958,189
NET ASSETS:										
Invested in capital assets net of related debt	9,031,271	9,108,445	(99,587)	295,166	29,262	7,540			8,960,946	
Unrestricted:										
Reserved for infrastructure replacement	293,007	264,492							293,007	
Reserved for repairs	31,065	26,756							31,065	
Reserve for water system	375,732	3,147,213	150,186	(244,567)	(3,868)	(9,341)	6,910	1,112	3,476,625	2,905,824
Unreserved	3,323,987	3,147,213	150,186	(244,567)	(3,868)	(9,341)	6,910	1,112	3,476,625	**
TOTAL NET ASSETS	\$ 13,054,472	\$ 12,546,906	\$ 50,599	\$ 50,599	\$ 25,394	\$ (1,801)	\$ 6,910	\$ 1,112	\$ 13,137,375	\$ 2,905,824

** - The unrestricted net assets (\$2,905,824) in the Health Care Management Fund represent \$1,158,160 to be utilized for future claims of the School Department and \$1,747,664 to be utilized for future claims of the Town.

TOWN OF JOHNSTON, RHODE ISLAND

Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the Year Ended June 30, 2012

	Business-type Activities-Enterprise Funds							Governmental Activities	
	Water Control Fund (current year)	Water Control Fund (prior year)	Sewer Fund (current year)	Sewer Fund (prior year)	Cafeteria Fund (current year)	Cafeteria Fund (prior year)	Summer School (current year)		Summer School (prior year)
OPERATING REVENUES:									
Charges for usage and service	\$ 1,077,913	\$ 1,067,109	\$ 689,915	\$ 118,423	\$ 437,744	\$ 469,453	\$ 16,875	\$ 4,420	\$ 2,222,447
Water System Revenue	375,732								375,732
Total operating revenues	1,453,645	1,067,109	689,915	118,423	437,744	469,453	16,875	\$ 4,420	2,598,179
OPERATING EXPENSES:									
Salaries and benefits	57,129	58,259	268,467		14,327	16,617	11,077	3,308	351,000
Contracts					963,273	955,754			963,273
Materials and supplies	78,252	60,936	34,050		4,279				4,279
Repair and maintenance	30,615	38,257	8,873						112,302
Utilities	2,764	3,313	644						39,488
Office expense	357,681	439,200							3,408
Purchased water and state surcharges	177,815	165,984	1,368						357,681
Departmental expense									179,183
Health care management									
Bad debts, net of recovery		993							
Other expenses			37,079						37,079
Depreciation	116,823	116,657	118,789	6,228	3,632	3,213			239,244
Total operating expenses	821,079	883,599	469,270	6,228	985,511	975,584	11,077	3,308	2,286,937
OPERATING INCOME (LOSS)	632,566	183,510	220,645	112,195	(547,767)	(506,131)	5,798	1,112	311,242
NONOPERATING REVENUES (EXPENSES):									
State and federal grants			15,095	14,793	532,025	488,473			547,120
State matching funds					14,175	15,857			14,175
Investment income			(100,039)	(54,714)					(100,039)
Interest expense			(2,636)	(2,636)					(2,636)
Amortization			(87,580)	(42,557)	546,200	504,330	0	0	458,620
TOTAL NONOPERATING REVENUES (EXPENSES)	0	0	(87,580)	(42,557)	546,200	504,330	0	0	6,720
INCOME (LOSS) BEFORE TRANSFERS	632,566	183,510	133,065	69,638	(1,567)	(1,801)	5,798	1,112	1,628,192
Transfers In	(125,000)	(125,000)	312,384	681,004	28,762				341,146
Transfer Out			(445,449)	(700,043)					(570,449)
CHANGE IN NET ASSETS	507,566	58,510	0	50,599	27,195	(1,801)	5,798	1,112	540,559
TOTAL NET ASSETS - BEGINNING	12,546,906	12,488,396	50,599	0	(1,801)	0	1,112	0	12,596,816
TOTAL NET ASSETS - ENDING	\$ 13,054,472	\$ 12,546,906	\$ 50,599	\$ 50,599	\$ 25,394	\$ (1,801)	\$ 6,910	\$ 1,112	\$ 13,137,375

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, 2012**

	Business-type Activities - Enterprise Funds					Totals	Governmental Activities
	Water Control Fund	Sewer Fund	Cafeteria Fund	Summer School	Health Care Management Internal Service Fund		
CASH FLOWS FROM OPERATING ACTIVITIES:							
Cash received from customers	\$ 1,556,444	\$ 533,617	\$ 439,346	\$ 16,875	\$ 2,546,282	\$ 15,863,109	
Cash received from providing services	(635,095)	(44,935)	(955,792)		(1,635,822)		
Cash paid to suppliers	(49,298)	(268,467)	(14,327)	(11,077)	(343,169)		
Cash paid to employees							
Cash paid for claims							
Net cash provided by (used for) operating activities	872,051	\$ 220,215	(530,773)	5,798	567,291	(14,329,462)	
						1,533,647	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:							
Transfers (to) from other funds	(125,000)		28,762		(96,238)		
Non-operating grants received			505,786		505,786		
(Increase) decrease in due from other funds	(331,470)			(5,798)	(337,268)	(304,507)	
Increase (decrease) in due to other funds	0	72,318	71,737		144,055		
Net cash provided by (used for) noncapital financing activities	(456,470)	72,318	606,285	(5,798)	216,335	(304,507)	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:							
Acquisition of capital assets	(39,649)	(305,260)	(25,354)		(370,263)		
Payment of finance refunding costs		(70,350)			(70,350)		
Proceeds from long-term debt		271,900			271,900		
Principal paid on long-term debt		(89,550)			(89,550)		
Interest paid on long-term debt		(99,273)			(99,273)		
Net cash used for capital and related financing activities	(39,649)	(292,533)	(25,354)	0	(357,536)	0	
CASH FLOWS FROM INVESTING ACTIVITIES:							
Investment income	0	0	0	0	0	6,720	
Net cash provided by (used for) investing activities	0	0	0	0	0	6,720	
NET INCREASE IN CASH AND CASH EQUIVALENTS	375,932	0	50,158	0	426,090	1,235,860	
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	0	0	26,599	0	26,599	488,126	
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 375,932	\$ -	\$ 76,757	\$ -	\$ 452,689	\$ 1,723,986	

(Continued)

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

TOWN OF JOHNSTON, RHODE ISLAND

Statement of Cash Flows
 Proprietary Funds
 For the Year Ended June 30, 2012

	Business-type Activities - Enterprise Funds					Governmental Activities
	Water Control Fund	Sewer Fund	Cafeteria Fund	Summer School	Totals	
Operating income (loss)	\$ 632,566	\$ 220,645	\$ (547,767)	\$ 5,798	\$ 311,242	\$ 1,621,472
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation	116,823	118,789	3,632		239,244	
Decrease in provision for doubtful accounts	(2,172)				(2,172)	
Legal expenses paid with funds held in escrow		37,079			37,079	
(Increase) decrease in accounts receivable	104,971	(555,384)	1,602		(448,811)	
Increase (decrease) in accounts payable and accrued expenses	12,032		11,760		23,792	(87,825)
Increase (decrease) in unearned revenue		399,086			399,086	
Increase (decrease) in accrued compensated absences	(2,692)				(2,692)	
Increase (decrease) in net OPEB obligation	10,523				10,523	
Net cash provided by (used for) operating activities	\$ 872,051	\$ 220,215	\$ (530,773)	\$ 5,798	\$ 567,291	\$ 1,533,647

Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:

Operating income (loss)
 Adjustments to reconcile operating income (loss) to net cash provided by operating activities:
 Depreciation
 Decrease in provision for doubtful accounts
 Legal expenses paid with funds held in escrow
 (Increase) decrease in accounts receivable
 Increase (decrease) in accounts payable and accrued expenses
 Increase (decrease) in unearned revenue
 Increase (decrease) in accrued compensated absences
 Increase (decrease) in net OPEB obligation

Net cash provided by (used for) operating activities

(Concluded)

TOWN OF JOHNSTON, RHODE ISLAND

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	Police and Fire Pension Trust Fund	Private Purpose Trust Funds	Agency Funds
ASSETS:			
Cash and cash equivalents	\$ 17,650,833	\$ 22,980	\$ 416,653
Restricted cash	198,130		
Investments	20,034,967		
Funds held in escrow	823,638		
Due from governmental funds	25,359		107,750
TOTAL ASSETS	38,732,927	22,980	524,403
LIABILITIES:			
Due to student groups			190,194
Deposits held in custody for others			334,209
Claims and judgments	1,021,768		
TOTAL LIABILITIES	1,021,768	0	524,403
NET ASSETS:			
Held in trust for perpetual care		22,980	
Held in trust for pension benefits	37,711,159		
TOTAL NET ASSETS	\$ 37,711,159	\$ 22,980	\$ 0

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

TOWN OF JOHNSTON, RHODE ISLAND

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
Fiduciary Funds
For the year ended June 30, 2012

	<u>Police and Fire Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>
Additions:		
Contributions:		
Employer	\$ 1,059,648	
Plan members	801,405	
Single premium deferred annuities	171,076	
Employer contributions for claims and judgments	198,130	
Total contributions	<u>2,230,259</u>	<u>\$ -</u>
Investment income (expense)		
Net dividends, interest, and change in fair value	<u>(218,756)</u>	<u>-</u>
Net investment income (expense)	<u>(218,756)</u>	<u>-</u>
Total additions and changes in fair value	<u>2,011,503</u>	<u>-</u>
Deductions:		
Administration and benefit expenses	3,495	360
Claims and contingencies	1,021,768	
Pension expenses	5,084,230	
Total deductions	<u>6,109,493</u>	<u>360</u>
Change in net assets	(4,097,990)	(360)
Net assets - beginning of year	<u>41,809,149</u>	<u>23,340</u>
Net assets - end of year	<u>\$ 37,711,159</u>	<u>\$ 22,980</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, 2012**

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 2012:

- 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, 2012. Therefore, the activity of the Johnston Senior Citizens Center, Inc. has been omitted from the Town of Johnston, Rhode Island's June 30, 2012 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, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

Government-Wide Financial Statements

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

Fund Financial Statements

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

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

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

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

Special Revenue Funds

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

Capital Project Funds

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

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds (Continued)

Permanent Funds

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

Proprietary Funds

Proprietary Funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The Proprietary Funds include the Water Control Fund, Sewer Fund, School Cafeteria Fund, and the Summer School Fund which are considered Enterprise Funds. The Town also maintains four Internal Service Funds (School Self Insured Active, School Self Insured Retired, Town Self Insured Active, and Town Self Insured Retired) which are used to pay medical and dental costs incurred by persons covered by the health benefit plan of the Town and the School Department.

Fiduciary Funds (Not included in government wide statements)

Agency Funds

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

- Performance Bonds
- Student Activities funds

Private-Purpose Trust Funds

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

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

Pension Trust Fund

Pension trust fund is used to account for resources held in trust for future pension obligations of the Town. The Pension trust fund held at June 30, 2012 is as follows:

- Police and Fire Pension Trust Fund

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

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

Major and Non-Major Funds

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

<u>Fund</u>	<u>Brief Description</u>
Major:	
General Fund:	See above for description
Special Revenue Funds:	
School Unrestricted Fund	This fund is used to report all financial transactions of the Johnston School Department, which are not legally required to be accounted for separately.
Proprietary Funds:	
Water Control Fund	Accounts for the supply of public water to the Town of Johnston.
Sewer Fund	Accounts for sewer projects of the Town of Johnston.
School Cafeteria Fund	Accounts for the operation of the school breakfast and lunch program of the Johnston School Department. This fund did not meet the criteria for reporting as a major fund however, management elected to present the fund as a major fund.
Summer School Fund	Accounts for the operation of the summer school program of the Johnston School Department. This fund did not meet the criteria for reporting as a major fund however, management elected to present the fund as a major fund.
Non-Major:	
Special Revenue Funds:	School Restricted Funds, Community Development Block Grant, Byrne JAG Stimulus Grant, Police Special Account, Memorial Park Recreation Fields Restoration, Substance Abuse Prevention Grant, Blue Riptide Grant, ARRA EECBG, NRCS, Historical Trust Fund, Fire Plan Review, Fire Prevention, Memorial Library Fund, Byrne Grant, State JAG Grant, Secure Our Schools, FEMA Category F Projects, FEMA Category C Small Projects, FEMA Category C Large Projects, and Champlin Grant.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Major and Non-Major Funds (Continued)

Non-Major (Continued):

Capital Project Funds:

School Facilities Fund, Rainone Gym Renovations, Unobligated Capital Fund, DAM Renovations, Pezza Property Acquisition, Soccer Field, Capital Lease 2010, Capital Improvements, Library Building, and Capital Lease 2011.

Measurement Focus

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

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

- (a) All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period. The Town considers property taxes as available if they are collected within 60 days after year end. Substantially all other revenue (excluding municipal court fees and fines, special sewer assessments, and Fire Rescue Services) of the governmental funds is recognized utilizing the modified accrual method of accounting and as such it is recognized as it is earned and available. Municipal Court fines and fees and Fire Rescue Services are reported as receivable and deferred revenue until the amounts are collected. Special sewer assessments are reported as receivable and deferred revenue at the date of the assessment. The revenue for these assessments is then recognized annually over the term of the debt service obligation related to the project.
- (b) The proprietary fund and private purpose trust funds utilize "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Fund equity is classified as net assets.
- (c) Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating 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 non-operating revenues and expenses.

Assets, Liabilities, and Fund Equity

Cash and Investments

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

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

Investments are stated at fair value.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Fund Equity (Continued)

Accounts Receivable

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. The allowance for uncollectible accounts receivable amounted to \$7,200,720 at June 30, 2012. The allowance for uncollectible accounts includes \$6,027,921 for property taxes, \$114,178 for Municipal Court fees and traffic fines, \$1,001,895 for fire rescue services, \$48,960 for sewer (enterprise fund) assessment, and \$7,766 for water (enterprise fund) service fees. Major receivable balances for the governmental activities include property taxes (84% 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, fire rescue services, municipal court fees and traffic fines, grants and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Property Taxes

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

Prepaid Items

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

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in certain governmental funds. Open encumbrances are reported as restricted, committed or assigned, and should not result in separate display of the encumbered amount within those classifications. Encumbrances do not constitute expenditures or liabilities under generally accepted accounting principles. (See Note 2 for budgetary reporting of encumbrances).

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Fund Equity (Continued)

Bond Premiums and Issuance Costs

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

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

Property, Plant and Equipment

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

Government-Wide Statements

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

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

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

Buildings and improvements	10 – 50 years
Land improvements	20 years
Equipment	5 – 10 years
Vehicles	5 – 10 years
Infrastructure	20 – 100 years

Fund Financial Statements

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

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

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, 2010 and prior and are not collected within 60 days of June 30, 2012. Net deferred taxes included in the fund financial statements were approximately \$3,285,000 at June 30, 2012. In addition, deferred revenue in the General Fund (fund financial statements) included approximately \$221,600 for Municipal Court fees and traffic fines, and \$316,400 for fire rescue services.

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, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity Classifications (Continued)

Government-Wide Statements (Continued)

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

Fund Financial Statements

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

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

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

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity Classifications (Continued)

Compensated Absences

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

Reconciliation of Government-wide and Fund Financial Statements

The governmental fund Balance Sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide Statement of Net Assets. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$98,836,530 are as follows:

Bonds payable and capital lease obligations.....	\$ 21,496,648
Net pension benefit obligation	17,472,000
Net OPEB obligation	51,580,988
Accrued claims and judgments.....	43,000
Compensated absences	<u>8,243,894</u>
Total	<u>\$ 98,836,530</u>

Another element of the reconciliation states that “deferred revenues (net of an allowance for uncollectibles) are recorded in the funds, but are not deferred under the measurement focus employed in the Statement of Net Assets.” The details of this \$3,822,905 difference are as follows:

Deferred tax revenue (net of allowance \$6,027,921)	\$ 3,284,877
Deferred fire rescue fees (net of allowance \$1,001,895).....	316,388
Deferred municipal court fees (net of allowance \$114,178)	<u>221,640</u>
Total.....	<u>\$ 3,822,905</u>

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

The governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances includes reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide Statement of Activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures.” However, in the statement of activities the cost of those assets is capitalized and depreciated over the assets estimated useful life. The details of the \$1,046,780 are as follows:

Capital outlay expenditures reclassified to capital assets	\$ 3,952,750
Depreciation expense	<u>(2,905,970)</u>
Total	<u>\$ 1,046,780</u>

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Another element of the reconciliation states that "the governmental funds report principal repayments on debt obligations as an expenditure." The details of the \$1,796,410 are as follows:

Principal payment of general obligation bonds.....	\$1,575,100
Principal payment of capital lease obligations.....	<u>221,310</u>
Total	<u>\$1,796,410</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 (\$226,497) are as follows:

Increase in liability for compensated absences... ..	\$(235,497)
Decrease in liability for claims and judgments.....	<u>9,000</u>
Total	<u>\$(226,497)</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 \$594,786 are as follows:

Deferred tax revenue, net - ending	\$ 3,284,877
Deferred fire rescue, net – ending	316,388
Deferred municipal court fees, net – ending.....	221,640
Deferred tax revenue, net – beginning	(1,929,043)
Deferred fire rescue fees, net – beginning	(1,048,569)
Deferred municipal court fees – beginning	<u>(250,507)</u>
Total	<u>\$ 594,786</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 \$(6,208,000) was comprised of the following:

Net pension benefit obligation – beginning of year.....	\$11,264,000
Net pension benefit obligation – end of year	<u>(17,472,000)</u>
Increase in net pension benefit obligation	<u>\$(6,208,000)</u>

Another element of the reconciliation relates to the Net OPEB Obligations and states that "the governmental fund reflects this activity when it will be paid with measurable and available resources." The decrease in net assets of \$(11,899,097) was comprised of the following:

Net OPEB obligation – beginning of year	\$ 39,681,891
Net OPEB obligation – end of year.....	<u>(51,580,988)</u>
Increase in net OPEB obligation	<u>\$(11,899,097)</u>

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Standards

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

- ✓ GASB Statement No. 60 – Accounting and Financial Reporting for Service Concession Arrangement, effective for the Town’s fiscal year ending June 30, 2013.
- ✓ GASB Statement No. 61 – The Financial Reporting entity: Omnibus an amendment of GASB Statements No. 14 and No. 34, effective for the Town’s fiscal year ending June 30, 2013.
- ✓ GASB Statement No. 62 – Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, effective for the Town’s fiscal year ending June 30, 2013.
- ✓ GASB Statement No. 63 – Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, effective for the Town’s fiscal year ending June 30, 2013.
- ✓ GASB Statement No. 65 – Items Previously Reported as Assets and Liabilities, effective for the fiscal year ending June 30, 2014.
- ✓ GASB Statement No. 66 – Technical Corrections – 2012 – an Amendment of GASB Statement No. 10 and No. 62, effective for the fiscal year ending June 30, 2014.
- ✓ GASB Statement No. 67 – Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25, effective for the fiscal year ending June 30, 2014.
- ✓ GASB Statement No. 68 – Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27, effective for the fiscal year ending June 30, 2015.

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

During the fiscal year ended June 30, 2012 the Town implemented the following governmental accounting standards:

- ✓ GASB Statement No. 64 – Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53. The adoption of this Statement did not have an impact on the Town’s financial statements.

2. BUDGETARY PROCESS

(a) Adoption

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

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

2. BUDGETARY PROCESS (Continued)

(b) General Fund

Actual General fund expenditures on the Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budgetary Basis) (RSI - 2) are adjusted to reflect the budgetary basis of accounting which differs from actual expenditures recognized for the General Fund in the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds (Exhibit B-2) in that School State Aid, Federal Education Jobs funding, School Medicaid reimbursement and School's miscellaneous income is treated as revenue of the School Unrestricted Fund in accordance with GASB #54 for GAAP purposes, but is reported as part of the Town's activity for budgetary purposes. In addition, activity of certain non-major governmental funds is combined with the General Fund in accordance with GASB #54 for GAAP, but is not reported for budgetary purposes. Also, activity related to bond refunding during fiscal year ended June 30, 2012 is reported as revenue and expenditure for GAAP purposes, but is not part of budget.

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

REVENUES

Total General Fund revenues and other financing sources, from Exhibit B-2...	\$86,127,247
Adjustments:	
School State Aid budgeted in General Fund.....	9,617,585
Federal Education Jobs budgeted in General Fund	444,130
School Medicaid reimbursement budgeted in General Fund.....	885,395
School's miscellaneous income budgeted in General Fund	38,747
FEMA revenue segregated for GAAP purposes, netted against expenditures	
for budgetary basis	(55,330)
Proceeds from refunding bonds treated as revenue (other financing sources).....	
for GAAP purposes, but not reported for budgetary purposes	(6,224,725)
Inclusion of revenue (net of transfer out) of Police Detail Fund with the General Fund, for GAAP purposes, not part of budget	(452,268)
Inclusion of revenue (net of transfer out) of Fire Dept. Detail Fund with the General Fund, for GAAP purposes, not part of budget	(38,285)
Inclusion of revenue (net of transfer out) of Police Equipment Fund with the General Fund, for GAAP purposes, not part of budget	9,586
Total budgetary basis revenues and other financing sources from RSI – 2 .	<u>\$90,352,082</u>

EXPENDITURES

Total General Fund expenditures and other financing uses, from Exhibit B-2..	\$84,601,824
Adjustments:	
School State Aid budgeted in General Fund.....	9,617,585
Federal Education Jobs budgeted in General Fund	444,130
School Medicaid reimbursement budgeted in General Fund.....	885,395
School's miscellaneous income budgeted in General Fund	38,747
FEMA expenditures segregated for GAAP purposes, netted against revenue for budgetary basis	(55,330)
Payment to refunded bond escrow is treated as expenditure (other financing uses) for GAAP purposes, but not reported for budgetary purposes	(6,156,883)
Bond issuance costs incurred on issuance of bond refunding are treated as expenditures for GAAP purposes, but not part of budget.....	(25,000)
Inclusion of expenditures of Police Detail Fund with the General Fund, for GAAP purposes, not part of budget.....	(459,386)
Inclusion of expenditures of Fire Dept. Detail Funds with the General Fund, for GAAP purposes, not part of budget.....	(31,542)
Total budgetary basis expenditures and other financing uses, from RSI – 2	<u>\$88,859,540</u>

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

2. BUDGETARY PROCESS (Continued)

(c) Special Revenue Funds

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

Encumbrances for fiscal year 2012 were \$17,771 as compared to \$34,329 at June 30, 2011. 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	\$49,958,095
Adjustments:	
State on behalf pension contribution not budgeted	<u>(1,843,223)</u>
Total budgetary basis revenues and other financing sources from RSI - 3	<u>\$48,114,872</u>

EXPENDITURES

Total School Unrestricted expenditures and other financing uses, from Exhibit B-2	\$49,455,828
Adjustments:	
Prior year encumbrances	(34,329)
Current year encumbrances.....	17,771
State on behalf pension contribution not budgeted	<u>(1,843,223)</u>
Total budgetary basis expenditures and other financing uses, from RSI - 3.....	<u>\$47,596,047</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, 2012**

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, 2012 was \$37,156,387 (including Fiduciary Funds) while the bank balance was \$38,299,594. Of the bank balance, \$20,206,706 was covered by federal depository insurance. The remaining uninsured balance of \$18,092,888 was held in money market accounts/funds. These money market funds were held in the name of the Town of Johnston and included US Treasury Funds and Government Obligation Tax Managed Funds.

Restricted Cash and Funds Held in Escrow

Restricted cash of \$198,130 reported in the Fiduciary Funds at June 30, 2012 represents two years' worth of post-judgment statutory interest (at a rate of 12% per year) on the \$823,638 held in escrow by the Rhode Island Superior Court (resulting from litigation between certain police retirees and the Town) to be used to repay the plaintiffs should the Town lose the case currently on appeal.

Funds held in escrow of \$823,638 reported in the Fiduciary Funds at June 30, 2012 represents cash held on deposit with the Rhode Island Superior Court as a result of litigation between certain police retirees and the Town. These funds will be held in the Superior Court's Registry until the case is resolved.

Investments

At June 30, 2012 the Town's investments totaled \$20,034,967 (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.....	\$ 19,863,891	N/A	N/A	N/A
Single premium deferred annuities.....	<u>171,076</u>	N/A	N/A	N/A
<i>Total investments</i>	<u>\$ 20,034,967</u>			

Interest Rate Risk

As noted above, majority (99%) 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, 2012 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.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

3. CASH AND INVESTMENTS (Continued)

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 deposits are maintained in high rated financial institutions and the ratings of these institutions is reviewed by management on a periodic basis.

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, 2012, 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 2012 were based on an assessed value of approximately \$2,464,812,000 at December 31, 2010 and amounted to approximately \$68,570,800. Total collections through June 30, 2012, on the 2011 tax levy, amounted to approximately \$64,086,500, which represents approximately 93.5% of the net tax levy. Total collections including 60-day receipts (applicable to the 2011 tax levy) amounted to approximately \$64,911,100, which represents approximately 94.7% 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 (\$10,237,935) as of June 30, 2012 are recorded as a receivable, net of an allowance for uncollectible property taxes of \$6,027,921. Those property taxes receivable, which were not collected within the 60 days immediately following June 30, 2012, are recorded as deferred revenue, net of the allowance of \$6,027,921 and amounted to \$3,284,877 at June 30, 2012. Property taxes recognized as revenue for the fiscal year ended June 30, 2012 (due to their collection within the 60 days immediately following June 30, 2012) amounted to \$925,137.

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, 2012 consisted of the following:

	<u>General</u>	<u>Business-type Activities</u>	<u>Total</u>
Receivables:			
2011 tax year	\$4,197,456		\$4,197,456
2010 and prior years	6,040,479		6,040,479
Accounts	<u>1,996,762</u>	<u>\$2,624,083</u>	<u>4,620,845</u>
Gross receivables	12,234,697	2,624,083	14,858,780
Less: allowance for uncollectibles	<u>(7,143,994)</u>	<u>(56,726)</u>	<u>(7,200,720)</u>
Total receivables	<u>\$5,090,703</u>	<u>\$2,567,357</u>	<u>\$7,658,060</u>

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

5. INTERGOVERNMENTAL RECEIVABLE

Amounts due from the Federal Government and the State of Rhode Island consisted of the following at June 30, 2012:

General Fund:	
Rhode Island Solid Waste Management Corporation	\$ 952,941
State of Rhode Island – Miscellaneous grants and fees	<u>89,651</u>
Total General Fund	<u>1,042,592</u>
 School Unrestricted Fund:	
Medicaid.....	106,442
State of Rhode Island – Department of Education	<u>21,378</u>
Total School Unrestricted Fund	<u>127,820</u>
 Other Governmental Funds:	
State of Rhode Island:	
School Restricted Grant Funds	1,119,218
Community Development Block Grant (CDBG)	141,076
Natural Resources Conservation Service (NRCS) grant	<u>14,744</u>
Total Other Governmental Funds	<u>1,275,038</u>
 Business-type Activities:	
Cafeteria Fund:	
State of Rhode Island	<u>98,350</u>
 Total intergovernmental receivables	 <u>\$2,543,800</u>

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012 was as follows:

	<u>Balances</u> <u>7/1/11</u>	<u>Additions &</u> <u>Transfers</u>	<u>Retirements &</u> <u>Transfers</u>	<u>Balances</u> <u>6/30/12</u>
Governmental Activity:				
Nondepreciable assets:				
Land	\$ 7,258,043	\$1,324,000		\$ 8,582,043
Construction in progress	49,969	789,469		839,438
Depreciable assets:				
Buildings, building improvements, and land improvements	42,617,739	149,100		42,766,839
Vehicles and equipment	8,794,038	799,617	\$(24,725)	9,568,930
Infrastructure	54,742,441	913,621 ***	(914,456) **	54,741,606
Total cost	<u>113,462,230</u>	<u>3,975,807</u>	<u>(939,181)</u>	<u>116,498,856</u>

** Includes \$762,005 net transfer of capital assets (\$914,456 capital assets net of \$152,451 accumulated depreciation) to Business-Type activities.

*** Includes \$23,057 donated portion of playground reported in the Government-wide Statements.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

6. CAPITAL ASSETS (Continued)

	Balances <u>7/1/11</u>	Additions & <u>Transfers</u>	Retirements & <u>Transfers</u>	Balances <u>6/30/12</u>
Governmental Activity:				
Accumulated Depreciation:				
Buildings and improvements.....	(14,606,480)	(928,675)	0	(15,535,155)
Vehicles and equipment	(5,927,950)	(579,670)	22,978	(6,484,642)
Infrastructure.....	(39,490,471)	(1,397,625)	152,451 **	(40,735,645)
Total accumulated depreciation...	(60,024,901)	(2,905,970)	175,429	(62,755,442)
Net capital assets	<u>\$53,437,329</u>	<u>\$1,069,837</u>	<u>\$(763,752)</u>	<u>\$53,743,414</u>
Business-Type Activities:				
Nondepreciable assets:				
Land.....	\$ 40,000	\$ 0	\$ 0	\$ 40,000
Depreciable assets:				
Infrastructure.....	1,868,428	937,816 **	0	2,806,244
Motor vehicles.....	37,477	271,900	0	309,377
Machinery and equipment	137,036	35,354	0	172,390
Water distribution.....	11,665,735	39,649	0	11,705,384
Total cost.....	13,748,676	1,284,719	0	15,033,395
Accumulated Depreciation:				
Infrastructure.....	(6,228)	(250,481) **	0	(256,709)
Motor vehicles.....	(37,477)	(19,259)	0	(56,736)
Machinery and equipment	(129,496)	(5,132)	0	(134,628)
Water distributions	(2,597,290)	(116,823)	0	(2,714,113)
Total accumulated depreciation...	(2,770,491)	(391,695)	0	(3,162,186)
Net capital assets	<u>\$10,978,185</u>	<u>\$ 893,024</u>	<u>\$ (0)</u>	<u>\$11,871,209</u>

** Includes \$762,005 net transfer of capital assets (\$914,456 capital assets net of \$152,451 accumulated depreciation) from Governmental activities.

Depreciation expense for the year ended June 30, 2012 was charged to the following functions/programs of the Town:

Governmental Activities:	
Education	\$ 620,870
Public safety.....	529,030
Public works.....	1,545,354
Library.....	101,206
Other	109,510
Total	<u>\$2,905,970</u>
Business-Type Activities:	
Water fund	\$ 116,823
Sewer Fund.....	271,240
School cafeteria fund	3,632
Total	<u>\$ 391,695</u>

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

6. CAPITAL ASSETS (Continued)

The following is a summary of Construction in Progress at June 30, 2012:

Governmental Activities:

Municipal Court.....	\$ 160,671
High School Boiler	<u>678,767</u>
Total	<u>\$ 839,438</u>

7. LONG-TERM DEBT

(a) General

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

The current three percent debt limit of the Town is approximately \$73,944,356, based on the net assessed valuation at December 31, 2010 of \$2,464,811,865. The entire \$19,904,725 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, 2012

7. LONG-TERM DEBT (Continued)

(b) At June 30, 2012 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, 2011 (Restated)	Transfers in & Additions	Transfers out & Retirements	Balance June 30, 2012	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%	\$ 580,000		\$ 285,000	\$ 295,000	\$ 295,000
RI Clean Water Bond	4/25/2002	9/1/2022	750,000	0.661%	506,784		506,784	-	-
2004 General Obligation Bond	6/1/2004	6/1/2024	8,775,000	5%-5.25%	6,665,000		6,665,000	4,745,000	285,000
2005 General Obligation Bond	6/1/2005	6/1/2025	6,325,000	4%-4.75%	5,020,000		275,000	1,665,000	175,000
2007 General Obligation Bond - Senior Center	9/13/2007	9/1/2019	2,277,000	5.05%	1,830,000		165,000	4,210,000	160,000
2009 General Obligation Bond	9/9/2009	9/1/2029	4,430,000	3%-7%	4,365,000		155,000	2,765,000	365,000
2010 General Obligation Refunding Bond	6/29/2010	8/15/2018	3,120,000	2%-4%	3,120,000		355,000	6,224,725	380,375
2012 General Obligation Refunding Bond	5/29/2012	6/1/2024	6,224,725	2.85%	-	6,224,725	8,406,784	19,904,725	1,660,375
Total bonds outstanding			\$ 34,811,725		22,086,784				
Capital lease obligations:									
Capital lease obligation	10/21/2005	11/2/2013	\$ 360,000	3.73%	147,489		47,374	100,115	49,141
Capital lease obligation	6/21/2007	6/21/2012	125,000	4.60%	27,296		27,296	-	-
Capital lease obligation	1/25/2010	1/25/2015	591,000	3.30%	480,348		146,640	333,708	107,645
Capital lease obligation	7/7/2011	7/7/2016	1,158,100	2.10%	-	1,158,100		1,158,100	222,094
Total capital lease obligations			\$ 2,234,100		655,133		221,310	1,591,923	378,880
Compensated absences and severance estimate (as restated)					8,008,397		1,919,085	8,243,894	2,100,000
Net pension benefit obligation (as restated)					11,264,000		6,208,000	17,472,000	-
Net OPEB obligation					39,681,891		11,899,097	51,580,988	-
Claims and judgements					52,000		9,000	43,000	8,000
Governmental activities long-term liabilities					\$ 81,748,205	\$ 27,644,504	\$ 10,556,179	\$ 98,836,530	\$ 4,147,255
Business-Type Activities:									
General Obligation Bonds:									
RI Clean Water Bond - Sewer Project	10/6/2009	9/1/2029	\$ 2,500,000	0.79%-3.08%	\$ 2,402,000		\$ 850,000	\$ 1,552,000	\$ 101,000
RI Clean Water Bond	4/25/2002	9/1/2022	750,000	0.661%	-	506,784	35,095	471,689	36,255
2004 General Obligation Bond	6/1/2004	6/1/2024	8,775,000	5%-5.25%	-	699,825	699,825	-	-
2012 General Obligation Refunding Bond	5/29/2012	6/1/2024	730,275	2.85%	-	730,275		730,275	44,625
Total bonds outstanding			\$ 12,755,275		2,402,000	1,936,884	1,584,920	2,753,964	181,880
Compensated absences and severance estimate					-	271,900		271,900	52,144
Net OPEB obligation					-	271,900		271,900	52,144
Business-type activities long-term liabilities									
Compensated absences and severance estimate					39,088	5,940	8,632	36,396	9,000
Net OPEB obligation					47,917	10,523		58,440	
Business-type activities long-term liabilities					\$ 2,489,005	\$ 2,225,247	\$ 1,593,552	\$ 3,120,700	\$ 243,024

(**) \$506,784 and \$699,825 represent transfer of General Obligation bond from Governmental activities to Business-Type activities during fiscal year ended June 30, 2012.
 (***) 2012 General Obligation Refunding bond and 2011 Capital lease obligation balance and activity is allocated between Governmental activities and Business-Type activities. (CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

7. 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>
2013	\$ 2,039,255	\$ 787,947	\$ 2,827,202
2014	1,797,729	725,923	2,523,652
2015	1,879,686	666,681	2,546,367
2016	1,823,107	602,119	2,425,226
2017	1,881,496	536,994	2,418,490
2018 – 2022	7,252,650	1,716,249	8,968,899
2023 – 2027	3,872,725	542,665	4,415,390
2028 – 2030	950,000	65,249	1,015,249
Total	<u>\$21,496,648</u>	<u>\$5,643,827</u>	<u>\$27,140,475</u>

<u>Business-Type Activities</u>			
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 234,024	\$ 58,724	\$ 292,748
2014	206,892	54,860	261,752
2015	219,747	51,361	271,108
2016	223,742	47,426	271,168
2017	232,803	43,284	276,087
2018 – 2022	945,197	160,091	1,105,288
2023 – 2027	652,459	69,335	721,794
2028 – 2030	311,000	11,087	322,087
Total	<u>\$3,025,864</u>	<u>\$ 496,168</u>	<u>\$3,522,032</u>

(d) Authorized But Unissued Debt

At June 30, 2012, the Town has a total of \$13,325,000 in authorized, unissued debt in accordance with RIGL 45-12-2, which consists of the following authorizations:

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

(e) Advanced Refundings and Defeased Debt

On May 29, 2012 the Town issued \$6,955,000 of General Obligation Bonds with an average interest rate of 2.85% to advance refund \$6,285,000 of outstanding 2004 Series bonds dated 6/1/2004 with an average interest rate of 5.25%. Proceeds of refunding bonds were deposited into an irrevocable escrow trust. The trust is held by an independent trustee and is invested in obligations of the United States Government which mature and bear interest in such amounts and at such times as will be sufficient to pay the principal and interest of the defeased bonds upon maturity. Accordingly, the escrow trust fund, as well as the defeased bonds, are not reflected in the financial statements of the Town of Johnston, Rhode Island.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

7. LONG-TERM DEBT (Continued)

(e) Advanced Refundings and Defeased Debt (Continued)

The refunding of this debt resulted in a reduction of total debt service payments of \$287,624 and a present value economic gain of \$272,021.

As of June 30, 2012, the in-substance defeased bonds outstanding were \$6,285,000 and were excluded from the accompanying financial statements.

(f) Compensated Absences

Vested sick leave, accumulated vacation pay, and severance based on years of employment for Governmental Fund Types are paid upon retirement, termination, or death of qualified employees. Payment of these accrued benefits is made from the Town's General Fund. Vested sick leave, severance, and accumulated vacation pay for Governmental Fund Type employees at June 30, 2012 amounted to \$8,243,894 of which \$2,493,572 and \$5,750,322 is related to School and Town employees, respectively.

(g) Schedule of long-term debt by purpose at June 30, 2012 is as follows:

<u>Governmental activities:</u>	<u>Amount</u>	<u>Percent</u>
School, public improvement, and public safety ...	\$ 19,904,725	20%
Town equipment and vehicle leases	1,591,923	2
Police and fire net pension benefit obligations	17,472,000	18
Net OPEB obligations	51,580,988	52
Claims and judgments – Town	43,000	0
Compensated absences and severance	8,243,894	8
Total Governmental activities	<u>\$ 98,836,530</u>	<u>100%</u>
 <u>Business-type activities:</u>		
Sewer projects bonds	\$ 2,753,964	88%
Sewer vehicle lease	271,900	9
Net OPEB obligations	58,440	2
Compensated absences and severance	36,396	1
Total Business-type activities	<u>\$ 3,120,700</u>	<u>100%</u>

8. OPERATING LEASES

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

In September 2009, the Town entered into a 48-month lease agreement for certain office equipment. The lease requires a base monthly rental charge of \$334. Lease expense incurred under the terms of this agreement was approximately \$5,500 for the fiscal year ended June 30, 2012.

In February 2010, the Town entered into a sixty-month lease agreement for certain office equipment. The lease requires a monthly rental charge of \$1,257. Lease expense incurred under the terms of this agreement was approximately \$15,100 for the fiscal year ended June 30, 2012.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

8. OPERATING LEASES (Continued)

On August 18, 2010, the School Department entered into a sixty-month lease agreement for nineteen (19) units of equipment. The lease agreement requires a base monthly rental charge of \$7,726. Lease expense incurred under the terms of this agreement was approximately \$92,700 for the fiscal year ended June 30, 2012.

On December 9, 2011 the School Department entered into a ninety-nine (99) year lease agreement, commencing on January 1, 2012, with the Rhode Island Resource Recovery Corporation for use of land located on Green Earth Avenue in Johnston, Rhode Island to be used for the parking of school buses and for the storage of school equipment. The terms of the agreement require annual rent of one (\$1) dollar.

The Town currently leases one vehicle under a two-year lease agreement, which has been classified as an operating lease. The initial lease expired in January 2011, at which time the Town entered into a new two-year lease agreement with a quarterly rental charge of \$2,152. Lease expense incurred under the terms of these agreements was approximately \$8,600 for the fiscal year ended June 30, 2012

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>	
2013	\$ 116,102
2014	108,459
2015	101,508
2016	<u>7,726</u>
Total	<u>\$ 333,795</u>

9. INTERFUND BALANCES AND TRANSFERS

Interfund balances represent short-term advances from one fund (primarily the General Fund) to another fund. The advances may represent balances resulting from operating advances or reimbursement for expenditures paid by one fund on behalf of another fund. The composition of interfund balances at June 30, 2012 is as follows:

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
<u>Governmental Funds:</u>		
General Fund	\$ 251,347	\$ 7,498,935
School Unrestricted Fund	3,315,979	973,403
All non-major funds	<u>818,554</u>	<u>1,352,149</u>
Total governmental funds	<u>4,385,880</u>	<u>9,824,487</u>
<u>Proprietary Funds:</u>		
Water Fund	3,375,811	2,185
Sewer Fund	0	95,939
Cafeteria Fund	0	119,126
Summer School Fund	6,910	0
Internal Service Fund	<u>2,140,027</u>	<u>0</u>
Total proprietary funds	<u>5,522,748</u>	<u>217,250</u>
<u>Fiduciary Funds:</u>		
Pension Trust Funds	25,359	0
Agency Funds	<u>107,750</u>	<u>0</u>
Total fiduciary funds	<u>133,109</u>	<u>0</u>
TOTAL ALL FUNDS	<u>\$10,041,737</u>	<u>\$10,041,737</u>

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

9. INTERFUND BALANCES AND TRANSFERS (Continued)

The composition of interfund transfers for the year ended June 30, 2012 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	\$37,129,015	\$ 91,633	\$ 312,384	\$37,533,032
School Unrestricted Fund.....	0	0	0	28,762	28,762
Non-major Governmental Funds	0	0	3,764	0	3,764
Proprietary Funds.....	125,000	0	0	0	125,000
Total transfer in.....	\$ 125,000	\$37,129,015	\$ 95,397	\$ 341,146	\$37,690,558

The difference between total proprietary funds transfer out of \$125,000 (noted above) and the total transfer out of \$570,449 reported in Exhibit C-2 is \$445,449 which represents transfer of long-term debt and capital assets previously reported in the Governmental Activities to the Business-Type Activities.

10. DEFINED BENEFIT PENSION PLANS

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

Plan Description

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

The payroll for employees covered by the System for the year ended June 30, 2012 was approximately \$7,963,000 and the Town wide payroll was approximately \$52,643,000.

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.

In November 2011, the State enacted The Rhode Island Retirement Security Act of 2011 (the Act) as described in S1111A and H6319A. The Act makes significant changes to the Employees' Retirement System and becomes effective July 1, 2012. Two of the most significant changes resulting from the act are a change in structure from a defined benefit plan to a hybrid plan that includes a smaller defined benefit plan and a supplemental defined contribution plan. In addition, there was a re-amortization of the Unfunded Actuarial Accrued Liability to 25 years from the current 19 year schedule as of June 30, 2010.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

10. DEFINED BENEFIT PENSION PLANS (Continued)

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

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, 2009.

The annual required contribution for the Town which equals the annual pension cost for the year ended June 30, 2012 was approximately \$1,021,000 (\$558,000 on behalf of Town employees and \$463,000 for School employees). This contribution represents 12.83% of covered payroll. General employees were required to contribute approximately \$558,000 (\$305,000 from Town employees and \$253,000 for non-certified School employees). This contribution represents 7% of covered payroll.

The most significant change in assumptions noted in the June 30, 2011 actuarial valuation report was the re-amortization of the Unfunded Actuarial Accrued Liability to 25 years from the 19 year schedule as of June 30, 2010. There were no other current year changes in actuarial assumptions, benefit provisions, or actuarial funding method that would significantly affect the contribution requirement. Significant actuarial assumptions follow and other actuarial information is presented in the required supplemental information section of these statements.

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

Valuation date.....	6/30/2011
Actuarial Cost Method	Entry age normal cost
Amortization Method.....	Level percent closed - 25 years from 6/30/2010
Asset Valuation Method.....	5 Year Smoothed Market Value
Investment Rate of Return.....	7.5%, compounded annually
Projected Salary Increase.....	4% to 8% compounded annually
Inflation adjustment.....	2.75% included in projected salary increases
Cost of Living adjustments.....	2% per annum. Actual COLA will be based on five-year average investment rate of return less 5.5% and will range from 0% to 4%
Participant Information (June 30, 2011).....	243 Active; 200 Retired

Note: General Municipal Employees have adopted COLA Plan C.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

10. DEFINED BENEFIT PENSION PLANS (Continued)

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

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>
6/30/12	\$1,021,000	100%	\$ 0
6/30/11	\$ 753,000	100%	\$ 0
6/30/10	\$ 798,000	100%	\$ 0

Trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the State of Rhode Island's Employee Retirement System's June 30, 2011 annual financial report, which may be obtained from the administrative offices of the State of Rhode Island Retirement Board, 50 Service Ave, Warwick, 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, 2011 which is the most recent report available from the State who administers this plan.

Actuarial value of assets - \$29,021,500
Actuarial accrued liability - \$38,697,933
Unfunded actuarial accrued liability (UAAL) - \$9,676,433
Funded Ratio - 75.0%
Annual covered payroll - \$7,939,575
UAAL as percentage of payroll - 121.9%

(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, 2012, was approximately \$20,900,000; total payroll for all School employees was approximately \$26,500,000.

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:

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

10. DEFINED BENEFIT PENSION PLANS (Continued)

(b) Teacher's Pension Plan (Continued)

Plan Description (Continued)

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.

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, 2011 which can be found at www.ersri.org.

In November 2011, the State enacted The Rhode Island Retirement Security Act of 2011 (the Act) as described in S1111A and H6319A. The Act makes significant changes to the Employees Retirement System and becomes effective July 1, 2012. Three of the most significant changes resulting from the act are a change in structure from a defined benefit plan to a hybrid plan that includes a smaller defined benefit plan and a supplemental defined contribution plan; re-amortization of the Unfunded Actuarial Accrued Liability to 25 years from the current 19 year schedule as of June 30, 2010; and teacher personnel not covered by Social Security will participate in additional defined contribution allocations equal to 2% member plus 2% employer.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

10. DEFINED BENEFIT PENSION PLANS (Continued)

(b) Teacher's Pension Plan (Continued)

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 13.23%, 11.25%, and 11.25% for all full-time employees for fiscal years 2012, 2011 and 2010, 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. (As noted above, effective June 30, 2011 the amortization period has been revised to be 25 years from June 30, 2010.) 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** – RP-2000 Combined Mortality Tables
- B. **Investment return** – 7.5 percent, compounded annually.
- C. **Salary increase** - Salaries will increase at a rate of 4.0% to 12.75%, compounded annually.
- D. **Retirement age** – 75% of Schedule B members who reach the age of 59 with 29 years of service before age 65 are assumed to retire when first eligible. 75% of other members are expected to retire when first eligible, at age 65 with 10 years of service. Because of enactment of Article 7 in 2009, the retirement assumption was modified for members not eligible for retirement by October 1, 2009. Members who would have been assumed to retire prior to age 62 under the rules in effect before the enactment of Article 7 are assumed to retire when first eligible for an unreduced benefit under Article 7.
- E. **Cost of living adjustments** – 2.0%

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 2012, actuarial required contributions were 22.32% of the participant's salary. This resulted in contribution rates paid by the State on behalf of the School Department of 9.09% of non-federally reimbursable payrolls totaling \$1,843,223 for the year ended June 30, 2012. The School Department contributed the remaining 13.23% of the required 22.32%.

The School Department does not have any investments on related party investments with the State Plan. The School Department's (employer) contribution represented approximately 1.27% of total (employer) contributions required of all participating entities for the fiscal year ended June 30, 2011 (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>
2012	\$1,983,300	\$2,816,400	100%
2011	\$1,957,500	\$2,374,100	100%
2010	\$2,199,100	\$2,652,300	100%

In accordance with GASB 27, "Accounting for Pensions by State and Local Governmental Employers," the School Department 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, 2011 annual financial report, which may be obtained from the administrative offices of the State of Rhode Island Retirement Board, 50 Service Ave, Warwick, 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.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

10. DEFINED BENEFIT PENSION PLANS (Continued)

(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 and police employees hired on or after July 1, 2010 who are covered under the State of Rhode Island MERS retirement system. The pay-as-you-go retirement plans are considered, in the labor contracts, to be defined benefit plans although they currently are not set up to meet the specifications of a defined benefit plan.

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

On April 21, 2011 the Town established an irrevocable Police and Fire Pension Trust Fund. As of June 30, 2012 all assets have been transferred from the previous Pension Funds to this Pension Trust Fund.

Police Pension Plan (Fiduciary Fund)

The following reflects the retirement benefits schedule for members of the police department.

<u>Years of Service</u>	<u>Percentage of Pay</u>
18	45.0%
19	47.5%
20	50.0%
21	52.5%
22	55.0%
23	57.5%
24	60.0%
25 to 30 years	65.0% to 70.0%

Effective July 1, 2011, there was a change in plan provisions increasing the required contribution rate of police department employees from 6% of their gross pay to 7% of their gross pay. Effective July 1, 2012, the employee contribution rate will further increase to 8% of their annual salary. Town must match 12% of the employees' annual salary.

The police officer pay-as-you-go fund provides retirement benefits as well as death and disability benefits. All members of the police department hired before July 1, 2010 are eligible to participate. Participants in the plan are eligible to retire after 18 years of service. Benefits are equal to 45% of the employee's final average salary over a three-year period (see above noted chart). Employees are vested in their retirement benefits on completion of 10 years of service. All police officers 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.

At June 30, 2012, approximately 67 active employees and 92 retirees were enrolled in the police pay-as-you-go pension plan. For the year ended June 30, 2012, contributions to the pension trust fund were approximately \$976,000, which consisted of approximately \$357,000 from the employees and \$619,000 from the Town. The Town's payroll for police officers covered under this plan was approximately \$5,102,000 and the Town's total payroll for the year ended June 30, 2012 was approximately \$52,643,000.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

10. DEFINED BENEFIT PENSION PLANS (Continued)

(c) Police and Fire Pensions (Continued)

Police Pension Plan (Fiduciary Fund) (Continued)

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, 2012, the Town of Johnston paid retirement benefits of approximately \$992,000 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 trust for the year ended June 30, 2012 was as follows:

Annual required contribution (ARC).....	\$4,291,000
Interest on net pension obligation.....	364,000
Adjustment to ARC	<u>(374,000)</u>
Annual pension cost	4,281,000
Town contributions made.....	<u>1,611,000</u>
Increase in net pension obligation	2,670,000
Net pension benefit obligation, June 30, 2011 (as restated).....	<u>4,696,000</u>
Net pension benefit obligation, June 30, 2012.....	<u>\$7,366,000</u>

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Town Contribution</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2012	\$1,611,000	\$4,281,000	38%	\$7,366,000
6/30/2011 **	\$1,900,000	\$4,572,000	42%	\$4,696,000
6/30/2010	\$3,024,000	\$3,459,000	87%	\$2,013,000

** Above data for fiscal year ended 6/30/2011 was restated per the 7/1/2011 valuation.

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 Police Pension Plan with a valuation date of July 1, 2011 which is the most recent report available from the State who administers this plan.

Actuarial value of assets - \$18,113,745 Actuarial accrued liability - \$61,433,641
 Unfunded actuarial accrued liability (UAAL) - \$43,319,896
 Funded Ratio – 29.49%
 Annual covered payroll - \$5,170,018
 UAAL as percentage of payroll – 837.91%

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

10. DEFINED BENEFIT PENSION PLANS (Continued)

(c) Police and Fire Pensions (Continued)

Post July 1, 2010 Police Officers 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 police officers hired on or after July 1, 2010 have adopted the "20-year" optional Police and Fire Plan.

The Town's payroll for employees covered by the System for the year ended June 30, 2012 was approximately \$107,000, the Town's total payroll (subject to pension) for all police department employees was approximately \$5,209,000. The Town's total payroll for the year ended June 30, 2012 was approximately \$52,643,000.

In November 2011, the State enacted The Rhode Island Retirement Security Act of 2011 (the Act) as described in S1111A and H6319A. The Act makes significant changes to the Employees' Retirement System and becomes effective July 1, 2012. Two of the most significant changes resulting from the act are a change in structure from a defined benefit plan to a hybrid plan that includes a smaller defined benefit plan and a supplemental defined contribution plan. In addition, there was a re-amortization of the Unfunded Actuarial Accrued Liability to 25 years from the current 19 year schedule as of June 30, 2010.

Covered employees are required to contribute 7% of their salary to the plan. The Town is also required to contribute 7% of covered payroll. Total contributions to the plan were approximately \$15,000 which consisted of approximately \$7,500 by the Town and \$7,500 by employees.

Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2012	\$7,500	100%	\$-0-
2011	\$2,100	100%	\$-0-

The actuarial methods and assumptions utilized for the valuation of the post July 1, 2010 Police Officers MERS Plan were as follows (unaudited):

Valuation date	6/30/2011
Actuarial Cost Method	Entry age normal cost
Amortization Method	Level percent closed - 25 years from 6/30/2010
Asset Valuation Method	5-Year Smoothed Market Value
Investment Rate of Return	7.5%, compounded annually
Projected Salary Increase	4.25% to 14.25% compounded annually
Inflation adjustment	2.75% included in projected salary increases
Cost of Living Adjustments	2% per annum. Actual COLA will be based on five-year average investment rate of return less 5.5% and will range from 0% to 4%
Participant information (June 30, 2011)	Unavailable

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

10. DEFINED BENEFIT PENSION PLANS (Continued)

(c) Police and Fire Pensions (Continued)

Post July 1, 2010 Police Officers Plan (Continued)

Funded Status of Plan

The required supplementary information which follows the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Listed below are the details of the funding progress of the Post July 1, 2010 Police Officers Pension Plan with a valuation date of June 30, 2011 which is the most recent report available from the State who administers this plan.

- Actuarial value of assets – N/A
- Actuarial accrued liability – N/A
- Unfunded actuarial accrued liability (UAAL) – N/A
- Funded Ratio – N/A
- Annual covered payroll – N/A
- UAAL as percentage of payroll – N/A

Above information is not available as of June 30, 2011 valuation, which is the most recent information available.

Fire Pension Plan (Fiduciary Fund)

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 July 1, 1999 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, 2012 approximately 39 active employees and 76 retirees were enrolled in the firefighters pay-as-you-go pension plan. During the year ended June 30, 2012, contributions to the fund were approximately \$885,000, which consisted of approximately \$444,000 (including purchased services) from the employees and \$441,000 from the Town. The Town's payroll for fire department personnel covered under the plan was approximately \$3,677,000 and the Town's total payroll for the year ended June 30, 2012 was approximately \$52,643,000.

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.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

10. DEFINED BENEFIT PENSION PLANS (Continued)

(c) Police and Fire Pensions (Continued)

Fire Pension Plan (Fiduciary Fund) (Continued)

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, 2012, the Town of Johnston paid retirement benefits approximately \$875,000, 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, 2012 was follows:

Annual required contribution (ARC).....	\$ 4,866,000
Interest on net pension obligation.....	509,000
Adjustment to ARC	<u>(521,000)</u>
Annual pension cost (APC).....	4,854,000
Town contributions made.....	<u>1,316,000</u>
Increase in net pension obligation	3,538,000
Net pension benefit obligation, June 30, 2011 (as restated)	<u>6,568,000</u>
Net pension benefit obligation, June 30, 2012.....	<u>\$10,106,000</u>

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Town Contribution</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2012	\$1,316,000	\$4,854,000	27%	\$10,106,000
6/30/2011 **	\$1,886,000	\$4,704,000	40%	\$ 6,568,000
6/30/2010	\$3,589,000	\$3,845,000	93%	\$ 3,759,000

** Above data for fiscal year ended 6/30/2011 was restated per the 7/1/2011 valuation.

The actuarial methods and assumptions utilized for the valuation of the police and fire pension funds (fiduciary) as of a valuation date of July 1, 2011 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	18 years remaining as of July 1, 2011
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 – 162; Fire - 114

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

10. DEFINED BENEFIT PENSION PLANS (Continued)

(c) Police and Fire Pensions (Continued)

Fire Pension Plan (Fiduciary Fund) (Continued)

Funded Status of Plan

The required supplementary information which follows the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Listed below are the details of the funding progress of the Fire Pension Plan with a valuation date of July 1, 2011 which is the most recent report available from the State who administers this plan.

Actuarial value of assets - \$23,695,404
Actuarial accrued liability - \$70,408,046
Unfunded actuarial accrued liability (UAAL) - \$46,712,642
Funded Ratio – 33.65%
Annual covered payroll - \$3,533,442
UAAL as percentage of payroll – 1,322.02%

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, 2012 was approximately \$2,577,000, the Town's total payroll (subject to pension) for all fire department employees was approximately \$6,254,000. The Town's total payroll for the year ended June 30, 2012 was approximately \$52,643,000.

In November 2011, the State enacted The Rhode Island Retirement Security Act of 2011 (the Act) as described in S1111A and H6319A. The Act makes significant changes to the Employees' Retirement System and becomes effective July 1, 2012. Two of the most significant changes resulting from the act are a change in structure from a defined benefit plan to a hybrid plan that includes a smaller defined benefit plan and a supplemental defined contribution plan. In addition, there was a re-amortization of the Unfunded Actuarial Accrued Liability to 25 years from the current 19 year schedule as of June 30, 2010.

Covered employees are required to contribute 8% of their salary to the plan. The Town is required to contribute 9.19% of covered payroll. Total contributions to the plan were approximately \$445,000 which consisted of approximately \$239,000 by the Town and \$206,000 by employees.

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>
2012	\$239,000	100%	\$-0-
2011	\$212,000	100%	\$-0-
2010	\$222,000	100%	\$-0-

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

10. DEFINED BENEFIT PENSION PLANS (Continued)

(c) Police and Fire Pensions (Continued)

Post July 1, 1999 Fire Fighter Plan (Continued)

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.....	6/30/2011
Actuarial Cost Method	Entry age normal cost
Amortization Method.....	Level percent closed - 25 years from 6/30/2010
Asset Valuation Method.....	5-Year Smoothed Market Value
Investment Rate of Return.....	7.5%, compounded annually
Projected Salary Increase.....	4.25% to 14.25% compounded annually
Inflation adjustment.....	2.75% included in projected salary increases
Cost of Living Adjustments	2% per annum. Actual COLA will be based on five-year average investment rate of return less 5.5% and will range from 0% to 4%
Participant information (June 30, 2011)	44 Active members 2 Retired members

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, 1999 Fire Employees Pension Plan with a valuation date of June 30, 2011 which is the most recent report available from the State who administers this plan.

- Actuarial value of assets - \$3,014,261
- Actuarial accrued liability - \$3,204,349
- Unfunded actuarial accrued liability (UAAL) – \$190,088
- Funded Ratio – 94.1%
- Annual covered payroll - \$2,585,106
- UAAL as percentage of payroll – 7.4%

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

In addition to the pension benefits described in Note 10, the Town provides post employment health care benefits and life insurance in accordance with certain union contracts. These benefits are currently recognized on a pay-as-you go basis. A description of these OPEB benefits, by employee group, is described below:

Eligibility: Town general employees are eligible for benefits after 10 years of service and age 58, or 26 years of service at any age. For Laborers' Local 808, only employees hired prior to April 19, 2012 are eligible for retiree health benefits. Firefighters are eligible at 20 years of service. Police officers are eligible after 18 years of service. However, officers who retire after 18 years of service (early retirement) will receive benefits that were in existence on July 1, 2012, whereas those who retire after 20 years of service will receive benefits in existence on July 1, 2010. School Department Certified employees are eligible at 20 years of service. Retirees electing spousal coverage are required to pay full incremental spousal cost. No spousal coverage is available once the retiree reached Medicare eligibility. School Department Non-Certified employees are eligible at 15 years of service and age 58, or 25 years of service at any age. 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. There is no spousal coverage available at retirement.

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TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

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

Benefit Types: Medical, Prescription Drug, and Vision.

Duration of Coverage: Lifetime

Effective July 1, 2012, the Town replaced the self-funded plan for Medicare retirees with a fully-insured Plan 65 (Part C).

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, 2012*. This report dated November 19, 2012 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 Governmental activities for the fiscal year ended June 30, 2012 was \$17,238,597 and represents \$4,743,054 and \$12,495,543, for School and Town personnel, respectively. The ACR for Business-type activities for the fiscal year ended June 30, 2012 was \$10,589.

The current year expenditures for these post-retirement benefits are recognized on a pay-as-you-go basis, as the monthly costs for the benefits become due. During the year ended June 30, 2012, expenditures of approximately \$5,284,600 were recognized for post-retirement benefits. Of this amount approximately \$3,141,600 was paid for 290 Town retirees, and \$2,143,000 was paid for 280 School retirees. Current year expenditures represent approximately 30.7% of the ARC.

As noted above the Town did not comply with the funding requirements for the fiscal year ended June 30, 2012 which were determined by the actuarial valuation report with a valuation date of July 1, 2012. As a result, the government-wide financial statements include a long-term liability of \$51,639,428 and an expense for this Net OPEB Obligation (NOO) of \$11,909,620.

The NOO at June 30, 2012 was calculated as follows:

	Governmental Activities	Business-Type Activities
Annual Required Contribution	\$17,238,597	\$10,589
Interest on existing NOO	1,388,866	1,677
Adjustment to ARC	<u>(1,443,797)</u>	<u>(1,743)</u>
Annual OPEB cost	17,183,666	10,523
Contribution made during fiscal 2012	<u>(5,284,569)</u>	<u>0</u>
Net increase in NOO	11,899,097	10,523
NOO at June 30, 2011	<u>39,681,891</u>	<u>47,917</u>
NOO at June 30, 2012	<u>\$51,580,988</u>	<u>\$58,440</u>

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

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

Funded Status of Plan:

The required supplementary information which follows the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Listed below are the details of the funding progress of the OPEB Plan with a valuation date of July 1, 2012 which is the most recent report available from the actuary who was hired by the Town to value the plan.

Governmental Activities:

- Actuarial value of assets - \$0
- Actuarial accrued liability (AAL) - \$186,772,466
- Unfunded actuarial accrued liability (UAAL) - \$186,772,466
- Funded ratio – 0.00%
- Annual covered payroll – N/A
- UAAL as percent of payroll – N/A

Business-Type Activities:

- Actuarial value of assets - \$0
- Actuarial accrued liability (AAL) - \$187,136
- Unfunded actuarial accrued liability (UAAL) - \$187,136
- 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: July 1, 2012
- b. Actuarial Cost Method: Projected Unit Credit
- c. Amortization Method: Payments increasing at 3.5%
- d. Amortization Period: 30 year closed (26 years remaining at July 1, 2012)
- e. Asset Valuation Method: Market Value
- f. Investment Rate of Return: 3.5%
- g. Medical/Drug cost trend rate – 9.5% decreasing by 0.5% for 9 years to an ultimate level of 5.0% per year.

Number of Participants:

At July 1, 2012 the total number of participants under the plan was 1,344. The plan participants include 680 current retirees (Town and School) and 664 active employees (Town and School).

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

12. FUND BALANCES (DEFICITS)

(a) Fund Balances

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

At June 30, 2012 Non-Spendable Fund Balance consisted of the following:

General Fund:	
Prepays.....	\$1,079,910
School Unrestricted Fund:	
Prepays.....	4,529
Total Non-Spendable fund balance	<u>\$1,084,439</u>

At June 30, 2012 Restricted Fund Balance consisted of the following:

Other Governmental Funds:	
Special Revenue Funds:	
Education	\$ 155,181
Community Development	3,076
Law Enforcement.....	98,811
Parks and Recreation	5,115
Natural Resources Conservation.....	3,273
Historical Records Preservation	238,439
Fire Prevention and Education	23,119
Library Renovations.....	134,051
Capital Project Funds:	
School Renovations.....	131,562
Parks and Recreation	17,687
Capital Lease Reserve	84,417
Other Capital projects.....	123,300
Total Restricted fund balance	<u>\$1,018,031</u>

At June 30, 2012 Committed Fund Balance consisted of the following:

School Unrestricted Fund:	
Committed for education.....	\$1,803,468
Other Governmental Funds:	
Fire Department Expenses.....	208,566
Total Committed fund balance	<u>\$2,012,034</u>

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

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TOWN OF JOHNSTON, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

12. FUND BALANCES (DEFICITS) (Continued)

(b) Fund Deficits

The following individual funds had deficits for the year ended June 30, 2012, as follows:

Non-major Governmental Funds:

Special Revenue Funds:

Byrne JAG Stimulus Grant	\$ 249
Police Special Account	1,925
Historical Trust Fund	129,522
Fire Plan Review	21,261
Memorial Library Fund.....	11,098
Byrne Grant	727
FEMA Category F Projects.....	1,944

Capital Project Funds:

Pezza Property Acquisition	39
Soccer Field.....	19,125
Capital Lease 2010.....	43,832
Capital Improvements.....	131,363
Library Building.....	<u>5,333</u>

**Total deficits non-major governmental activities for
the year ended June 30, 2012..... \$ 366,418**

13. RISK MANAGEMENT and HEALTHCARE MANAGEMENT FUND

Healthcare

Effective July 1, 2008 the Town of Johnston established a Healthcare Management Fund (an Internal Service Fund) to account for its healthcare coverage programs for current active and retired employees. In addition, effective July 1, 2008 the Town became a member of Rhode Island Municipal Insurance Corporation (RIMIC), a collaborative of various municipal entities, for health insurance claims. All departments of the Town participate in the self-insurance program (cost plus basis) through RIMIC. Effective fiscal 2011, the Town also became self-insured for dental insurance.

The Town currently maintains stop loss insurance to protect the taxpayers from catastrophic loss resulting from excessive health insurance claims. At June 30, 2012 the stop loss insurance contract covered all claims exceeding \$200,000 per individual on an annual basis. In addition, specific stop loss maximum for the Town for the year is maintained at approximately \$1,800,000.

The Town's Finance Department oversees the self-insured program for all Town employees and claims payment services are provided by Blue Cross and Blue Shield of Rhode Island and Delta Dental of Rhode Island (Plan Administration). All funds of the Town make payments to the Healthcare Management Fund (an Internal Service Fund) based on actual claims or based on estimated working rates. Billings from the Healthcare Management Fund to other Town funds for the fiscal year ended June 30, 2012 were approximately \$14,242,000 which represented approximately \$6,348,000 and \$7,894,000 for Town and School Department personnel, respectively. At June 30, 2012 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, 2012 as follows:

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

13. RISK MANAGEMENT and HEALTHCARE MANAGEMENT FUND (Continued)

Healthcare (Continued)

	<u>2012</u>	<u>2011</u>
IBNR at beginning of year.....	\$ 565,067	\$ 461,995
Claims incurred during the year.....	14,241,637	14,479,374
Claims paid during the year.....	<u>(14,333,641)</u>	<u>(14,376,302)</u>
IBNR at June 30	<u>\$ 473,063</u>	<u>\$ 565,067</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 police and public officials' liability claims, which are subject to a \$5,000 per occurrence deductible. The Trust's self-insured retention levels range from \$100,000 to \$500,000 depending on the type of coverage provided. In addition to the self-insurance provided by the Trust, there is also reinsurance through third party sources for claims up to \$4,000,000.

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

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

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

14. OTHER AGREEMENTS

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

The terms of the agreement are as follows:

1. Town received \$3,150,000 in April 1996 as settlement of all disputed amounts owed to the Town by the Corporation from the beginning of time up to the effective date of the agreement.
 2. Annual payments shall be made to the Town in the amount of \$1,500,000 plus 3 1/2% of the Corporation's gross revenue. However, the annual payment must not be less than \$1,500,000 nor greater than 10% of the Corporation's gross revenue.
 3. The annual payments are due on a quarterly basis beginning July 1, 1996. If the Corporation fails to make a payment within thirty (30) days after the due date, interest shall accrue from the expiration of the due date at the rate of six percent (6%) per annum.
 4. For the contract year beginning April 1, 2001, and every five (5) years thereafter, the base payment in effect for the previous five (5) years shall be increased ten percent (10%).
 5. Total revenue recognized under this agreement and recorded in the General Fund for the year ended June 30, 2012 was approximately \$3,551,000. In addition to the \$3.55 million the Town also recognized revenue for Tipping Fees of approximately \$266,000 during the fiscal year ended June 30, 2012.
- 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, 2012**

14. OTHER AGREEMENTS (Continued)

The terms of the agreement are as follows:

1. An initial payment of \$950,000 was remitted as a project impact fee, (received in fiscal 2000).
2. On the first anniversary of the Host Community Impact Fee Initial Payment Date, the sum of \$1,000,000 (received in fiscal 2001).
3. On the second anniversary of the Host Community Impact Fee Initial Payment Date, the sum of \$1,000,000 (received in fiscal 2002).
4. If the Trust decides to discontinue the development of the facility prior to the commencement of the operational period this agreement shall terminate upon receipt by the Town of notice of such termination for the Trust.
5. Total revenue received under this agreement and recorded as tax revenue in the General Fund was \$2,500,000 for the year ended June 30, 2012.

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

2013.....	\$ 2,500,000
2014.....	2,500,000
2015.....	2,500,000
2016.....	<u>2,500,000</u>
Total.....	<u>\$10,000,000</u>

15. COMMITMENTS, CONTINGENCIES AND LITIGATION

In July 2012, the School has contracted to have bus service provided for students through August 25, 2015, with an option to renew the contract for up to an additional two years. Estimated costs to be incurred over the 3-year life of this contract are approximately \$5,924,000.

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, 2012, 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, 2012, the liability, if any, resulting from these claims was not determinable.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

15. COMMITMENTS, CONTINGENCIES AND LITIGATION (Continued)

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

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

The Town was named as a defendant in a case involving the pension obligation to three retirees. During fiscal 2012 the Town was unsuccessful in its defense but has appealed the verdict to the Rhode Island Supreme Court. As of the date of these financial statements the estimated obligation resulting from this case, including interest in accordance with the initial judgment, was estimated to be \$1,021,768. This potential obligation has been reported as a liability in the Police and Fire Pension Trust Fund (a Fiduciary Fund) as of June 30, 2012. The obligation is reported in the Police and Fire Pension Trust Fund since the assets related to this obligation are a component of the assets which comprise the Trust Fund. At June 30, 2012 the Town has established a letter of credit for the potential interest owed on the judgment and deposited funds equal to that letter of credit into separate restricted cash accounts. In addition, the initial judgment of \$823,638 has been placed on deposit with the State of Rhode Island Superior Court and is currently being held in escrow pending the outcome of the Town's appeal.

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, 2012, the outstanding balance for both of these loans was approximately \$60,100 while the total amount available under this program (for both loans) was approximately \$218,500.

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, 2012 was approximately \$43,000. The liability has been recorded in the Government-Wide statements at June 30, 2012. The liability is not recorded in the Fund Statements as it is not expected to be paid with current measurable and available resources.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

16. CASH FLOW

During the year ended June 30, 2012 the Town transferred capital assets and long-term debt netting to (\$445,449), liabilities in excess of assets, from Governmental Activities to Business-type Activities. These transfers were to properly reflect the assets and related liabilities in the Sewer Fund.

During the year ended June 30, 2012 the Town received a federal award for principal forgiveness totaling \$15,095 to be applied towards fiscal 2012 principal due to Rhode Island Clean Water Finance Agency. This amount is excluded from principal repayments and non-operating grant income in the Statement of Cash Flows of the Business-Type Activities.

17. RESTATEMENT

The net assets of the Government-wide Financial Statements have been restated to reflect the following prior period adjustments as of June 30, 2011. These prior period adjustments were the result of the understatement of long-term obligations of the Governmental Activities. The understatement of compensated absences was the result of the failure to include compensatory time-off in the calculation of the accrued obligations, while the restatement of the net pension obligation was the result of errors in the initial calculation prepared by the Town's actuary. The following reflects the effect of the prior period adjustments on the net assets as of June 30, 2011.

Governmental Activities - Net Assets (deficit)	
June 30, 2011, as originally stated	\$(14,615,455)
Understatement of net pension obligation	(427,000)
Understatement of compensated absences	<u>(345,655)</u>
Governmental Activities - Net Assets (deficit)	
June 30, 2011, as restated	<u>\$(15,388,110)</u>
Government-wide Net Assets (deficit) - June 30, 2011,	
as originally stated	\$(2,018,639)
Understatement of long-term debt obligations	<u>(772,655)</u>
Government-wide Net Assets (deficit) - June 30, 2011,	
as restated	<u>\$(2,791,294)</u>

18. SUBSEQUENT EVENT

At the general election held in November 2012, the Town's taxpayers approved two new bond issues for a total of up to \$5,000,000 for various capital improvement projects, including design, construction and improvement of roads and streets and acquisition of open space.

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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, 2012
UNAUDITED**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial 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.....						
6/30/2009	\$ 30,947,972	\$ 37,747,077	\$ (6,799,105)	82.0%	\$ 8,196,113	-83.0%
6/30/2010	\$ 30,121,202	\$ 42,727,053	\$ (12,605,851)	70.5%	\$ 7,969,367	-158.2%
6/30/2011	\$ 29,021,500	\$ 38,697,933	\$ (9,676,433)	75.0%	\$ 7,939,575	-121.9%
Post July 1, 1999 Fire employees pension plan.....						
6/30/2009	\$ 1,941,048	\$ 1,944,014	\$ (2,966)	99.8%	\$ 2,316,237	-0.1%
6/30/2010	\$ 2,503,749	\$ 3,216,936	\$ (713,187)	77.8%	\$ 2,448,888	-29.1%
6/30/2011	\$ 3,014,261	\$ 3,204,349	\$ (190,088)	94.1%	\$ 2,585,106	-7.4%
Post July 1, 2010 Police employees pension plan.....						
6/30/2011	Information not available - Plan commenced July 1, 2010					

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.....						
7/1/2007	\$ 15,515,997	\$ 44,530,429	\$ (29,014,432)	34.84%	\$ 4,815,217	-602.56%
A 7/1/2009	\$ 14,201,866	\$ 53,957,636	\$ (39,755,770)	26.32%	\$ 5,142,023	-773.15%
7/1/2011	\$ 18,113,745	\$ 61,433,641	\$ (43,319,896)	29.49%	\$ 5,170,018	-837.91%

Fire pension plan.....						
7/1/2007	\$ 20,662,996	\$ 55,191,527	\$ (34,528,531)	37.44%	\$ 4,588,641	-752.48%
B 7/1/2009	\$ 17,472,877	\$ 65,098,078	\$ (47,625,201)	26.84%	\$ 3,449,317	-1380.71%
7/1/2011	\$ 23,695,404	\$ 70,408,046	\$ (46,712,642)	33.65%	\$ 3,533,442	-1322.02%

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

A - 7/1/2009 valuation reflects restated AAL & UAAL results due to COLA adjustment.

B - 7/1/2009 valuation reflects adjustment to covered payroll.

TOWN OF JOHNSTON, RHODE ISLAND**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND - BUDGETARY BASIS****FOR THE YEAR ENDED JUNE 30, 2012
UNAUDITED**

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Tax revenues:				
Current year	\$ 64,493,844	\$ 64,493,844	\$ 64,911,096	\$ 417,252
1st preceding year	1,505,000	1,505,000	1,324,308	(180,692)
2nd preceding year	0	0	67,695	67,695
All other preceding years	0	0	50,724	50,724
Abatements	(100,000)	(100,000)	(77,591)	22,409
Power plant tax treaty	2,500,000	2,500,000	2,500,000	0
Total revenues	68,398,844	68,398,844	68,776,232	377,388
Departmental fees and revenue:				
Business licenses and registration	65,000	65,000	62,613	(2,387)
Non business licenses and fees	150,000	150,000	96,236	(53,764)
Infrastructure fees	5,000	5,000	20,683	15,683
Inspection fees:				
Mechanical	50,000	50,000	23,956	(26,044)
Plumbing	20,000	20,000	51,986	31,986
Building	250,000	250,000	296,470	46,470
Electrical	65,000	65,000	124,643	59,643
Engineering fees	7,000	7,000	3,991	(3,009)
Public works	1,000	1,000	187	(813)
DPW - release and discharge of liens	12,000	12,000	23,199	11,199
Zoning board	60,000	60,000	53,733	(6,267)
Sewer maintenance fees	5,000	5,000	4,635	(365)
Planning board fees	65,000	65,000	51,040	(13,960)
Tax collector's fees	70,000	70,000	26,689	(43,311)
Investment and interest income	85,000	85,000	74,041	(10,959)
Municipal court fees	525,966	525,966	348,498	(177,468)
Entertainment licenses	1,500	1,500	2,400	900
Marriage, death, and birth certificates	20,000	20,000	28,537	8,537
Stamps	225,000	225,000	148,718	(76,282)
Advertising	15,000	15,000	13,420	(1,580)
Recording/probate land evidence	250,000	250,000	243,780	(6,220)
Probate fees	35,000	35,000	40,224	5,224
Police fees	5,000	5,000	33,468	28,468
VIN number check	10,000	10,000	21,485	11,485
Fire rescue fees	2,500	2,500	632	(1,868)
Fire plan review fees	0	0	5,755	5,755
Methane gas	107,000	107,000	81,230	(25,770)
Tipping fees	300,000	300,000	265,614	(34,386)
Cell phone towers	150,000	150,000	262,602	112,602
Sewer service fees	25,000	25,000	0	(25,000)
Interest and penalties on property tax	460,000	460,000	565,152	105,152
Fire rescue fees	900,000	900,000	1,168,109	268,109
Housing authority	25,000	25,000	33,465	8,465
Total departmental fees and revenue	3,966,966	3,966,966	4,177,191	210,225

(Continued)

TOWN OF JOHNSTON, RHODE ISLAND**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND - BUDGETARY BASIS****FOR THE YEAR ENDED JUNE 30, 2012
UNAUDITED**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Positive (Negative)</u>
State and federal aid grants:				
State aid - school	10,081,441	10,081,441	9,617,585	(463,856)
Federal Education Jobs	0	0	444,130	444,130
School Housing aid	435,000	435,000	469,256	34,256
State MV phase-out	382,377	382,377	373,565	(8,812)
Solid waste in lieu of taxes	3,634,219	3,634,219	3,550,593	(83,626)
Public service corporation tax	305,274	305,274	346,235	40,961
Meals and beverage tax	436,874	436,874	386,470	(50,404)
Library aid	96,481	96,481	110,371	13,890
Grant revenue	0	0	62,878	62,878
Total state and federal aid grants	15,371,666	15,371,666	15,361,083	(10,583)
Miscellaneous	752,500	752,500	828,848	76,348
School miscellaneous	795,000	795,000	924,142	129,142
Total revenues before other financing sources	89,284,976	89,284,976	90,067,496	782,520
Other financing sources:				
Transfer from other funds	275,000	275,000	284,586	9,586
Total other financing sources	275,000	275,000	284,586	9,586
Total revenues and other financing sources	89,559,976	89,559,976	90,352,082	792,106

(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, 2012
UNAUDITED

	Originally Adopted Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Legislative, judicial and general administrative:				
Town Council:				
Salaries	32,700	32,700	32,700	0
FICA	2,685	2,685	2,685	0
Health Insurance	17,237	17,237	17,237	0
Retirement town's share	886	886	871	15
Department	4,100	4,100	0	4,100
Telephone	2,500	2,500	1,530	970
Office	100	100	0	100
Town Sargent salary	2,400	2,400	2,400	0
Claims	2,000	2,000	0	2,000
Contingency	0	0	927	(927)
Total Town Council	64,608	64,608	58,350	6,258
Mayor:				
Salaries:				
Mayor	75,000	75,000	75,289	(289)
Chief of Staff salary	32,500	32,500	32,625	(125)
Full time salaries	45,500	45,500	45,675	(175)
FICA	11,705	11,705	11,673	32
Health Insurance	17,235	17,235	17,236	(1)
Life Insurance	240	240	202	38
Retirement town's share	5,838	5,838	5,822	16
Office	3,500	3,500	1,283	2,217
Equipment lease	2,293	2,293	2,278	15
Telephone	500	500	183	317
Department expense	2,120	2,120	5,909	(3,789)
Total Mayor	196,431	196,431	198,175	(1,744)
Courts:				
Probate	7,500	7,500	7,529	(29)
FICA	574	574	576	(2)
Health Insurance	19,622	19,622	19,622	0
Department	100	100	0	100
Life Insurance	0	0	67	(67)
Total Courts	27,796	27,796	27,794	2
Canvassers:				
Salaries:				
Board	6,000	6,000	6,000	0
Full time salaries	72,886	72,886	73,930	(1,044)
FICA	6,035	6,035	6,020	15
Health Insurance	18,310	18,310	18,310	0
Life Insurance	240	240	135	105
Retirement town's share	9,351	9,351	9,322	29
Office	49,000	49,000	25,003	23,997
Department expense	500	500	245	255
Equipment lease	831	831	826	5
Election expense	15,000	15,000	12,030	2,970
Total Canvassers	178,153	178,153	151,821	26,332
Legal:				
Salaries	52,000	52,000	43,025	8,975
Health Insurance	17,236	17,236	17,236	0
Life Insurance	0	0	67	(67)
FICA	3,978	3,978	3,993	(15)
Legal services	385,000	385,000	769,654	(384,654)
Claims, judgments and settlements	100,000	100,000	114,106	(14,106)
Office	500	500	275	225
Total Legal	558,714	558,714	948,356	(389,642)

(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, 2012
UNAUDITED

	Originally Adopted Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Legislative, judicial and general administrative (continued):				
Town Clerk:				
Full-time salaries	141,779	141,779	142,330	(551)
Deputy clerk	5,250	5,250	4,451	799
FICA	11,248	11,248	11,039	209
Health Insurance	40,970	40,970	40,970	0
Life Insurance	360	360	202	158
Retirement town's share	18,190	18,190	18,136	54
Stenographer	15,000	15,000	12,700	2,300
Department	2,400	2,400	1,014	1,386
Operating	70,000	70,000	56,881	13,119
Total town clerk	305,197	305,197	287,723	17,474
Zoning Board:				
Salaries	8,800	8,800	8,258	542
FICA	673	673	632	41
Life Insurance	0	0	67	(67)
Stenographer	5,100	5,100	6,210	(1,110)
Department	800	800	545	255
Total zoning board	15,373	15,373	15,712	(339)
Total legislative, judicial, and general administrative	1,346,272	1,346,272	1,687,931	(341,659)
Financial Administration:				
Finance:				
Salaries	498,791	498,791	474,324	24,467
Severance pay	30,000	30,000	30,166	(166)
FICA	38,157	38,157	37,353	804
Health Insurance	127,151	127,151	127,151	0
Life Insurance	1,200	1,200	630	570
Retirement town's share	63,995	63,995	58,858	5,137
Office	4,200	4,200	4,058	142
Audit	35,000	35,000	40,675	(5,675)
Consulting fee	83,200	83,200	83,860	(660)
Department	9,900	9,900	9,900	0
Dues, publications, and subscriptions	1,000	1,000	1,234	(234)
Payroll processing	33,000	33,000	31,505	1,495
Training	2,000	2,000	1,061	939
Fiscal advisor	2,500	2,500	1,300	1,200
Computer contracts	9,400	9,400	9,961	(561)
Postage	15,500	15,500	4,539	10,961
Conference fees	250	250	0	250
Bank fees	15,000	15,000	7,834	7,166
Telephone	15,000	15,000	15,431	(431)
Tax collection fees	25,000	25,000	17,596	7,404
Equipment lease purchase	435	435	568	(133)
Total financial administration	1,010,679	1,010,679	958,004	52,675
Assessor:				
Full-time salaries	124,199	124,199	123,906	293
Part/over time	8,350	8,350	5,007	3,343
Severance pay	0	0	0	0
FICA	10,140	10,140	9,624	516
Health Insurance	40,970	40,970	40,970	0
Life Insurance	360	360	186	174
Retirement town's share	15,935	15,935	15,742	193
Processing tax roll	25,000	25,000	26,474	(1,474)
Computer service contracts	12,000	12,000	9,255	2,745
Equipment service contract	1,100	1,100	1,708	(608)
Office	5,500	5,500	5,500	0
Department expense	1,000	1,000	1,013	(13)
Dues, publications, and subscriptions	250	250	0	250
Equipment lease	1,500	1,500	493	1,007
Total assessor	246,304	246,304	239,878	6,426

(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, 2012

UNAUDITED

	Originally Adopted Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Public safety:				
Police Department:				
Salaries	4,479,272	4,479,272	4,396,263	83,009
Overtime salaries	490,000	490,000	687,488	(197,488)
Civilian overtime salaries	40,000	40,000	42,880	(2,880)
Holiday salaries	217,479	217,479	230,584	(13,105)
Training and college	51,350	51,350	51,916	(566)
Training and accreditation	5,000	5,000	2,925	2,075
Part time salaries	36,156	36,156	43,404	(7,248)
JARE overtime salaries	140,000	140,000	140,397	(397)
FICA	448,417	448,417	503,409	(54,992)
Health insurance	1,226,501	1,226,501	1,226,501	0
Life insurance	10,560	10,560	14,711	(4,151)
Severance pay	145,000	145,000	234,534	(89,534)
Gasoline	125,000	125,000	204,229	(79,229)
Arms and ammunition	12,000	12,000	10,692	1,308
Clothing and maintenance	124,250	124,250	133,500	(9,250)
Firearm allowance	35,500	35,500	35,500	0
Police pension	922,819	922,819	1,190,238	(267,419)
Bureau of criminal investigation	14,845	14,845	16,770	(1,925)
Office	16,000	16,000	18,663	(2,663)
Department - chief	3,000	3,000	3,000	0
Retirement	614,132	614,132	707,842	(93,710)
Retiree health insurance	1,266,473	1,266,473	1,266,473	0
Retiree life insurance	5,539	5,539	10,105	(4,566)
Dues and publications	2,000	2,000	1,959	41
Radio maintenance	6,500	6,500	12,635	(6,135)
Vehicle repair	11,000	11,000	4,562	6,438
Equipment rental	3,655	3,655	4,785	(1,130)
Computer service contracts	25,000	25,000	20,400	4,600
Equipment maintenance	6,000	6,000	5,671	329
Explorer	9,000	9,000	8,526	474
Heating	10,000	10,000	9,969	31
Electric	30,000	30,000	29,209	791
Telephone	40,000	40,000	63,759	(23,759)
Water	5,000	5,000	7,696	(2,696)
Rent	1,800	1,800	1,800	0
Department expense	20,600	20,600	41,138	(20,538)
Recruits expense	12,000	12,000	21,327	(9,327)
Longevity	263,483	263,483	267,025	(3,542)
Animal control	10,000	10,000	7,526	2,474
Grant matching funds	14,150	14,150	17,785	(3,635)
Injured on duty TPA	4,000	4,000	4,000	0
Information technologies	2,500	2,500	10,651	(8,151)
SWAT Team (Special Response Team)	3,000	3,000	1,382	1,618
Physical exam	6,425	6,425	1,600	4,825
Total police department	10,915,406	10,915,406	11,715,429	(800,023)
Municipal Court:				
Full time salaries	143,627	143,627	144,228	(601)
FICA	10,987	10,987	10,824	163
Health Insurance	68,945	68,945	68,945	0
Life Insurance	360	360	201	159
Retirement town's share	17,465	17,465	17,414	51
Postage	750	750	435	315
Utilities	20,213	20,213	7,794	12,419
Office	1,200	1,200	1,144	56
Rent	13,500	13,500	13,156	344
Building maintenance	1,280	1,280	582	698
Telephone	1,200	1,200	1,286	(86)
Service contracts	7,078	7,078	5,577	1,501
Department	3,970	3,970	3,962	8
Equipment lease	479	479	547	(68)
Total municipal court	291,054	291,054	276,095	14,959

(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, 2012
UNAUDITED

	Originally Adopted Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Public safety (continued):				
Fire department:				
Department salaries	4,680,350	4,680,350	4,524,074	156,276
Holiday salaries	267,109	267,109	261,154	5,955
Sick time salaries	20,000	20,000	15,757	4,243
FICA	607,302	607,302	574,066	33,236
Health Insurance	1,423,543	1,423,543	1,423,543	0
Life Insurance	36,519	36,519	13,111	23,408
Severance pay	15,000	15,000	149,661	(134,661)
Radio maintenance and supplies	20,000	20,000	23,179	(3,179)
Fire prevention	7,500	7,500	7,208	292
Sanitary supplies	20,000	20,000	17,634	2,366
Clothing and allowance	156,600	156,600	152,200	4,400
Fire alarm	10,000	10,000	12,156	(2,156)
First aid and ambulance service	80,000	80,000	76,098	3,902
Gasoline	90,000	90,000	85,482	4,518
Office	10,000	10,000	8,127	1,873
Longevity	525,352	525,352	539,543	(14,191)
Overtime salaries	1,752,000	1,752,000	2,340,633	(588,633)
Part-time salaries	10,500	10,500	9,722	778
Haz-Mat stipend	56,550	56,550	54,524	2,026
Fire pension	1,050,744	1,050,744	875,057	175,687
SCBA operations	9,000	9,000	10,630	(1,630)
Utilities	95,000	95,000	95,564	(564)
Telephone	30,000	30,000	43,721	(13,721)
Postage	550	550	1,257	(707)
Rent	1,800	1,800	1,800	0
Hydrants	152,020	152,020	155,922	(3,902)
Hazardous materials	8,000	8,000	5,496	2,504
Fire chief department	4,280	4,280	3,735	545
Retirement	556,517	556,517	680,086	(123,569)
Retiree health care	1,162,236	1,162,236	1,162,236	0
Training and college	30,000	30,000	46,064	(16,064)
Equipment rental	1,400	1,400	1,364	36
Department expense	5,000	5,000	7,072	(2,072)
Building maintenance	7,000	7,000	8,346	(1,346)
Fire fighter equipment and supplies	50,800	50,800	47,912	2,888
Injured on duty TPA	5,200	5,200	5,200	0
Grant matching funds	50,000	50,000	15,050	34,950
Recruits expense	85,000	85,000	5,366	79,634
Vehicle repairs	70,000	70,000	81,280	(11,280)
Physical exam	20,000	20,000	0	20,000
Total fire department	13,182,872	13,182,872	13,541,030	(358,158)
Emergency Management:				
Salaries	5,000	5,000	10,000	(5,000)
FICA	383	383	765	(382)
Total emergency management	5,383	5,383	10,765	(5,382)
Total public safety	24,394,715	24,394,715	25,543,319	(1,148,604)

(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, 2012
UNAUDITED

	Originally Adopted Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Public works department:				
Streets and highways:				
Salaries	713,349	713,349	615,193	98,156
Overtime	80,000	80,000	30,362	49,638
FICA	60,691	60,691	53,780	6,911
Health Insurance	182,242	182,242	182,242	0
Life Insurance	1,980	1,980	1,075	905
Severance pay	0	0	22,520	(22,520)
Retirement town's share	90,240	90,240	78,922	11,318
Snow removal	220,000	220,000	48,874	171,126
Drainage	5,000	5,000	7,751	(2,751)
Street lighting	500,000	500,000	518,339	(18,339)
Street and traffic control	20,000	20,000	10,722	9,278
Street and highway materials	60,000	60,000	49,289	10,711
Equipment maintenance	2,500	2,500	2,851	(351)
Department	0	0	557	(557)
Total streets and highways	1,936,002	1,936,002	1,622,477	313,525
Building maintenance:				
Salaries	200,976	200,976	182,065	18,911
Overtime	7,105	7,105	4,458	2,647
FICA	15,918	15,918	16,490	(572)
Health Insurance	75,442	75,442	75,442	0
Life Insurance	600	600	353	247
Retirement town's share	25,785	25,785	24,217	1,568
Building supplies	49,500	49,500	47,950	1,550
Department expense	500	500	0	500
Capital purchases	3,500	3,500	2,098	1,402
Severance pay	0	0	30,156	(30,156)
Total building maintenance	379,326	379,326	383,229	(3,903)
Public Works Administration:				
Salaries	232,155	232,155	234,550	(2,395)
Overtime	500	500	2,446	(1,946)
FICA	17,798	17,798	18,100	(302)
Health Insurance	43,091	43,091	43,091	0
Life Insurance	600	600	336	264
Retirement town's share	20,189	20,189	25,997	(5,808)
Postage	700	700	321	379
Bidding and advertising	500	500	237	263
Severance pay	0	0	1,692	(1,692)
Garbage collections	1,280,000	1,280,000	1,280,000	0
Recycling bins	6,000	6,000	1,034	4,966
Safety equipment	7,000	7,000	3,200	3,800
Tree Removal	16,000	16,000	12,565	3,435
Gasoline	115,000	115,000	94,629	20,371
Equipment	3,000	3,000	31,549	(28,549)
Telephone	23,610	23,610	25,401	(1,791)
Utilities	43,830	43,830	27,333	16,497
Office expense	9,000	9,000	7,982	1,018
Department	4,000	4,000	4,587	(587)
Uniforms	15,100	15,100	9,304	5,796
Grant matching funds	90,000	90,000	0	90,000
RI LEAP program expenses	0	0	5,373	(5,373)
Total public works administration	1,928,073	1,928,073	1,829,727	98,346
Sewer Department:				
Service salaries	117,551	117,551	92,199	25,352
FICA	8,993	8,993	6,946	2,047
Health Insurance	34,472	34,472	34,472	0
Life Insurance	240	240	51	189
Retirement town's share	12,644	12,644	10,275	2,369
Department	2,000	2,000	1,800	200
Dues, publications and subscriptions	100	100	1,282	(1,182)
Total sewer department	176,000	176,000	147,025	28,975

(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, 2012
UNAUDITED

	Originally Adopted Budget	Final Budget	Actual Budgetary Basis	Variance Positive Negative
Public works department (Continued):				
Waste water management:				
Part time salaries	8,925	8,925	5,089	3,836
FICA	1,234	1,234	925	309
Postage	750	750	327	423
Bidding and advertising	200	200	0	200
Board salaries	7,200	7,200	6,769	431
Total waste water management	18,309	18,309	13,110	5,199
Fleet maintenance:				
Salaries	176,804	176,804	175,166	1,638
Overtime salaries	15,000	15,000	11,211	3,789
FICA	14,673	14,673	14,540	133
Health Insurance	47,467	47,467	47,467	0
Life Insurance	600	600	269	331
Retirement town's share	22,492	22,492	22,173	319
Vehicle repair - Police	35,000	35,000	54,253	(19,253)
Vehicle repair - Highway	70,000	70,000	85,553	(15,553)
Vehicle repair - Inspectors	1,000	1,000	0	1,000
Department	300	300	149,100	(148,800)
Total fleet maintenance	383,336	383,336	559,732	(176,396)
Inspector's fees:				
Salaries	62,860	62,860	61,844	1,016
Overtime	300	300	2,302	(2,002)
Plumbing inspector	14,683	14,683	14,277	406
Building inspector	12,000	12,000	8,976	3,024
Electrical inspector	14,683	14,683	15,407	(724)
Mechanical inspector-reliant	7,342	7,342	6,772	570
Building official	60,000	60,000	60,231	(231)
FICA	16,591	16,591	17,686	(1,095)
Health Insurance	23,734	23,734	23,734	0
Life Insurance	480	480	202	278
Retirement town's share	21,537	21,537	23,385	(1,848)
Dues, publications and subscriptions	150	150	70	80
Office	5,000	5,000	4,200	800
Minimum housing officer	45,000	45,000	61,865	(16,865)
Department	2,800	2,800	2,761	39
Total inspector's office	287,160	287,160	303,712	(16,552)

(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, 2012
UNAUDITED

	Originally Adopted Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Public works department (Continued):				
Parks and recreation:				
Park salaries	464,838	464,838	467,369	(2,531)
Recreation salaries	126,910	126,910	123,542	3,368
Overtime salaries	5,000	5,000	7,508	(2,508)
Part time salaries	26,417	26,417	41,301	(14,884)
FICA	47,672	47,672	48,444	(772)
Health Insurance	212,338	212,338	212,338	0
Life Insurance	1,740	1,740	930	810
Retirement town's share	75,921	75,921	74,796	1,125
Equipment maintenance and supplies	3,500	3,500	3,397	103
Park maintenance	25,000	25,000	26,418	(1,418)
Vehicle repairs	6,500	6,500	6,577	(77)
Equipment lease	850	850	1,260	(410)
Recreation supplies	500	500	487	13
Utilities	54,000	54,000	41,458	12,542
Gasoline	18,000	18,000	25,035	(7,035)
Telephone	10,000	10,000	13,753	(3,753)
Uniforms	4,000	4,000	3,503	497
Office	1,700	1,700	1,293	407
Day camp	1,000	1,000	865	135
Parking rental	5,000	5,000	5,000	0
Department	6,000	6,000	6,219	(219)
Severance pay	0	0	3,338	(3,338)
Total parks and recreation	1,096,886	1,096,886	1,114,831	(17,945)
Total public works	6,205,092	6,205,092	5,973,843	231,249
Municipal land trust:				
Employee benefits	551	551	551	0
Board salaries	7,200	7,200	7,200	0
Total municipal land trust	7,751	7,751	7,751	0
Human resources:				
General Public Assistance:				
Salaries	2,400	2,400	2,400	0
FICA	184	184	184	0
Department	50	50	0	50
Food stamps and holidays	1,000	1,000	0	1,000
Total general public assistance	3,634	3,634	2,584	1,050
Personnel:				
Full time salaries	30,438	30,438	36,928	(6,490)
FICA	2,328	2,328	2,755	(427)
Health Insurance	17,237	17,237	17,237	0
Life Insurance	120	120	67	53
Retirement town's share	3,905	3,905	3,939	(34)
Office	50	50	264	(214)
Department	600	600	725	(125)
Total personnel	54,678	54,678	61,915	(7,237)
Total human resources	58,312	58,312	64,499	(6,187)

(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, 2012
UNAUDITED

	Originally Adopted Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Miscellaneous appropriations:				
General liability insurance	750,000	750,000	521,846	228,154
Workers compensation insurance	235,000	235,000	162,039	72,961
FICA	16,801	16,801	13,745	3,056
Retirement	9,604	9,604	9,604	0
Health Insurance retirees	970,109	970,109	970,109	0
Stop - loss health insurance	250,000	250,000	250,000	0
Dues, publications, and subscriptions	3,000	3,000	0	3,000
Sealer of weights and measures	6,000	6,000	6,000	0
Tree warden	600	600	0	600
Contingency	5,000	5,000	2,347	2,653
Human needs program	5,000	5,000	5,000	0
Rent	3,800	3,800	3,800	0
Unemployment compensation	10,000	10,000	1,900	8,100
Police / fire pension actuarial	20,000	20,000	54,502	(34,502)
Johnston Senior Citizen Center, Inc.	221,411	221,411	212,756	8,655
Tri-Town	30,000	30,000	30,000	0
Utilities	25,000	25,000	19,756	5,244
Blue cross reimbursements	213,036	213,036	190,782	22,254
Medicare part D	1,908	1,908	1,908	0
Total miscellaneous appropriations	2,776,269	2,776,269	2,456,094	320,175
Planning and Assessment Board:				
Planning Board:				
Salaries	85,512	85,512	62,343	23,169
Overtime	500	500	59	441
Board salaries	7,200	7,200	7,200	0
FICA	7,131	7,131	7,313	(182)
Life Insurance	120	120	67	53
Health Insurance	17,236	17,236	17,236	0
Retirement town's share	8,948	8,948	9,187	(239)
Stenographer	6,000	6,000	2,713	3,287
Department	600	600	667	(67)
Office	1,700	1,700	1,946	(246)
Bidding and advertising	6,000	6,000	761	5,239
Dues, publications and subscriptions	1,855	1,855	2,045	(190)
Total planning board	142,802	142,802	111,537	31,265
Assessment Board:				
Board salaries	2,550	2,550	1,700	850
FICA	195	195	130	65
Total assessment board	2,745	2,745	1,830	915
Total planning and assessment board	145,547	145,547	113,367	32,180

(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, 2012
UNAUDITED

	Originally Adopted Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Library:				
Full time salaries	264,231	264,231	265,105	(874)
Part time salaries	112,494	112,494	107,364	5,130
Overtime	0	0	1,263	(1,263)
FICA	28,819	28,819	28,111	708
Health Insurance	94,933	94,933	94,933	0
Life Insurance	960	960	471	489
Retirement Town's share	33,901	33,901	33,785	116
Dues and publications	20,250	20,250	19,711	539
Computer service contracts	25,100	25,100	24,791	309
Postage	1,600	1,600	2,034	(434)
Auto expense	500	500	403	97
Conferences	200	200	0	200
Sanitary supplies	1,000	1,000	1,000	0
Printing	500	500	505	(5)
Training	500	500	500	0
Heat	10,000	10,000	4,519	5,481
Electric	10,000	10,000	18,239	(8,239)
Telephone	3,000	3,000	1,783	1,217
Water	2,000	2,000	3,584	(1,584)
Building Maintenance	4,000	4,000	3,541	459
Office supplies	4,000	4,000	3,946	54
Department expense	3,750	3,750	3,626	124
Total library	621,738	621,738	619,214	2,524
Debt service:				
Bond interest expense	1,026,437	1,026,437	927,966	98,471
Master lease interest expense	22,608	22,608	15,852	6,756
Bonded debt payments	1,735,000	1,735,000	1,575,100	159,900
Master lease principal payments	197,584	197,584	157,833	39,751
Fund Balance Restoration	1,760,212	1,760,212	404,017	1,356,195
Total debt service	4,741,841	4,741,841	3,080,768	1,661,073
Total expenditures before other financing uses:	41,554,520	41,554,520	40,744,668	809,852
Other budgeted financing uses:				
Transfer to School - Town appropriation	37,129,015	37,129,015	37,129,015	0
Transfer to School - State aid and miscellaneous receipts	10,876,441	10,876,441	10,541,727	334,714
Transfer to School - Federal Education Jobs	0	0	444,130	(444,130)
Total other budgeted financing uses	48,005,456	48,005,456	48,114,872	(109,416)
Total expenditures and other budgeted financing uses	89,559,976	89,559,976	88,859,540	700,436
Net change in fund balance	\$ -	\$ -	1,492,542	\$ 1,492,542
<i>Net proceeds received from refunding bond issuance (balance of funds retained by Town General Fund)</i>			42,842	
<i>Inclusion of net loss of Police Detail Fund with the General Fund, for GAAP purposes, not part of budget</i>			(7,118)	
<i>Inclusion of net income of Fire Dept Detail Fund with the General Fund, for GAAP purposes, not part of budget</i>			6,743	
<i>Inclusion of net loss of Police Equipment Fund with the General Fund, for GAAP purposes, not part of budget</i>			(9,586)	
Net Change in Fund Balances - GAAP Basis (Exhibit B-2)			\$ 1,525,423	

(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, 2012
UNAUDITED

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:				
Expenditures:				
Salaries	\$ 25,523,655	\$ 25,523,655	\$ 25,312,583	\$ 211,072
Employee benefits	12,304,803	12,304,803	11,979,199	325,604
Purchased services	9,245,266	9,245,266	9,040,111	205,155
Supplies and materials	1,331,732	1,331,732	975,390	356,342
Other	-	-	92,343	(92,343)
Capital outlay	-	-	167,659	(167,659)
Total expenditures	48,405,456	48,405,456	47,567,285	838,171
Excess (deficiency) of revenues over (under) expenditures	(48,405,456)	(48,405,456)	(47,567,285)	838,171
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	10,081,441	10,081,441	9,617,585	(463,856)
Transfer from Town General Fund - Federal Education Jobs	-	-	444,130	444,130
Prior Year Surplus	400,000	400,000	-	(400,000)
Transfer from Town General Fund - Medicaid & Other	795,000	795,000	924,142	129,142
Transfer to other funds	-	-	(28,762)	(28,762)
Total other financing sources (uses)	48,405,456	48,405,456	48,086,110	(319,346)
 NET CHANGE IN FUND BALANCES	 \$ -	 \$ -	 518,825	 \$ 518,825
 <i>Less fiscal 2011 encumbrances considered expenditures for GAAP</i>			 <u>(34,329)</u>	
<i>Add back fiscal 2012 encumbrances not considered expenditures for GAAP</i>			<u>17,771</u>	
 Net Change in Fund Balances - GAAP Basis (Exhibit B-2)			 <u>\$ 502,267</u>	

TOWN OF JOHNSTON, RHODE ISLAND

**Required Supplementary Information
Schedule of Funding Progress for OPEB Plans
Pay-As-You-Go Assumptions
June 30, 2012
UNAUDITED**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Funding Excess (Deficit)	Funded Ratio	Covered Payroll	Funding Excess (Deficit) as A percentage of Covered Payroll
Governmental Activities:						
General municipal employees.....						
6/30/2008	\$0	\$ 137,698,237	\$ (137,698,237)	0%	N/A	N/A
6/30/2010	\$0	\$ 176,176,570	\$ (176,176,570)	0%	N/A	N/A
7/1/2012	\$0	\$ 141,421,501	\$ (141,421,501)	0%	N/A	N/A
School Department employees.....						
6/30/2008	\$0	\$ 88,344,515	\$ (88,344,515)	0%	N/A	N/A
6/30/2010	\$0	\$ 52,715,821	\$ (52,715,821)	0%	N/A	N/A
7/1/2012	\$0	\$ 45,350,965	\$ (45,350,965)	0%	N/A	N/A
Total Governmental Activities:						
6/30/2008	\$0	\$ 226,042,752	\$ (226,042,752)	0%	N/A	N/A
6/30/2010	\$0	\$ 228,892,391	\$ (228,892,391)	0%	N/A	N/A
7/1/2012	\$0	\$ 186,772,466	\$ (186,772,466)	0%	N/A	N/A
Business-Type Activities:						
Water Department employees.....						
6/30/2008	\$0	\$ 202,748	\$ (202,748)	0%	N/A	N/A
6/30/2010	\$0	\$ 122,886	\$ (122,886)	0%	N/A	N/A
7/1/2012	\$0	\$ 187,136	\$ (187,136)	0%	N/A	N/A

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

TOWN OF JOHNSTON, RHODE ISLAND

OTHER SUPPLEMENTARY INFORMATION

TOWN OF JOHNSTON, RHODE ISLAND

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The following funds are considered Special Revenue Funds at June 30, 2012:

****School Restricted Funds**

Community Development Block Grant
Byrne JAG Stimulus Grant
Police Special Account
Memorial Park Recreation Fields
Restoration
Substance Abuse Prevention Grant
Blue Riptide Grant
ARRA EECBG
NRCS
Historical Trust Fund

Fire Plan Review

Fire Prevention
Memorial Library Fund
Byrne Grant
State JAG Grant
Secure Our Schools
FEMA Category F Projects
FEMA Category C Small Projects
FEMA Category C Large Projects
Champlin Grant

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

Preschool IDEA Section 619
Preschool IDEA Section 619 – ARRA
IDEA Part B
IDEA Part B - ARRA
Title I
Title I - ARRA
Race to the Top
Broadrock Energy
NE Dairy
USDA FFV
Lifetouch Commission
Homeland Security
Title II
Title III

Target Grant
Verizon Foundation
RISCA
Scholarship America
E2T2-Training Consortium-ARRA
RI Education Foundation
Walmart Grant
Donation & Miscellaneous Grant
Perkins Vocational
General Assembly
Champlin MS
Feinstein Elementary
Festival Fete

TOWN OF JOHNSTON, RHODE ISLAND

NONMAJOR GOVERNMENTAL FUNDS (Continued)

CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Funding sources include debt proceeds, intergovernmental sources, third party contributions and General Fund operating transfers. The following funds are considered Capital Project Funds at June 30, 2012:

School Facilities Fund
Rainone Gym Renovations
Unobligated Capital Fund
DAM Renovations
Pezza Property Acquisition

Soccer Field
Capital Lease 2010
Capital Improvements
Library Building
Capital Lease 2011

TOWN OF JOHNSTON, RHODE ISLAND

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012

SPECIAL REVENUE FUNDS

	School Restricted Fund	Community Development Block Grant	Byrne JAG Stimulus Grant	Police Special Account	Memorial Park Recreation Fields Restoration	Substance Abuse Prevention Grant	Blue Riptide Grant	ARRA EECBG	NRCS	Historical Trust Fund
ASSETS										
Cash and cash equivalents	\$ 82,730	\$ 3,000		\$ 62,902	\$ 7,380					\$ 390,346
Due from federal & state governments	1,119,218	141,076							\$ 14,744	
Due from other funds	154,828						\$ 3,889	\$ 3,252		2,833
TOTAL ASSETS	\$ 1,356,776	\$ 144,076	\$ -	\$ 62,902	\$ 7,380	\$ -	\$ 3,889	\$ 3,252	\$ 14,744	\$ 393,179

LIABILITIES AND FUND BALANCE

LIABILITIES										
Accounts payable	\$ 2,720	\$ 2,500			\$ 2,265					\$ 154,740
Due to federal & state governments				\$ 1,610					\$ 14,723	
Due to other funds	1,198,926	138,500								
Deferred revenue	75									
TOTAL LIABILITIES	1,201,721	141,000	\$ -	1,610	2,265	\$ -	\$ -	\$ -	14,723	154,740

FUND BALANCES

Restricted	155,181	3,076		61,292	5,115		3,889	3,252	21	238,439
Committed										
Unassigned	(126)									
TOTAL FUND BALANCES	155,055	3,076		61,292	5,115		3,889	3,252	21	238,439

TOTAL LIABILITIES AND FUND BALANCES

TOTAL LIABILITIES AND FUND BALANCES	\$ 1,356,776	\$ 144,076	\$ -	\$ 62,902	\$ 7,380	\$ -	\$ 3,889	\$ 3,252	\$ 14,744	\$ 393,179
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TOWN OF JOHNSTON, RHODE ISLAND

*Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012*

SPECIAL REVENUE FUNDS

	Fire Plan Review	Fire Prevention	Memorial Library Fund	Byrne Grant	State JAG Grant	Secure Our Schools	FEMA Category F Projects	FEMA Category C Small Projects	FEMA Category C Large Projects	Champlin Grant	Total Special Revenue Fund
	\$ 208,566	\$ 23,119	\$ 120,669		\$ 2,839	\$ 30,791	\$	\$ 222,739	\$ 30,911	\$ 15,020	\$ 682,047
	\$ 208,566	\$ 23,119	\$ 120,669	\$ -	\$ 2,839	\$ 30,791	\$ -	\$ 222,739	\$ 30,911	\$ 15,020	\$ 1,275,038
TOTAL ASSETS											\$ 683,767

ASSETS
Cash and cash equivalents
Due from federal & state governments
Due from other funds

LIABILITIES AND FUND BALANCE

LIABILITIES											
Accounts payable			\$ 1,638								\$ 163,863
Due to federal & state governments											1,610
Due to other funds											1,352,149
Deferred revenue											253,725
TOTAL LIABILITIES			\$ 1,638								\$ 1,771,347

FUND BALANCES

Restricted		23,119	119,031		2,839	30,791				15,020	661,065
Committed	208,566										208,566
Unassigned											(126)
TOTAL FUND BALANCES	208,566	23,119	119,031		2,839	30,791				15,020	869,505

TOTAL LIABILITIES AND FUND BALANCES

	\$ 208,566	\$ 23,119	\$ 120,669	\$ -	\$ 2,839	\$ 30,791	\$ -	\$ 222,739	\$ 30,911	\$ 15,020	\$ 2,640,852
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TOWN OF JOHNSTON, RHODE ISLAND

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012

CAPITAL PROJECT FUNDS

	School Facilities Fund	Rainone Gym Renovations	Unobligated Capital Fund	DAM Renovations	Pezza Property Acquisition	Soccer Field	Capital Lease 2010	Capital Improvements	Library Building	Capital Lease 2011	Project Funds	Total Capital Funds	Total Nonmajor Government Funds
ASSETS													
Cash and cash equivalents	\$ 131,562				\$ 5,800			\$ 400		\$ 252,568	\$ 390,330	\$ 1,072,377	
Due from federal & state governments		\$ 17,021	\$ 45,327	\$ 57,745		\$ 666		14,028					1,275,038
Due from other funds											134,787		818,554
TOTAL ASSETS	\$ 131,562	\$ 17,021	\$ 45,327	\$ 57,745	\$ 5,800	\$ 666	\$ -	\$ 14,428	\$ -	\$ 252,568	\$ 525,117	\$ 3,165,969	
LIABILITIES AND FUND BALANCE													
LIABILITIES													
Accounts payable										\$ 168,151	\$ 168,151	\$ 332,014	
Due to federal & state governments													1,610
Due to other funds													1,352,149
Deferred revenue													253,725
TOTAL LIABILITIES										\$ 168,151	\$ 168,151	\$ 1,939,498	
FUND BALANCES													
Restricted	131,562	17,021	45,327	57,745	5,800	666	-	14,428	-	84,417	356,966	1,018,031	
Committed													208,566
Unassigned													(126)
TOTAL FUND BALANCES	131,562	17,021	45,327	57,745	5,800	666	-	14,428	-	84,417	356,966	1,226,471	
TOTAL LIABILITIES AND FUND BALANCES	\$ 131,562	\$ 17,021	\$ 45,327	\$ 57,745	\$ 5,800	\$ 666	\$ -	\$ 14,428	\$ -	\$ 252,568	\$ 525,117	\$ 3,165,969	

TOWN OF JOHNSTON, RHODE ISLAND

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the year ended June 30, 2012

SPECIAL REVENUE FUNDS

	School Restricted Fund	Community Development Block Grant	Byrne JAG Stimulus Grant	Police Special Account	Memorial Park Recreation Fields Restoration	Substance Abuse Prevention Grant	Blue Riptide Grant	ARRA EECBG	NRCS	Historical Trust Fund
REVENUES										
Federal and state grants	\$ 1,740,613	\$ 214,513	\$ -	\$ 14,047	\$ 14	\$ 30,777	\$ 41,133	\$ 239,469	\$ 1,598,040	\$ 1,709
Investment income	156,409			231	16,675					31,959
Other	1,897,022	214,513	-	14,278	16,689	30,777	41,133	239,469	1,598,040	33,668
Total revenues										
EXPENDITURES										
Current:										
Education	1,866,607									
Other expenses		102,931	249	16,203	11,689	30,777	37,244	2,121	274,019	163,190
Capital outlays		111,582						237,179	1,324,000	
Debt service - principal			249	16,203	11,689	30,777	37,244	239,300	1,598,019	163,190
Total expenditures										
Excess (deficiency) of revenues over (under) expenditures	30,415	-	(249)	(1,925)	5,000	-	3,889	169	21	(129,522)
Other financing sources (uses):										
Issuance of bonds and lease purchase obligations										
Transfers in										
Transfers out										
Total other financing sources										
Net change in fund balances	30,415	-	(249)	(1,925)	5,000	-	3,889	169	21	(129,522)
Fund balances (deficits) - July 1, 2011	124,640	3,076	249	63,217	115	-	-	3,083	-	367,961
Fund balances (deficits) - June 30, 2012	\$ 155,055	\$ 3,076	\$ -	\$ 61,292	\$ 5,115	\$ -	\$ 3,889	\$ 3,252	\$ 21	\$ 238,439

TOWN OF JOHNSTON, RHODE ISLAND

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the year ended June 30, 2012

SPECIAL REVENUE FUNDS

	Fire Plan Review	Fire Prevention	Memorial Library Fund	Byrne Grant	State JAG Grant	Secure Our Schools	FEMA Category F Projects	FEMA Category C Small Projects	FEMA Category C Large Projects	Champlin Grant	Total Special Revenue Funds
REVENUES											
Federal and state grants	\$ 55,438	\$ 7,925	\$ 3,495					\$ 424,999	\$ 298,092	\$ 20	\$ 4,601,683
Investment income										15,000	1,743
Other	55,438	7,925	3,495					424,999	298,092	15,020	4,890,558
Total revenues											
EXPENDITURES											
Current:											
Education	18,685		4,034	727		1,944		6,580	2,194		1,866,607
Other expenses	58,014		6,795					418,419	295,898		672,587
Capital outlays											2,451,887
Debt service - principal											
Total expenditures	76,699		10,829	727		1,944		424,999	298,092		4,991,081
Excess (deficiency) of revenues over (under) expenditures	(21,261)	7,925	(7,334)	(727)	0	(1,944)				15,020	(100,523)
Other financing sources (uses):											
Issuance of bonds and lease purchase obligations											0
Transfers in											0
Transfers out			(3,764)								(3,764)
Total other financing sources			(3,764)								(3,764)
Net change in fund balances	(21,261)	7,925	(11,098)	(727)		(1,944)				15,020	(104,287)
Fund balances (deficits) - July 1, 2011	229,827	15,194	130,129	727	2,839	30,791	1,944				973,792
Fund balances (deficits) - June 30, 2012	\$ 208,566	\$ 23,119	\$ 119,031	\$ -	\$ 2,839	\$ 30,791	\$ -	\$ -	\$ -	\$ 15,020	\$ 869,505

TOWN OF JOHNSTON, RHODE ISLAND

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the year ended June 30, 2012

CAPITAL PROJECT FUNDS

	School Facilities Fund	Rainone Gym Renovations	Unobligated Capital Fund	DAM Renovations	Pezza Property Acquisition	Soccer Field	Capital Lease 2010	Capital Improvements	Library Building	Capital Lease 2011	Total Capital Project Funds	Total Nonmajor Government Funds
REVENUES												
Federal and state grants												
Investment income												
Other												
Total revenues	\$ 315				\$ 1		\$ 3		\$ 8	\$ 117	\$ 443	\$ 4,601,683
	315				1		3		8	117	443	2,186
												287,633
												4,891,502
EXPENDITURES												
Current:												
Education												
Other expenses						2,922				7,597	10,559	1,866,607
Capital outlays					40	16,203		131,363	9,105	1,066,703	1,223,374	683,146
Debt service - principal							43,835				43,835	3,675,261
Total expenditures					40	19,125	43,835	131,363	9,105	1,074,300	1,277,768	6,268,849
					40	19,125	43,835	131,363	9,105	1,074,300	1,277,768	6,268,849
	315				(39)	(19,125)	(43,832)	(131,363)	(9,097)	(1,073,683)	(1,276,824)	(1,377,347)
Excess (deficiency) of revenues over (under) expenditures												
Other financing sources (uses):												
Issuance of bonds and lease purchase obligations										1,158,100	1,158,100	1,158,100
Transfers in	91,633								3,764		95,397	95,397
Transfers out											0	(3,764)
Total other financing sources	91,633								3,764	1,158,100	1,253,497	1,249,733
	91,633								3,764	1,158,100	1,253,497	1,249,733
Net change in fund balances	91,948				(39)	(19,125)	(43,832)	(131,363)	(5,333)	84,417	(23,327)	(127,614)
	91,948				(39)	(19,125)	(43,832)	(131,363)	(5,333)	84,417	(23,327)	(127,614)
Fund balances (deficits) - July 1, 2011	39,614	17,021	45,327	57,745	5,839	19,791	43,832	145,791	5,333	-	380,293	1,354,085
	39,614	17,021	45,327	57,745	5,839	19,791	43,832	145,791	5,333	-	380,293	1,354,085
Fund balances (deficits) - June 30, 2012	\$ 131,562	\$ 17,021	\$ 45,327	\$ 57,745	\$ 5,800	\$ 666	\$ -	\$ 14,428	\$ -	\$ 84,417	\$ 356,966	\$ 1,226,471
	\$ 131,562	\$ 17,021	\$ 45,327	\$ 57,745	\$ 5,800	\$ 666	\$ -	\$ 14,428	\$ -	\$ 84,417	\$ 356,966	\$ 1,226,471

TOWN OF JOHNSTON

EXHIBIT 3

Combining Balance Sheet
 School Restricted Funds
 Reported as Nonmajor Governmental Funds
 June 30, 2012

SPECIAL REVENUE FUNDS

Preschool IDEA Section 619	Preschool IDEA Section 619-ARRA	IDEA Part B	IDEA Part B-ARRA	IDEA Title I	Title I-ARRA	Race to the Top	Broadrock Energy	NE Dairy	USDA FFV	Lifetouch Commission	Homeland Security	Title II	Title III
\$ 7,305	\$ 834,203	\$ 834,203	\$ 172,409	\$ 16,371	\$ 123,473	\$ 1,945	\$ 5,466	\$ 1,368	\$ 25,919	\$ 47,082	\$ 1,089		
\$ 7,305	\$ 834,203	\$ 834,203	\$ 172,409	\$ 16,371	\$ 123,473	\$ 1,945	\$ 5,466	\$ 1,368	\$ 25,919	\$ 47,082	\$ 1,089		

ASSETS

Cash and cash equivalents
 Intergovernmental receivable
 Due from other funds

TOTAL ASSETS

Liabilities:

Accounts payable
 Due to other funds
 Deferred revenue

Total liabilities

Fund balances:

Restricted
 Unassigned

Total fund balances

TOTAL LIABILITIES AND FUND BALANCE

\$ 2,720	\$ 834,203	\$ 834,203	\$ 172,409	\$ 16,371	\$ 123,473	\$ 1,945	\$ 5,466	\$ 1,368	\$ 25,919	\$ 47,082	\$ 1,089		
4,585													
7,305			172,409	16,371	123,473	1,945	5,466	1,368	25,919	47,082	1,089		
0	0	0	0	0	123,473	1,945	0	1,368	0	0	0	0	0
0	0	0	0	0	123,473	1,945	0	1,368	0	0	0	0	0
\$ 7,305	\$ 834,203	\$ 834,203	\$ 172,409	\$ 16,371	\$ 123,473	\$ 1,945	\$ 5,466	\$ 1,368	\$ 25,919	\$ 47,082	\$ 1,089		

(Continued)

TOWN OF JOHNSTON

EXHIBIT 3 (CONTINUED)

Combining Balance Sheet
 School Restricted Funds
 Reported as Nonmajor Governmental Funds
 June 30, 2012

Target Grant	Verizon Foundation	RISCA	Scholarship America	E2T2-Training Consortium-ARRA	RI Education Foundation	Walmart Grant	Donation & Misc Grant	Perkins Vocational	General Assembly	Champlin MS	Feinstein Elementary	Festival Fete	School Restricted Funds	Total
\$ 111	\$ 3,512	\$ 582	\$ 3	\$	\$ 150	\$ 150	\$ 4,761	\$ 9,374	\$ 719	\$ 82,730	\$ 18,054		\$	\$ 82,730
\$ 111	\$ 3,512	\$ 582	\$ 3	\$	\$ 150	\$ 150	\$ 4,761	\$ 9,374	\$ 719	\$ 82,730	\$ 18,054		\$	\$ 1,119,218
\$ 111	\$ 3,512	\$ 582	\$ 3	\$	\$ 150	\$ 150	\$ 4,761	\$ 9,374	\$ 719	\$ 82,730	\$ 18,054		\$	\$ 154,828
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,356,776
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,500	\$ -	\$ 82,302	\$ 14	\$ -	\$ -	\$ 2,720
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,500	\$ -	\$ 82,302	\$ 14	\$ -	\$ -	\$ 1,198,926
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,500	\$ -	\$ 82,363	\$ 14	\$ -	\$ -	\$ 1,201,721
111	3,512	582	3	0	150	150	4,761	(126)	719	367	18,040	0	0	155,181
111	3,512	582	3	0	150	150	4,761	(126)	719	367	18,040	0	0	(126)
111	3,512	582	3	0	150	150	4,761	9,374	719	82,730	18,054	0	0	155,055
\$ 111	\$ 3,512	\$ 582	\$ 3	\$ -	\$ 150	\$ 150	\$ 4,761	\$ 9,374	\$ 719	\$ 82,730	\$ 18,054	\$ -	\$ -	\$ 1,356,776

ASSETS

Cash and cash equivalents
 Intergovernmental receivable
 Due from other funds

TOTAL ASSETS

Liabilities:

Accounts payable
 Due to other funds
 Deferred revenue

Total liabilities

Fund balances:

Restricted
 Unassigned

Total fund balances

TOTAL LIABILITIES AND FUND BALANCE

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
School Restricted Funds
Reported as Nonmajor Governmental Funds
For the year ended June 30, 2012**

SPECIAL REVENUE FUNDS

	Preschool IDEA Section 619	Preschool IDEA Section 619-ARRA	IDEA Part B	IDEA Part B-ARRA	IDEA Part B-ARRA	Title I	Title I-ARRA	Race to the Top	Broadrock Energy	NE Dairy	USDA FEV	Lifetouch Commission	Homeland Security	Title II	Title III
Revenues:															
Federal and state grants	\$ 28,820	\$ 10,263	\$ 834,203	\$ 36,690	\$ 446,910	\$ 1,159	\$ 62,472	\$ 50,000	\$ 6,850	\$ 48,450	\$ 1,368	\$ 26,646	\$ 171,311	\$ 1,538	
Other revenue															
Total revenues	28,820	10,263	834,203	36,690	446,910	1,159	62,472	50,000	6,850	48,450	1,368	26,646	171,311	1,538	
Expenditures:															
Current:															
Salaries	19,616		505,563		316,235		14,858							143,403	443
Employee benefits	9,204		240,849		100,444		215							24,413	6
Purchased services		110	86,611	6,317	6,317		47,399		2,065	48,450				3,495	
Supplies and materials		10,153	1,190	30,373	30,231		26,527		2,631					26,646	1,089
Total expenditures	28,820	10,263	834,203	36,690	446,910	1,159	62,472	26,527	4,696	48,450	-	26,646	171,311	1,538	
Net change in fund balances	0	0	0	0	0	0	0	23,473	2,154	0	1,368	0	0	0	0
Fund balances, July 1, 2011	0	0	0	0	0	0	0	100,000	(209)	0	0	0	0	0	0
Fund balances, June 30, 2012	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 123,473	\$ 1,945	\$ -	\$ 1,368	\$ -	\$ -	\$ -	\$ -

TOWN OF JOHNSTON

EXHIBIT 4 (CONCLUDED)

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 School Restricted Funds
 Reported as Nonmajor Governmental Funds
 For the year ended June 30, 2012

	Target Grant	Verizon Foundation	RISCA	Scholarship America	E2T2-Training Consortium-ARBA	RI Education Foundation	Walmart Grant	Donation & Misc Grant	Perkins Vocational	General Assembly	Champlin MS	Feinstein Elementary	Festival Fete	School Unrestricted Funds	Total
Revenues:															
Federal and state grants	\$ 461		\$ 122	\$ 2,000	\$ 50,724			\$ 2,500	\$ 21,305		\$ 82,730	\$ 10,000	\$ 500	\$	1,740,613
Other revenue	461	-	122	2,000	50,724			2,500	21,305		82,730	10,000	500		156,409
Total revenues															1,897,022
Expenditures:															
Current:															
Salaries									21,000						1,021,108
Employee benefits								498	305						375,436
Purchased services	350		187	1,997	50,724			410			82,465	4,813			200,295
Supplies and materials			239					410				3,434			289,768
Total expenditures	350		426	1,997	50,724			908	21,305		82,465	8,247			1,866,607
Net change in fund balances	111	0	(304)	3	0	0	0	1,592	0	0	265	1,753	0	0	30,415
Fund balances, July 1, 2011	0	3,512	886	0	0	150	150	3,169	(126)	719	102	16,287	0	0	124,640
Fund balances, June 30, 2012	\$ 111	\$ 3,512	\$ 582	\$ 3	\$ -	\$ 150	\$ 150	\$ 4,761	\$ (126)	\$ 719	\$ 367	\$ 18,040	\$ -	\$ -	155,055

TOWN OF JOHNSTON, RHODE ISLAND

PRIVATE PURPOSE TRUST FUNDS

Private-Purpose Trust Funds are used to account for resources legally held in trust for use by parties outside of the Town, and cannot be used at the Town's discretion or to support the Town's general obligations. The net assets of these funds are utilized for the care and maintenance of cemeteries within the Town. The following funds are considered Private-Purpose Funds at June 30, 2012:

- 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 JOHNSON

**Combining Statement of Net Assets
Private Purpose Trust Funds
June 30, 2012**

	Daniel Elder Burial Fund	Manton Perpetual Care	Celina Ester Brook	Sara Irons	Kelly Burial Grounds	Nicholas Smith	Kimball Burial Ground	Richardson Burial Ground	C.T. Tourtelot	Total Private Purpose Funds
ASSETS										
Cash and cash equivalents	\$ 875	\$ 3,929	\$ 3,427	\$ 1,403	\$ 3,728	\$ 1,841	\$ 4,681	\$ 1,390	\$ 1,706	\$ 22,980
NET ASSETS										
Held in trust for perpetual care	\$ 875	\$ 3,929	\$ 3,427	\$ 1,403	\$ 3,728	\$ 1,841	\$ 4,681	\$ 1,390	\$ 1,706	\$ 22,980

TOWN OF JOHNSTON

Combining Statement of Changes in Net Assets
Private Purpose Trust Funds
For the year ended June 30, 2012

	Daniel Elder Burial Fund	Manton Perpetual Care	Celina Ester Brook	Sara Irons	Kelly Burial Grounds	Nicholas Smith	Kimball Burial Ground	Richardson Burial Ground	C.T. Tourtellot	Total Private Purpose Funds
REVENUES:										
Investment income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
EXPENDITURES:										
Bank fees	40	40	40	40	40	40	40	40	40	360
DECREASE IN NET ASSETS	(40)	(40)	(40)	(40)	(40)	(40)	(40)	(40)	(40)	(360)
NET ASSETS - JULY 1, 2011	915	3,969	3,467	1,443	3,768	1,881	4,721	1,430	1,746	23,340
NET ASSETS - JUNE 30, 2012	\$ 875	\$ 3,929	\$ 3,427	\$ 1,403	\$ 3,728	\$ 1,841	\$ 4,681	\$ 1,390	\$ 1,706	\$ 22,980

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, 2012**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<u>STUDENT ACTIVITY FUNDS</u>				
Assets:				
Cash and cash equivalents	\$ 188,689	\$ 158,722	\$ 157,217	\$ 190,194
Total assets	\$ 188,689	\$ 158,722	\$ 157,217	\$ 190,194
Liabilities:				
Due to student groups	\$ 188,689	\$ 158,722	\$ 157,217	\$ 190,194
<u>PERFORMANCE BONDS</u>				
Assets:				
Cash and cash equivalents	\$ 226,476	\$ 61	\$ 78	\$ 226,459
Due from governmental funds	107,750			107,750
Total assets	\$ 334,226	\$ 61	\$ 78	\$ 334,209
Liabilities:				
Deposits held in custody for others	\$ 334,226	\$ 61	\$ 78	\$ 334,209
<u>Total - All Agency Funds</u>				
Assets:				
Cash and cash equivalents	\$ 415,165	\$ 158,783	\$ 157,295	\$ 416,653
Due from governmental funds	107,750	-	-	107,750
Total assets	\$ 522,915	\$ 158,783	\$ 157,295	\$ 524,403
Liabilities:				
Due to student groups	\$ 188,689	\$ 158,722	\$ 157,217	\$ 190,194
Deposits held in custody for others	334,226	61	78	334,209
Total liabilities	\$ 522,915	\$ 158,783	\$ 157,295	\$ 524,403

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TOWN OF JOHNSTON, RHODE ISLAND

OTHER EXHIBITS



EXHIBIT 8

**TOWN OF JOHNSTON, RHODE ISLAND
SCHEDULE OF PROPERTY TAXES RECEIVABLE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Year	Mill Rate	Property Taxes Receivable July 1, 2011	Current Year Assessment	Transfers Addendums (Net)	Abatements and Adjustments	Amount to be Collected	Collections Net of Refunds	Property Taxes Receivable June 30, 2012
2011	\$24.75	\$ 3,228,635	\$ 68,570,772	(5,483)	\$ 281,305	\$ 68,283,984	\$ 64,086,529	\$ 4,197,455
2010	\$23.81	438,074	80,687	7,427	(6,903)	3,316,225	1,881,685	1,434,540
2009	\$19.49	317,368	6,062	7,258	9,971	435,530	83,751	351,779
2008	\$18.91	288,703	2,115	2,823	7,258	316,172	18,583	297,589
2007	\$17.84	253,605	1,566	2,703	2,823	287,995	9,864	278,131
2006	\$17.41	250,806	471	1,071	2,703	252,468	7,416	245,052
2005	\$16.99	274,849	(681)	1,555	1,071	250,206	3,133	247,073
2004	\$16.40	478,209	61	406	1,555	272,613	2,383	270,230
2003	\$26.30	500,639	599	1,506	406	477,864	2,414	475,450
2002	\$25.10	381,777	(781)	723	1,506	499,732	1,668	498,064
2001	\$23.79	385,272	(203)	335	723	380,273	1,417	378,856
2000	\$27.06	360,910	(365)	105	335	384,734	727	384,007
1999	\$27.06	334,268		303	105	360,440	2,214	358,226
1998	\$25.89	91,091		50	303	333,965	624	333,341
1997	\$20.90	93,581		50	50	91,041		91,041
1996	\$20.90	114,065		46	50	93,531		93,531
1995	\$20.90	90,698		42	46	114,019		114,019
1994	\$34.64	95,391		41	42	90,656		90,656
1993	\$32.90				41	95,350		95,350
1992						3,545		3,545
Subtotal		7,981,486	68,570,772	91,475	303,390	76,340,343	66,102,408	10,237,935
Less: estimated allowance for uncollectable accounts		(5,301,129)						(6,027,921)
Net property taxes receivable		\$ 2,680,357						\$ 4,210,014

(CONTINUED)

**TOWN OF JOHNSTON, RHODE ISLAND
SCHEDULE OF PROPERTY TAXES RECEIVABLE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Schedule of Net Assessed Property Value by Category Assessed December 31, 2010		Reconciliation of Current Year Property Tax Revenue	
Description of Property	Valuations	Levy	Collections net of refunds in 2012
Real property	\$ 2,568,738,743	\$ 52,967,452	\$ 66,102,408
Motor vehicles	238,824,653	8,464,256	925,137
Tangible property	120,551,303	7,139,064	67,027,545
Wholesale and retail inventory	-	-	(751,313)
Total	2,928,114,699	68,570,772	
Exemptions and adjustments	463,302,834		
Net assessed value	\$ 2,464,811,865	\$ 68,570,772	\$ 66,276,232

(CONCLUDED)

TOWN OF JOHNSTON, RHODE ISLAND

SINGLE AUDIT SECTION

This section contains information regarding federal grant activity for the year ended June 30, 2012, 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, 2012**

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<i>U.S. Department of Education</i>		
Pass through RI Department of Education:		
Title I	84.010A	\$ 446,910
Title II	84.367A	171,311
Title III	84.365A	1,538
IDEA Part B	84.027A	834,203
IDEA Sec 619 - Preschool	84.173A	28,820
Perkins Vocational Education	84.048A	21,305
Title I - ARRA	84.389	1,159
IDEA Part B - ARRA	84.391	36,690
IDEA Sec 619 Preschool - ARRA	84.392	10,263
E2T2-MCI-ARRA	84.318	50,724
Education Jobs - ARRA	84.410	444,130
Race To The Top - ARRA	84.395A	62,473
<i>Total U.S. Department of Education</i>		<u>2,109,526</u>
<i>U.S. Department of Housing and Urban Development</i>		
Pass Through State Governor's Office of Housing, Energy & Intergovernmental Relations:		
Community Development Block Grant	14.228	<u>214,513</u>
<i>U.S. Department of Homeland Security</i>		
Pass Through from Rhode Island Emergency Management Agency:		
Homeland Security	97.067	26,646
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	1,034,389
<i>Total U.S. Department of Homeland Security</i>		<u>1,061,035</u>
<i>U.S. Department of Agriculture</i>		
Pass Through Natural Resources Conservation Service (NRCS)		
Watershed Protection and Flood Prevention Program	10.904	1,598,019
Pass Through RI Department of Education:		
National School Lunch Program	10.555	546,200
Food Commodity	10.556	41,248
<i>Total U.S. Department of Agriculture</i>		<u>2,185,467</u>
<i>U.S. Department of Transportation</i>		
Pass Through RI Department of Transportation:		
Seatbelt Enforcement Grant	20.604	<u>37,245</u>
<i>U.S. Department of Energy</i>		
Pass Through RI Department of Energy		
Energy Efficiency and Conservation Block Grant Program (EECBG)-ARRA	81.128	<u>239,300</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$ 5,847,086</u>

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2012**

1. General

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

2. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting. The accompanying Schedule of Expenditures of Federal Awards also includes \$41,248 for the value of food commodities which is reported as a component of the Federal School Lunch Program. These commodities are not reported in revenue or expenses of the Business-Type Activities for financial statement purposes.

3. Determination of Major Programs

The determination of major federal financial assistance programs was based upon the overall level of expenditures for all federal programs for the Town of Johnston, Rhode Island. As such, the threshold for determining Type A and Type B programs is defined as those with program expenditures greater than \$300,000 or 3 percent of total expenditures when the total expenditures are over \$10,000,000. For the fiscal year ended June 30, 2012, the following programs were considered a major program:

Education Jobs - ARRA	CFDA #84.410
Community Development Block Grant	CFDA #14.228
Disaster Grants – Public Assistance	CFDA #97.036
Watershed Protection and Flood Prevention Program	CFDA #10.904
EECBG - ARRA	CFDA #81.128

***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, 2012, which collectively comprise the Town of Johnston, Rhode Island's basic financial statements and have issued our report thereon dated December 31, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Town of Johnston's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs (noted as items 2012-1 through 2012-4) 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.

Needham

Concord

Taunton

Compliance and Other Matters

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

We noted certain other matters that we reported to management of the Town of Johnston, Rhode Island in a separate letter titled *Communication of Matters Prescribed by Statement on Auditing Standards #115* and dated December 31, 2012.

The Town of Johnston, Rhode Island's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Town of Johnston, Rhode Island's response and, accordingly, we express no opinion on it.

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



Providence, Rhode Island
December 31, 2012

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

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

Compliance

We have audited the Town of Johnston, Rhode Island's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town of Johnston, Rhode Island's major federal programs for the year ended June 30, 2012. 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 2012-5 in the accompanying schedule of findings and questioned costs, the Town of Johnston, Rhode Island did not comply with the requirements regarding cash management that are applicable to its Disaster Grants. Compliance with such requirements is necessary, in our opinion, for the Town of Johnston, Rhode Island to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Town of Johnston, Rhode Island complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Needham

Concord

Taunton

Providence

Internal Control Over Compliance

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

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

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

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2012-5 to be a significant deficiency.

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

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



Providence, Rhode Island
December 31, 2012

TOWN OF JOHNSTON, RHODE ISLAND

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012**

A. SUMMARY OF AUDITORS' RESULTS

1. The report of independent auditors expressed an unqualified opinion on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Johnston, Rhode Island.
2. Four deficiencies in internal control over financial reporting have been identified and are described in Part B below as items 2012-1 and 2012-4, all of which are considered to be material weaknesses.
3. No instances of noncompliance material to the financial statements of the Town of Johnston, Rhode Island were disclosed during the audit.
4. One significant deficiency in internal control over compliance with requirements applicable to major federal programs was identified and is described in Part C below as item 2012-5.
5. The report of independent auditors 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:

Education Jobs - ARRA	CFDA #84.410
Community Development Block Grant	CFDA #14.228
Disaster Grants – Public Assistance	CFDA #97.036
Watershed Protection and Flood Prevention Program	CFDA #10.904
EECBG - ARRA	CFDA #81.128

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

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012**

B. FINDINGS -- RELATED TO AUDIT OF FINANCIAL STATEMENTS

Current Year Findings:

- 2012-1:** Governmental Accounting Standards Statement #34 requires governmental entities to prepare a government-wide financial statement utilizing the full accrual basis of accounting. Accordingly, the government-wide statements include all long-term debt obligations (i.e. compensated absences) 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. We noted significant errors in the accrued liabilities reported by the Town and the School Department at June 30, 2012.
- 2012-2:** 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 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 does not have adequate policies or procedures in place for maintaining and updating these records in a timely manner, resulting in material adjustments of the carrying value of the capital assets reported by the Town at June 30, 2012.
- 2012-3:** 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. Department of Public Works and Police Department personnel). During our audit process we noted that the Town does not have a central location for maintaining all grant agreements or related financial reports. In addition, we noted that certain grants were not properly reconciled, and in some instances, were not reconciled at all. The lack of controls, including monitoring and following-up on current and 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.
- 2012-4:** One of the primary components of strong internal controls requires separation of incompatible duties. In essence no one individual should be responsible for all aspects of a transaction or have total control over the financial activity and general ledger maintenance/reporting. During our audit we noted that the Town is lacking controls over processing, reporting and reconciliation of cash transactions. Currently, we believe that certain financial responsibilities of the Town's Controller and/or clerks are being performed by the Finance Director, resulting in lack of adequate segregation of duties.

Prior Year Findings:

- 2011-1:** Governmental Accounting Standards Statement #34 requires governmental entities to prepare a government-wide financial statement utilizing the full accrual basis of accounting. Accordingly, the government-wide statements include all long-term debt obligations (i.e. compensated absences) and capital assets of the governmental activities as well as those reported in the business-type activities. During our audit we noted that the Town of Johnston (including the School Department) does not have adequate policies or procedures in place for maintaining and updating these records.
Status: See current year finding 2012-1 and 2012-2.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012**

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

Prior Year Findings (Continued):

2011-2: The Town receives various grants which are reported as non-major governmental funds in the Fund financial statements. Some of these grants are administered by personnel outside of the Town's Finance Department (i.e. Police Department personnel). During our audit process we noted that the Town does not have a central location for maintaining all grant agreements or related financial reports. The lack of controls, including monitoring and following-up on old outstanding items may result in the material misstatement of the assets and liabilities reported in the government-wide and non-major governmental fund statements. **Status:** See current year finding 2012-3.

C. FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS

Current Year Findings:

2012-5: Cash Management

Disaster Grants - Public Assistance (CFDA #97.036)

Criteria: Federal regulations require that when federal funds are received in advance, recipients must follow proper procedures to minimize the time elapsing between drawdown/receipt and disbursement. In addition grantees and sub-grantees shall promptly, but at least quarterly, remit to the federal agency any interest earned on advanced funding received.

Effect of Condition: Failure to comply with cash management requirements could result in the Town being denied future grant funding, and request for repayment of current funds provided.

Cause of Condition: This noncompliance was the result of lack of adequate policies and procedures pertaining to cash management of FEMA funding.

Recommendation: We recommend that the Department of Public Works in conjunction with the Town's Finance Department establish adequate policies and procedures to ensure compliance with the federal grant requirements.

Corrective Action: The Town agrees with the finding and is in the process of establishing separate non-interest bearing checking accounts for programs that require such compliance. The Town already has this procedure and practice in place with the CDBG Program. Many of the FEMA programs administered by the Town are paid on a reimbursement basis and therefore do not need separate cash accounts and are not subject to cash management requirements. In addition, management will review current policies and procedures to ensure that adequate controls are in place for monitoring and ensuring compliance with federal laws and regulations.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2012**

C. FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS

Prior Year Findings:

No Federal Awards findings were noted in prior year.

(CONCLUDED)
