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***Town of Johnston, Rhode Island***

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***AUDITED FINANCIAL STATEMENTS &  
SUPPLEMENTARY INFORMATION***

***FOR THE FISCAL YEAR ENDED  
JUNE 30, 2015***

***Prepared by the Finance Department***

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***PARMELEE POIRIER & ASSOCIATES, LLP***

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**TOWN OF JOHNSTON, RHODE ISLAND  
ANNUAL FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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(concluded)

## **INTRODUCTORY SECTION**

This Section Contains the Following Subsections:

List of Town Officials

***TOWN OF JOHNSTON, RHODE ISLAND***

**ELECTED OFFICIALS**

**JUNE 30, 2015**

**MAYOR**

Joseph M. Polisena

**TOWN COUNCIL**

Robert V. Russo, Esquire, President

Stephanie P. Manzi, Vice President

Anthony A. Verardo

David J. Santilli

Richard DeFino, III

**SCHOOL COMMITTEE**

Janice D. Mele, Chairperson

Robert A. Lafazia, Vice Chairperson

Lauren A. Garzone

Joseph W. Rotella

Gena Bianco

**Department Directors**

Richard S. Tamburini – Police Chief	Timothy McLaughlin – Fire Chief
Doug Jeffrey – Chief of Staff	Vincent Bacari Jr. – Town Clerk
Joseph L. Chiodo, CPA – Finance Director	Bethany Alviano – Tax Collector
Patricia N. Testa, CPA - Controller	Kim Gallonio – Tax Assessor
William Conley, Esquire – Town Solicitor	Dr. Bernard DiLullo, Jr. – Superintendent of Schools
Daniel Mazzulla – Director of Parks & Recreation	Fred Azar – School Business Manager
Arnold Vecchione – Director of Public Works	

## **FINANCIAL SECTION**

This Section Contains the Following Subsections:

Independent Auditors' Report  
Management's Discussion and Analysis  
Basic Financial Statements  
Required Supplementary Information  
Supplementary Information

**INDEPENDENT AUDITORS' REPORT**

The Honorable Mayor and Members of the Johnston Town Council  
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 (Town) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of the Town of Johnston, Rhode Island as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 1 of the financial statements, for the year ended June 30, 2015, the Town adopted new accounting guidance affecting the accounting for pensions. Due to the adoption of this guidance, the Town restated its 2015 opening net position, resulting in a net position of \$230,491,497 at July 1, 2014. Our opinion is not modified with respect to this matter.

**Other Matters**

*Required Supplementary Information*

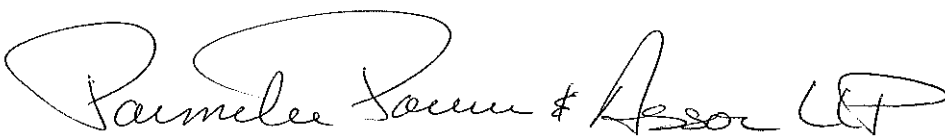
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedules of funding progress on pages 3 through 10, pages 93 through 105, and page 107, and be presented to supplement the basic financial 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.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statement that collectively comprise the Town of Johnston's basic financial statements. The introductory section, combining and individual non-major fund financial statements, and statistical section 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 financial statements.

The combining and individual non-major fund financial statements 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. Such 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 combining and individual non-major funds financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



Parmelee, Poirier & Associates, LLP  
Warwick, Rhode Island  
December 23, 2015



## **Management's Discussion and Analysis**

## **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, 2015.

### **Financial Highlights**

The liabilities of the Town of Johnston exceeded its assets and deferred inflows of resources as of June 30, 2015 by \$221,438,553. This represents a decrease in total net position of \$4,658,300 from June 30, 2014.

As of June 30, 2015, the Town of Johnston's governmental activities reported total net position deficit of (\$235,352,060). The net position is comprised of \$27,195,168 net investment in capital assets and an unrestricted net position deficit of (\$262,547,228). Also included in this deficit is the negative change in net position, (\$4,860,563), for the fiscal year ended June 30, 2015 for governmental activities as shown in Exhibit A-2.

As of June 30, 2015, the total general fund balance includes non-spendable fund balance of \$735,869 and unassigned fund balance of \$16,533,086. The difference is an increase in fund balance of \$5,036,349 for the fiscal year ended June 30, 2015.

As of June 30, 2015, the total fund balance of the School Unrestricted Fund was \$5,337,049. The School Unrestricted fund balance at June 30, 2014 was \$5,005,276. The net change in the School Unrestricted fund balance for 2015 was \$331,773.

The Town's Bond Rating with Moody's was affirmed in May 2013. However, Moody's changed the Town's outlook from negative to stable citing the Town's "stabilizing financial operations, reduced OPEB liabilities and plan to improve funding of its pensions plan". Additionally, in June 2014, the Town's bond rating with Standard & Poor's was upgraded two notches from an "A" to "AA-" due to the Town's "stronger financial performance and position reflecting improved financial management practices, as well as its ongoing progress in implementing cost-containment measures that will considerably improve its long-term unfunded liabilities." The Town has increased the employer pension contributions to the local police officers and firefighters pension plan in accordance with its Financial Improvement Plan submitted to the State of Rhode Island and the Town continues to work on cost containment measures to the local police officers and firefighter's pension plan. S & P offers in their rationale in their report of the two notch increase the following: the Town's strong budget flexibility, and the Town's very strong liquidity and very strong debt and contingent liabilities.

Despite the positive rating actions in 2015, the Town continues to face its challenges concerning large unfunded pension liabilities for its local pension plan and large unfunded post – employment benefits for health care. The Town did implement an HSA Plan for all active police officers and firefighters in July 2014 that will lead to decreasing the Town's long-term unfunded liabilities.

## **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction of 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 2015 represents the Town's fifth 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.

The Statement of Net Position presents information on all the Town of Johnston's assets, deferred outflows of resources, and liabilities, with the difference reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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; assessor's office; public safety; public works; human resources; miscellaneous; planning and assessment board; library; education; other; interest on long-term debt; and debt issuance costs. The business-type activities of the Town of Johnston include water, sewer, cafeteria, summer school and credit recovery operations. The government-wide financial statements can be found on pages 11 and 12 of this report.

## **Overview of the Financial Statements (continued)**

**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 and 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 57 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 Balance for the General Fund and School Unrestricted Fund. Data from the remaining 55 governmental funds are combined into single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds are provided in the form of combining statements later in this report. The basic governmental fund financial statements can be found on pages 13 through 16 of this report. Details of the combined governmental funds can be found on pages 117 through 130.

**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 five Proprietary Funds, which it has classified as major Enterprise Funds to account for its Water, Sewer, School Cafeteria (food service), Summer School Operations, and Credit Recovery. The basic proprietary fund financial statements can be found on pages 17 through 20.

**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 21 and 22 of this report and are detailed on pages 129 and 130.

**Overview of the Financial Statements (continued)**

**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 23 through 92 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 budgetary comparison schedules for the General Fund and School Unrestricted Fund to demonstrate compliance, Schedule of Funding Progress for OPEB Plan, Schedule of Changes in Net Pension Liability and Related Ratios, and Schedule of Employer Contributions, Investment Returns, and Employer’s Net Pension Liability. The required supplementary information can be found on pages 93 through 121.

**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 117 through 132. In addition, supplementary information also includes scheduled of property taxes receivable which are included on pages 131 and 132.

**Government-wide Financial Analysis**

As noted earlier, net position 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 and deferred outflow of resources by \$221,438,553 at the close of 2015.

**TOWN OF JOHNSTON, RHODE ISLAND  
NET POSITION  
As of June 30, 2015 (in 000's)**

	Governmental Activities		Business Activities		Total	Total
	2015	2014	2015	2014	2015	2014
Current & other assets	\$ 44,433	\$ 44,311	\$ 4,963	\$ 6,617	\$ 49,396	\$ 50,928
Capital assets	52,514	51,497	13,012	11694	65,526	63,191
Total Assets	96,947	95,808	17,975	18311	114,922	114,119
Deferred outflows of resources	15,125	443	53	59	15,178	502
Current liabilities	12,599	12,971	363	470	12,962	13,441
Long-term liabilities	325,924	340,149	3,751	4189	329,675	344,338
Total Liabilities	338,523	353,120	4,114	4,659	342,637	357,779
Deferred inflows of resources	8,902	-	-	-	8,902	-
Net Position:						
Net investment in capital assets	27,195	24,806	9,131	9167	36,326	33,973
Unrestricted	(262,547)	(249,377)	4,782	4544	(257,765)	(244,833)
Total Net Position	\$ (235,352)	\$ (224,571)	\$ 13,913	\$ 13,711	\$ (221,439)	\$ (210,860)

## **Government-wide Financial Analysis (continued)**

The general capital assets (eg., land, building improvements, vehicles, equipment and infrastructure) of the Governmental Activities of the Town of Johnston less outstanding debt equal \$27,195,168. 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 sources, since the capital assets themselves cannot be used to liquidate these liabilities. Additional portions of the Town of Johnston's net position are also subject to external restrictions on how they may be used.

The Town's net position decreased by (\$4,658,300) during the current fiscal year. Of this amount, governmental activities accounted for (\$4,860,563) of the decrease while business-type activities accounted for an increase of \$202,263. The most significant reason for the decrease in the governmental activities was the implementation of GASB Statement Number 68 for the fiscal year ended June 30, 2015. Under GASB Statement Number 68, the net pension obligation was eliminated and a net pension liability is recognized. Details of GASB Statement Number 68 can be found in Note 11 on pages 47 – 82.

**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 2015 represents the thirteenth year reporting under GASB 34 and all comparative data is presented in this statement.

## **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 of (\$16,510,707) 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, 2015, the Town of Johnston's governmental funds (page 13) reported combined ending fund balances of \$28,586,388.

**The General Fund** is the chief operating fund of the Town of Johnston, excluding its school department. As of June 30, 2015, the total fund balance of the general fund was \$17,268,955 of which \$16,533,086 was unassigned. The Town's General Fund also has \$735,869 of non-spendable fund balance as of June 30, 2015.

The fund balance of the general fund increased by \$5,036,349 in fiscal year 2015 as reported on page 15 of the report. Actual revenues and other sources were more than budgeted revenues in the general fund by \$5,856,085 (see page 93). Increases in actual revenues versus budgeted revenues were realized in total tax revenues \$4,918,067, and in departmental revenues

## **Financial Analysis of the Government's Funds (Continued)**

and fees \$153,432. Total expenditures and other financing uses were \$2,526,755 more than appropriated amounts (see page 103). The most significant departmental expenditures which exceeded budgeted expenditures was Fire Department \$1,586,741.

**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 \$52,271,591 including a state on-behalf payment to the teacher's pension fund of \$1,507,153 on behalf of the school department. The School Unrestricted Fund expenditures, net of the state pension contribution, accounted for approximately 51.6% 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, School Summer School Fund, and the Credit Recovery 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 deficit (before transfers) of (\$319,099), Sewer Fund reported a surplus of \$396,556, Summer School Fund experienced a surplus (before transfers) of \$1,123, Cafeteria Fund reported a surplus of \$127,299 and the Credit Recovery Fund experienced a deficit (before transfers) of (\$3,616).

**General Fund Budgetary Highlights** – In fiscal year ended June 30, 2014 the Town was able to run an operating surplus of \$5,036,349. The purpose of the fund balance restoration is to meet the short-term and long-term, both known and unknown, financial challenges to the Town of Johnston. 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, 2015, amounts to \$63,959,522 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 \$767,994 comprised of acquisitions of capital assets of \$4,195,373 (net of transfers and construction in progress placed in service in 2014) less current year depreciation expense of \$3,427,399.

Additional information on the Town of Johnston's capital assets can be found in Note 7 (page 40) to the financial statements, which accompany this report.

**Capital Asset and Debt Administration (continued)**

**TOWN OF JOHNSTON, RHODE ISLAND**

**CAPITAL ASSETS**

(Net of depreciation) in 000's

	Governmental Activities		Business Activities		Total	Total
	2015	2014	2015	2014	2015	2014
Land	\$ 8,979	\$ 8,979	\$ 40	\$ 40	\$ 9,019	\$ 9,019
Construction in progress	324	1,133	43	43	367	1,176
Buildings, improvements, and land improvements	29,599	26,515	-	-	29,599	26,515
Vehicles and equipment	3,083	2,903	212	242	3,295	3,145
Water distributions	-	-	8,895	9,017	8,895	9,017
Infrastructure	10,529	11,967	2,255	2,352	12,784	14,319
Total	<u>\$ 52,514</u>	<u>\$ 51,497</u>	<u>\$ 11,445</u>	<u>\$ 11,694</u>	<u>\$ 63,959</u>	<u>\$ 63,191</u>

Major additions to the Town's capital assets related to its governmental fund activities realized during the year, included: the purchase of police vehicles; the purchase of public works vehicles; and improvements to town hall.

**Long-term debt** – At the end of the current fiscal year, the Town of Johnston has total bonded debt outstanding of approximately \$26,040,000 entirely backed by the full faith and credit of the government. In addition, the Town had long-term notes payable commitments outstanding of \$20,321 and long-term lease commitments outstanding of \$1,679,888 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 \$67,935,000 based on a net assessed value of \$2,264,511,642 at December 31, 2012, which significantly exceeds the Town of Johnston's current outstanding general obligation debt. It is important to note that this is the sixth 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 \$70,765,572 (for Governmental Activities) at June 30, 2014 an increase of \$9,908,481 from fiscal year ending June 30, 2013. GASB 45 requires the NET OPEB obligation to be actuarially calculated again as of June 30, 2016.



**Capital Asset and Debt Administration (continued)**

**TOWN OF JOHNSTON, RHODE ISLAND**  
**Outstanding long-term debt obligations**  
(in 000's)

	Governmental Activities		Business Activities		Total	Total
	2015	2014	2015	2014	2015	2014
General Obligation Bonds	\$ 23,787	\$ 25,680	\$ 2,253	\$ 2,418	\$ 26,040	\$ 28,098
Premium on Bonds	166	177	-	-	166	177
Notes Payable	20	28	-	-	20	28
Capital Leases	1,568	1,249	112	167	1,680	1,416
Compensated Absences	7,989	8,194	44	39	8,033	8,233
Net Pension Liability	226,022	238,460	-	-	226,022	238,460
Net OPEB Obligation	70,766	70,766	-	224	70,766	70,990
Claims & Judgements	15	26	-	-	15	26
<b>Total</b>	<b>\$ 330,333</b>	<b>\$ 344,580</b>	<b>\$ 2,409</b>	<b>\$ 2,848</b>	<b>\$332,742</b>	<b>\$347,428</b>

Additional information on the Town of Johnston's long-term debt obligations can be found in Note 8 (pages 41 to 44) to the financial statements. In addition, details of the OPEB obligation can be found in Note 13, pages 83 through 86, and in required supplementary information page 101.

**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.

## **BASIC FINANCIAL STATEMENTS**

## **Government-Wide Financial Statements**

TOWN OF JOHNSTON, RHODE ISLANDStatement of Net Position  
June 30, 2015

	Governmental Activities	Business-type Activities	Total
<b>ASSETS:</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 39,121,593	\$ 894,132	\$ 40,015,725
Accounts and other receivables, net	5,056,630	1,047,295	6,103,925
Due from federal and state governments	2,455,334	-	2,455,334
Inventory	-	14,931	14,931
Prepays	914,270	-	914,270
Internal balances	(3,114,790)	3,007,040	(107,750)
<b>Total Current Assets</b>	<b>44,433,037</b>	<b>4,963,398</b>	<b>49,396,435</b>
<b>Noncurrent assets:</b>			
Accounts and other receivables, net	-	1,566,887	1,566,887
Capital Assets, not being depreciated	10,437,352	83,111	10,520,463
Capital Assets, net of accumulated depreciation	42,077,272	11,361,787	53,439,059
<b>Total Noncurrent Assets</b>	<b>52,514,624</b>	<b>13,011,785</b>	<b>65,526,409</b>
<b>TOTAL ASSETS</b>	<b>96,947,661</b>	<b>17,975,183</b>	<b>114,922,844</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Deferred charge on refunding	398,856	52,761	451,617
Deferred pension amounts	14,726,767	-	14,726,767
	15,125,623	52,761	15,178,384
<b>LIABILITIES:</b>			
<b>Current Liabilities:</b>			
Accounts payable	2,187,517	140,204	2,327,721
Accrued expenses	4,063,619	-	4,063,619
Unearned advanced taxes	1,195,925	-	1,195,925
Due to federal and state governments	315,646	-	315,646
Unearned revenue - grants and assessments	250,014	-	250,014
Current portion of compensated absences	2,000,000	-	2,000,000
Current portion of capital lease obligations	471,870	55,010	526,880
Current portion of bonds and notes payable	2,104,902	168,244	2,273,146
Current portion of claims and judgments	9,000	-	9,000
<b>Total Current Liabilities</b>	<b>12,598,493</b>	<b>363,458</b>	<b>12,961,951</b>
<b>Noncurrent Liabilities:</b>			
Unearned revenue - assessments	-	1,566,887	1,566,887
Compensated absences	5,989,313	42,167	6,031,480
Net pension liabilities	226,021,821	-	226,021,821
Net OPEB obligation	70,765,572	-	70,765,572
Capital lease obligations	1,095,880	57,128	1,153,008
Bonds and notes payable	22,045,660	2,084,797	24,130,457
Claims and judgments	6,000	-	6,000
<b>Total Noncurrent Liabilities</b>	<b>325,924,246</b>	<b>3,750,979</b>	<b>329,675,225</b>
<b>TOTAL LIABILITIES</b>	<b>338,522,739</b>	<b>4,114,437</b>	<b>342,637,176</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Deferred pension amounts	8,902,605	-	8,902,605
<b>NET POSITION:</b>			
Net investment in capital assets	27,195,168	9,131,584	36,326,752
Unrestricted	(262,547,228)	4,781,923	(257,765,305)
<b>TOTAL NET POSITION</b>	<b>\$ (235,352,060)</b>	<b>\$ 13,913,507</b>	<b>\$ (221,438,553)</b>

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, 2015

Functions/Programs:	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services, Fees, and Licenses	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental activities:</b>							
Legislative, judicial, and general administrative	\$ 9,460,619	\$ 253,415	\$ -	\$ -	\$ (9,207,204)	\$ -	\$ (9,207,204)
Financial administration	1,029,641	25,786	-	-	(1,003,855)	-	(1,003,855)
Assessors office	312,859	-	-	-	(312,859)	-	(312,859)
Public safety	30,972,430	2,202,214	149,380	-	(28,620,836)	-	(28,620,836)
Public works	7,821,750	790,501	-	-	(7,031,249)	-	(7,031,249)
Human resources	77,133	-	-	-	(77,133)	-	(77,133)
Miscellaneous	2,539,446	878,654	-	-	(1,660,792)	-	(1,660,792)
Planning and assessment board	112,605	312,789	-	-	200,184	-	200,184
Library	784,155	-	124,729	-	(659,426)	-	(659,426)
Education	51,518,308	1,025,167	16,438,783	-	(34,054,358)	-	(34,054,358)
Other	5,218,266	377,337	-	-	(4,840,929)	-	(4,840,929)
Interest on long-term debt	1,047,112	-	-	-	(1,047,112)	-	(1,047,112)
Debt issuance costs	-	-	-	-	-	-	-
<b>Total governmental activities</b>	<b>110,894,324</b>	<b>5,865,863</b>	<b>16,712,892</b>	<b>-</b>	<b>(88,315,569)</b>	<b>-</b>	<b>(88,315,569)</b>
<b>Business-type activities:</b>							
Water fund	1,361,272	1,042,173	-	-	-	\$ (319,099)	(319,099)
Sewer fund	292,993	689,549	-	-	-	396,556	396,556
School cafeteria fund	861,605	985,470	-	-	-	123,865	123,865
Summer school fund	17,027	18,150	-	-	-	1,123	1,123
Credit recovery fund	6,266	2,650	-	-	-	(3,616)	(3,616)
<b>Total business-type activities</b>	<b>2,539,163</b>	<b>2,737,992</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>198,829</b>	<b>198,829</b>
<b>Total</b>	<b>\$ 113,433,487</b>	<b>\$ 8,603,855</b>	<b>\$ 16,712,892</b>	<b>\$ -</b>	<b>(88,315,569)</b>	<b>198,829</b>	<b>(88,116,740)</b>
<b>General revenues:</b>							
Property taxes					74,929,032	-	74,929,032
Other taxes					4,119,412	-	4,119,412
Grants and aid not restricted for a specific program					924,084	-	924,084
Unrestricted investment earnings					142,296	3,434	145,730
Miscellaneous					3,340,182	-	3,340,182
<b>Total general revenues</b>					<b>83,455,006</b>	<b>3,434</b>	<b>83,458,440</b>
<b>Change in Net Position</b>					<b>(4,860,563)</b>	<b>202,263</b>	<b>(4,658,300)</b>
<b>Net Position - beginning, restated</b>					<b>(230,491,497)</b>	<b>13,711,244</b>	<b>(216,780,253)</b>
<b>Net Position - ending</b>					<b>\$ (235,352,060)</b>	<b>\$ 13,913,507</b>	<b>\$ (221,438,553)</b>

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

## TOWN OF JOHNSTON, RHODE ISLAND

*Balance Sheet*  
*Governmental Funds*  
*June 30, 2015*

	General Fund	School Unrestricted Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 25,385,331	\$ 1,424,459	\$ 6,000,479	\$ 32,810,269
Accounts and other receivables, net	4,416,572	257,358	-	4,673,930
Due from federal and state governments	1,463,950	216	991,168	2,455,334
Prepays	735,869	173,795	-	909,664
Due from other funds	-	6,174,640	589,895	6,764,535
<b>TOTAL ASSETS</b>	<b>\$ 32,001,722</b>	<b>\$ 8,030,468</b>	<b>\$ 7,581,542</b>	<b>\$ 47,613,732</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ 336,568	\$ 491,148	\$ 222,928	\$ 1,050,644
Accrued expenses	1,692,419	2,202,271	-	3,894,690
Unearned advanced taxes	1,195,925	-	-	1,195,925
Due to federal & state governments	297,287	-	18,359	315,646
Due to other funds	8,628,851	-	1,109,857	9,738,708
Unearned revenue - grants	-	-	250,014	250,014
<b>TOTAL LIABILITIES</b>	<b>12,151,050</b>	<b>2,693,419</b>	<b>1,601,158</b>	<b>16,445,627</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Unavailable revenue - property taxes, fees and assessments	2,581,717	-	-	2,581,717
<b>FUND BALANCES:</b>				
Non-spendable	735,869	173,795	-	909,664
Restricted	-	-	5,451,645	5,451,645
Committed	-	5,163,254	551,118	5,714,372
Unassigned	16,533,086	-	(22,379)	16,510,707
<b>TOTAL FUND BALANCES</b>	<b>17,268,955</b>	<b>5,337,049</b>	<b>5,980,384</b>	<b>28,586,388</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 32,001,722</b>	<b>\$ 8,030,468</b>	<b>\$ 7,581,542</b>	<b>\$ 47,613,732</b>

(Continued)

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

TOWN OF JOHNSTON, RHODE ISLAND

*Balance Sheet  
Governmental Funds  
June 30, 2015*

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

<b>Total Fund Balances (B-1)</b>	\$ 28,586,388
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and therefore are not reported in the funds.	52,514,624
Deferred bond refunding costs, net of accumulated amortization, have been included in the governmental activities in the Statement of Net Position, but are not recorded in the fund statements.	398,856
Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund statements.	(330,343,791)
Net premium on refunding has been recorded as long-term debt on the Statement of Net Position, but is recognized as revenue under other financing sources in the fund statements when received.	(166,227)
Unavailable revenues (net of an allowance for uncollectibles) are recorded in the fund statements, but are recognized as revenue under the measurement focus employed in the Statement of Net Position.	2,581,717
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.	5,421,140
Net deferred pension amounts are not reported in the governmental fund statements, but are reported on the Statement of Net Position.	5,824,162
Accrued interest payable on long-term debt obligations is recorded in the Statement of Net Position for governmental activities, but is not recorded in the fund statements.	<u>(168,929)</u>
<b>Total Net Position (A-1)</b>	<u>\$ (235,352,060)</u>

(Concluded)

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

TOWN OF JOHNSTON, RHODE ISLAND

*Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
Year Ended June 30, 2015*

	General Fund	School Unrestricted Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>				
Property taxes	\$ 75,619,712	\$ -	\$ -	\$ 75,619,712
Departmental fees and revenues	4,791,261	-	-	4,791,261
State and federal grants	5,136,685	12,942,029	2,229,323	20,308,037
Medicaid reimbursement	-	872,634	-	872,634
Investment income	120,505	-	27,125	147,630
State on behalf pension contributions	-	1,507,153	-	1,507,153
Other miscellaneous	2,584,198	152,533	2,075,567	4,812,298
<b>TOTAL REVENUES</b>	<b>88,252,361</b>	<b>15,474,349</b>	<b>4,332,015</b>	<b>108,058,725</b>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
Legislative, judicial, and general administrative	1,206,863	-	-	1,206,863
Financial administration	1,020,048	-	-	1,020,048
Assessors office	312,468	-	-	312,468
Public safety	29,425,174	-	-	29,425,174
Public works	6,344,024	-	-	6,344,024
Human resources	77,496	-	-	77,496
Miscellaneous	2,539,446	-	-	2,539,446
Planning and assessment review	106,505	-	-	106,505
Library	611,559	-	-	611,559
Education	-	51,723,894	2,141,918	53,865,812
Other	1,007,012	-	1,037,980	2,044,992
<b>Debt Service:</b>				
Principal	2,359,772	-	-	2,359,772
Interest	1,076,630	-	-	1,076,630
Bond issuance costs	-	-	-	-
<b>Capital:</b>				
Capital expenditures	-	547,697	5,322,888	5,870,585
<b>TOTAL EXPENDITURES</b>	<b>46,086,997</b>	<b>52,271,591</b>	<b>8,502,786</b>	<b>106,861,374</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)</b>	<b>42,165,364</b>	<b>(36,797,242)</b>	<b>(4,170,771)</b>	<b>1,197,351</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	37,129,015	70,249	37,199,264
Transfers out	(37,129,015)	-	(70,249)	(37,199,264)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(37,129,015)</b>	<b>37,129,015</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>5,036,349</b>	<b>331,773</b>	<b>(4,170,771)</b>	<b>1,197,351</b>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<b>12,232,606</b>	<b>5,005,276</b>	<b>10,151,155</b>	<b>27,389,037</b>
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$ 17,268,955</b>	<b>\$ 5,337,049</b>	<b>\$ 5,980,384</b>	<b>\$ 28,586,388</b>

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, 2015**

<b>Net Change in Fund Balances - Total Governmental Funds (B-2):</b>	\$	1,197,351
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.		1,017,195
Governmental funds report the proceeds from 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 position.		(4,740,000)
Governmental funds report principal repayments on debt obligations as an expenditure. However, the repayment of principal has no effect on the net position.		6,322,428
Governmental funds report deferred outflows on refundings and premiums on debt financing when they occur. The Statement of Activities amortizes these costs over the life of the obligations. This is the net amount of the amortization of bond discounts, premiums, and deferred charges on refundings.		(33,780)
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 decrease in the allowance provision is recorded as revenue in the Statement of Activities. Net unearned grants, fees, assessments revenue, and unavailable property tax revenue increased from fiscal 2014.		(698,156)
Adjustment to the estimated net pension liability. 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 position.		(8,273,939)
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 position.		216,129
Excess of internal service funds' revenues over expenses, reported as governmental fund activities in the statement of activities and changes in net position.		113,228
Increase 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 position.		<u>18,981</u>
<b>Change in Net Position of Governmental Activities in the Statement of Activities (A-2)</b>	\$	<u><u>(4,860,563)</u></u>

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

TOWN OF JOHNSTON, RHODE ISLAND

Statement of Net Position  
Proprietary Funds  
June 30, 2015

	Business-type Activities - Enterprise Funds						Governmental Activities
	Water Control Fund	Sewer Fund	Cafeteria Fund	Summer School	Credit Recovery	Totals	
<b>ASSETS:</b>							
<b>Current Assets:</b>							
Cash and cash equivalents	\$ 125,526	\$ -	\$ 769,606	\$ -	\$ -	\$ 894,132	\$ 6,311,324
Accounts and other receivables, net	490,263	557,032	-	-	-	1,047,295	-
Intergovernmental receivables	-	-	-	-	-	-	-
Deposit	-	-	-	-	-	-	382,700
Prepaid expenses	-	-	-	-	-	-	4,606
Inventory	-	-	14,931	-	-	14,931	-
Due from other funds	3,522,172	-	-	10,518	-	3,532,690	-
<b>Total Current Assets</b>	<b>4,137,961</b>	<b>557,032</b>	<b>783,537</b>	<b>10,518</b>	<b>-</b>	<b>5,489,048</b>	<b>6,698,630</b>
<b>Non-current Assets:</b>							
Accounts and other receivables, net	-	1,566,887	-	-	-	1,566,887	-
Capital Assets, not being depreciated	40,000	43,111	-	-	-	83,111	-
Capital Assets, net of accumulated depreciation	8,894,822	2,427,723	39,242	-	-	11,361,787	-
<b>Total Noncurrent Assets</b>	<b>8,934,822</b>	<b>4,037,721</b>	<b>39,242</b>	<b>-</b>	<b>-</b>	<b>13,011,785</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>13,072,783</b>	<b>4,594,753</b>	<b>822,779</b>	<b>10,518</b>	<b>-</b>	<b>18,500,833</b>	<b>6,698,630</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>							
Deferred charge on refunding	-	52,761	-	-	-	52,761	-
<b>LIABILITIES:</b>							
<b>Current Liabilities:</b>							
Accounts payable and accrued expenses	-	13,522	126,682	-	-	140,204	1,136,873
Due to other funds	-	67,017	458,079	-	554	525,650	140,617
Current portion of capital lease obligation	-	55,010	-	-	-	55,010	-
Current portion of bonds payable	-	168,244	-	-	-	168,244	-
<b>Total Current Liabilities</b>	<b>-</b>	<b>303,793</b>	<b>584,761</b>	<b>-</b>	<b>554</b>	<b>899,108</b>	<b>1,277,490</b>
<b>Non-current Liabilities:</b>							
Unearned revenue - assessments	-	1,566,887	-	-	-	1,566,887	-
Accrued compensated absences	2,685	39,482	-	-	-	42,167	-
Capital lease obligation	-	57,128	-	-	-	57,128	-
Bonds payable	-	2,084,797	-	-	-	2,084,797	-
<b>Total Noncurrent Liabilities</b>	<b>2,685</b>	<b>3,748,294</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,750,979</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>2,685</b>	<b>4,052,087</b>	<b>584,761</b>	<b>-</b>	<b>554</b>	<b>4,640,087</b>	<b>1,277,490</b>
<b>NET POSITION:</b>							
Net investment in capital assets	8,934,822	157,520	39,242	-	-	9,131,584	-
Unrestricted:							
Reserved for infrastructure replacement	316,752	-	-	-	-	316,752	-
Reserved for repairs	34,653	-	-	-	-	34,653	-
Reserve for water system	125,326	-	-	-	-	125,326	-
Unreserved	3,658,545	437,907	198,776	10,518	(554)	4,305,192	5,421,140
<b>TOTAL NET POSITION</b>	<b>\$ 13,070,988</b>	<b>\$ 595,427</b>	<b>\$ 238,018</b>	<b>\$ 10,518</b>	<b>\$ (554)</b>	<b>\$ 13,913,507</b>	<b>\$ 5,421,140</b>

\*\* - The unrestricted net position (\$5,421,140) in the Health Care Management Fund represent \$2,846,392 to be utilized for future claims of the School Department and \$2,574,748 to be utilized for future claims of the Town

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

TOWN OF JOHNSON, RHODE ISLAND

Statement of Revenues, Expenses and Changes in Net Position  
Proprietary Funds  
For the Year Ended June 30, 2015

	Business-type Activities-Enterprise Funds						Governmental Activities
	Water Control Fund	Sewer Fund	Cafeteria Fund	Summer School	Credit Recovery	Totals	
<b>OPERATING REVENUES:</b>							
Charges for usage and service	\$ 945,073	\$ 689,549	\$ 985,470	\$ 18,150	\$ 2,650	\$ 2,640,892	\$ 14,873,484
Intergovernmental revenue	-	-	-	-	-	-	-
Water system revenue	97,100	-	-	-	-	97,100	-
<b>Total operating revenues</b>	<b>1,042,173</b>	<b>689,549</b>	<b>985,470</b>	<b>18,150</b>	<b>2,650</b>	<b>2,737,992</b>	<b>14,873,484</b>
<b>OPERATING EXPENSES:</b>							
Salaries and benefits	55,208	95,357	3,131	17,027	6,266	176,989	-
Contracts	-	-	858,474	-	-	858,474	-
Repair and maintenance	64,227	39,689	-	-	-	103,916	-
Utilities	50,930	3,863	-	-	-	54,793	-
Office expense	2,234	2,275	-	-	-	4,509	-
Purchased water and state surcharges	510,936	-	-	-	-	510,936	-
Departmental expense	555,586	732	-	-	-	556,318	-
Health care management	-	-	-	-	-	-	14,788,416
Other expenses	750	750	-	-	-	1,500	-
Depreciation	121,401	127,800	-	-	-	249,201	-
<b>Total operating expenses</b>	<b>1,361,272</b>	<b>270,466</b>	<b>861,605</b>	<b>17,027</b>	<b>6,266</b>	<b>2,516,636</b>	<b>14,788,416</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(319,099)</b>	<b>419,083</b>	<b>123,865</b>	<b>1,123</b>	<b>(3,616)</b>	<b>221,356</b>	<b>85,068</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>							
State and federal grants	-	-	-	-	-	-	-
Investment income	-	-	3,434	-	-	3,434	28,160
Interest expense	-	(16,664)	-	-	-	(16,664)	-
Amortization	-	(5,863)	-	-	-	(5,863)	-
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>-</b>	<b>(22,527)</b>	<b>3,434</b>	<b>-</b>	<b>-</b>	<b>(19,093)</b>	<b>28,160</b>
<b>CHANGE IN NET POSITION</b>	<b>(319,099)</b>	<b>396,556</b>	<b>127,299</b>	<b>1,123</b>	<b>(3,616)</b>	<b>202,263</b>	<b>113,228</b>
<b>TOTAL NET POSITION - BEGINNING</b>	<b>13,389,197</b>	<b>198,871</b>	<b>110,719</b>	<b>9,395</b>	<b>3,062</b>	<b>13,711,244</b>	<b>5,307,912</b>
<b>TOTAL NET POSITION - ENDING</b>	<b>\$ 13,070,098</b>	<b>\$ 595,427</b>	<b>\$ 238,018</b>	<b>\$ 10,518</b>	<b>\$ (554)</b>	<b>\$ 13,913,507</b>	<b>\$ 5,421,140</b>

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

TOWN OF JOHNSON, RHODE ISLAND

Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2015

	Business-type Activities - Enterprise Funds						Governmental Activities
	Water Control Fund	Sewer Fund	Cafeteria Fund	Summer School	Credit Recovery	Totals	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>							
Cash received for services provided	\$ 1,137,728	\$ 632,371	\$ 1,103,418	\$ 18,150	\$ 2,650	\$ 2,894,317	\$ 14,873,484
Cash paid to suppliers	(1,184,664)	(48,870)	(843,633)	-	-	(2,077,167)	-
Cash paid to employees	(113,850)	(257,771)	(3,131)	(17,027)	(6,266)	(398,045)	-
Cash paid for claims	-	-	-	-	-	-	(14,828,432)
<b>Net cash provided by (used for) operating activities</b>	<b>(160,786)</b>	<b>325,730</b>	<b>256,654</b>	<b>1,123</b>	<b>(3,616)</b>	<b>419,105</b>	<b>45,052</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>							
Repayments from other funds	-	(89,296)	(195,393)	(1,123)	3,616	(282,196)	751,541
Advances to other funds	(102,485)	-	-	-	-	(102,485)	668,332
<b>Net cash provided by (used for) noncapital financing activities</b>	<b>(102,485)</b>	<b>(89,296)</b>	<b>(195,393)</b>	<b>(1,123)</b>	<b>3,616</b>	<b>(384,681)</b>	<b>1,419,873</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>							
Acquisition of capital assets	-	-	-	-	-	-	-
Non-operating grants received	-	-	(1)	-	-	(1)	-
Principal paid on long-term debt	-	(219,770)	-	-	-	(219,770)	-
Interest paid on long-term debt	-	(16,664)	-	-	-	(16,664)	-
<b>Net cash used for capital and related financing activities</b>	<b>-</b>	<b>(236,434)</b>	<b>(1)</b>	<b>-</b>	<b>-</b>	<b>(236,435)</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>							
Increase in deposits	-	-	-	-	-	-	(382,700)
Investment income	-	-	3,434	-	-	3,434	28,160
<b>Net cash provided by investing activities</b>	<b>-</b>	<b>-</b>	<b>3,434</b>	<b>-</b>	<b>-</b>	<b>3,434</b>	<b>(354,540)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(263,271)</b>	<b>-</b>	<b>64,694</b>	<b>-</b>	<b>-</b>	<b>(198,577)</b>	<b>1,110,385</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>388,797</b>	<b>-</b>	<b>703,912</b>	<b>-</b>	<b>-</b>	<b>1,092,709</b>	<b>5,200,939</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 125,526</b>	<b>\$ -</b>	<b>\$ 768,606</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 894,132</b>	<b>\$ 6,311,324</b>

(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, 2015

	Business-type Activities - Enterprise Funds						Governmental Activities
	Water Control Fund	Sewer Fund	Cafeteria Fund	Summer School	Credit Recovery	Totals	
	\$ (319,099)	\$ 419,083	\$ 123,865	\$ 1,123	\$ (3,616)	\$ 221,356	\$ 85,068
Operating income (loss)	121,400	127,800	-	-	-	249,200	-
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	-	-	-	-	-	-	-
Depreciation	95,555	(57,178)	117,948	-	-	156,325	-
Decrease in provision for doubtful accounts	-	-	-	-	-	-	189
(Increase) decrease in accounts receivable	-	(1,561)	14,841	-	-	13,280	(40,205)
(Increase) decrease in prepaid expenses	(35,097)	37,782	-	-	-	2,685	-
Increase (decrease) in accounts payable and accrued expenses	(23,545)	(200,196)	-	-	-	(223,741)	-
Increase (decrease) in accrued compensated absences							
Increase (decrease) in net OPEB obligation							
<b>Net cash provided by (used for) operating activities</b>	\$ (160,786)	\$ 325,730	\$ 256,654	\$ 1,123	\$ (3,616)	\$ 419,105	\$ 45,052

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
  - (Increase) decrease in accounts receivable
  - (Increase) decrease in prepaid expenses
  - Increase (decrease) in accounts payable and accrued expenses
  - Increase (decrease) in accrued compensated absences
  - Increase (decrease) in net OPEB obligation

Net cash provided by (used for) operating activities

(Concluded)

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

TOWN OF JOHNSTON, RHODE ISLAND

**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2015**

	Police and Fire Pension Trust Fund	Private Purpose Trust Funds	Agency Funds
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 240,227	\$ 22,988	\$ 430,509
Restricted cash	199,130	-	-
Investments	38,490,522	-	-
Prepaid expenses	708,403	-	-
Funds held in escrow	825,777	-	-
Due to due from other funds	-	-	107,750
Other receivables	-	-	40
<b>TOTAL ASSETS</b>	<b>40,464,059</b>	<b>22,988</b>	<b>538,299</b>
<b>LIABILITIES:</b>			
Accrued expenses	\$ -	\$ -	\$ -
Due to student groups	-	-	189,816
Deposits held in custody for others	-	-	348,483
Claims and judgments	1,024,907	-	-
<b>TOTAL LIABILITIES</b>	<b>1,024,907</b>	<b>-</b>	<b>538,299</b>
<b>NET POSITION:</b>			
Held in trust for perpetual care	-	22,988	-
Held in trust for pension benefits	39,439,152	-	-
<b>TOTAL NET POSITION</b>	<b>\$ 39,439,152</b>	<b>\$ 22,988</b>	<b>\$ -</b>

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

TOWN OF JOHNSTON, RHODE ISLAND

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**Fiduciary Funds**  
**For the year ended June 30, 2015**

	<u>Police and Fire Pension Trust Fund</u>	<u>Private-Purpose Trust Funds</u>
<b>Additions:</b>		
Contributions:		
Employer	\$ 5,441,757	\$ -
Plan members	648,758	-
<b>Total contributions</b>	<u>6,090,515</u>	<u>-</u>
<b>Investment income (expense)</b>		
Net dividends, interest, and change in fair value	<u>341,029</u>	<u>6</u>
<b>Net investment income (expense)</b>	<u>341,029</u>	<u>6</u>
<b>Total additions and changes in fair value</b>	<u>6,431,544</u>	<u>6</u>
<b>Deductions:</b>		
Administration and benefit expenses	\$ 182,576	\$ -
Pension expenses	<u>8,131,651</u>	<u>-</u>
<b>Total deductions</b>	<u>8,314,227</u>	<u>-</u>
<b>Change in net position</b>	(1,882,683)	6
<b>Net position - beginning of year</b>	<u>41,321,835</u>	<u>22,982</u>
<b>Net position - end of year</b>	<u>\$ 39,439,152</u>	<u>\$ 22,988</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, 2015**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**REPORTING ENTITY**

The Town of Johnston, Rhode Island, (the "Town") was incorporated in 1759. The Town covers 24.4 square miles located in southeastern New England. The Town operates under a Council-Mayor form of government and the charter provides for 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.

The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following notes to the financial statements are an integral part of the Town's financial statements.

The effect of inter-fund activity has been eliminated from the government wide statements.

In evaluating the inclusion of other separate and distinct legal entities as component units within its financial reporting entity, the Town applied the criteria prescribed by GASB Statement No. 61. Under GASB Statement No. 61, a legally separate entity is required to be included as a component unit if it is fiscally dependent upon the primary government and there is a financial benefit or burden relationship present. The primary government is financially accountable if it appoints the voting majority of the organization's governing board and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific burdens on, the primary government. A potential component unit has a financial benefit or burden relationship with the primary government if, for example, any one of the following conditions exists:

- (a) The primary government is legally entitled to or can otherwise access the organization's resources.
- (b) The primary government is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization.
- (c) The primary government is obligated in some manner for the debt of the organization.

The following entity was considered for classification as component units for fiscal year 2015:

- Johnston Senior Citizens Center, Inc.
- Johnston Housing Authority
- Johnston Municipal Land Trust

The entities noted above did not meet the criteria to be reported as component units and as such were omitted from these financial statements.

(continued)



**TOWN OF JOHNSTON, RHODE ISLAND**  
*Notes to Financial Statements*  
*June 30, 2015*

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***REPORTING ENTITY (continued)***

Although the Johnston School Department meets certain criteria of the tests listed above, this entity is not deemed to have separate legal status apart from the Town and the nature and significance of its relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. As a result, the financial data of the Johnston School Department has been included in the Special Revenue Funds within the Town's financial statements.

***BASIS OF PRESENTATION AND ACCOUNTING***

***Government-Wide Financial Statements***

The Statement of Net Position 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 non-exchange 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 a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, deferred outflows of resources, liabilities, deferred inflow of resources, fund equity, revenues, and expenditures. 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 and deferred outflow of resources, liabilities, and deferred inflow of resources, revenues, or expenditures of that individual governmental or enterprise fund
- (b) Total assets and deferred outflow of resources, liabilities, and deferred inflow of resources, revenues, or expenditures of the individual, governmental fund, or enterprise funds 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 Types:***

**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.

(continued)

**TOWN OF JOHNSTON, RHODE ISLAND**  
*Notes to Financial Statements*  
*June 30, 2015*

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***BASIS OF PRESENTATION AND ACCOUNTING (continued):***

**Special Revenue Funds**

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

**Capital Project Fund**

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

**Permanent Funds**

The 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. Currently, the town does not have any funds that meet the definition of Permanent Funds.

**Proprietary Fund**

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 Enterprise and Internal Services Funds. Currently the Town maintains five enterprise funds (Water Control Fund, Sewer Fund, School Cafeteria Fund, Summer School Fund, and Credit Recovery Fund) and four internal service funds (Scholl Self Insured Active, School Self Insured Retired, Town Self Insured Active, and Town Self Insured Retired). The Town Internal Service Funds 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***

These funds account for assets held by the Town in a purely custodial capacity. The reporting entity includes two agency funds, the Performance Bonds and Student Activities funds. Since agency funds are custodial in nature they do not involve the measurement of results of operations.

***Pension Trust Funds***

These funds account resources held in trust for future pension obligations of the Town. The Town maintains one pension trust fund, the Police and Fire Pension Trust Fund.

(continued)

**TOWN OF JOHNSTON, RHODE ISLAND**  
*Notes to Financial Statements*  
*June 30, 2015*

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***BASIS OF PRESENTATION AND ACCOUNTING (continued)***

***Private Purpose Trust Funds***

These funds account for resources legally in trust held by the Town under various trust arrangements for the benefit of certain individuals and groups. These funds cannot be used at the Town's discretion or to support the Town's general operations. The reporting entity has nine private-purpose funds which are presented as Other Supplementary Information. The net position of these funds is utilized for the care and maintenance of cemeteries within the Town. The Town is not required to preserve any portion of the net position.

***Major and Non-Major Funds:***

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

<u>Fund</u>	<u>Brief Description</u>
<b>Major:</b>	
General Fund:	See above description
School Unrestricted Fund:	The fund is used to report all financial transactions of the Town of Johnston's School Department, which are not legally required to be accounted for separately.
<b>Proprietary:</b>	
Water Control Fund:	Accounts for water use fees and the expenses associated with water services to Town residents.
Sewer Fund:	Accounts for sewer projects of the Town of Johnston
School Cafeteria Fund	Accounts for the operation of the school breakfast and lunch programs of the Johnston School Department. <b>This fund did not meet the criteria for reporting as a major fund however, management elected to present the fund as a major fund.</b>
Summer School Fund	Accounts for the operation of the summer school program of the Johnston School Department. <b>This fund did not meet the criteria for reporting as a major fund however, management elected to present the fund as a major fund.</b>
Credit Recovery Fund	Accounts for the operation of the after school extra credit program of the Johnston School Department. <b>This fund did not meet the criteria for reporting as a major fund however, management elected to present the fund as a major fund.</b>

(continued)

**TOWN OF JOHNSTON, RHODE ISLAND**  
**Notes to Financial Statements**  
**June 30, 2015**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***BASIS OF PRESENTATION AND ACCOUNTING (continued)***

**Non-Major:**

Special Revenue Funds:                   The Town of Johnston maintains forty-one (41) Special Revenue Funds which have been classified as non-major governmental funds. The details of these funds can be found in the combining fund exhibits located in the supplementary information.

Capital Project Funds:                   The Town of Johnston currently maintains fourteen (14) Capital Project Funds which have been as non-major governmental funds. The details of these funds can be found in the combining fund exhibits located in the supplementary information.

***Measurement Focus***

On the government-wide Statement of Net Position and the Statement of Activities both governmental and business-like activities are presented using the economic resources management 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 and the modified accrual basis of accounting. Only current financial assets, deferred outflow of resources, liabilities, and deferred inflow of resources 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 city considers property taxes as available if they are collected within 60 days after year end. Grant revenue related to expenditure reimbursement grants of the governmental funds is generally recognized as revenue when earned as long as the payment is expected to be received within twelve months after year end. Substantially all other revenue (excluding municipal court fees and fines, and fire rescue services) of the governmental funds is recognized as it is earned and available. Municipal court fees and fines and fire rescue services are reported as receivable and unearned revenue until the amounts are collected.
- b. The proprietary funds and private purpose trust funds utilize “economic resources” measurement focus and the accrual basis of accounting. The accounting objectives of this measurement focus are the determination of net income, financial position and cash flow. All inflows of resources associated with their activities are reported. Fund equity is classified as net position.
- 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, 2015**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***BASIS OF PRESENTATION AND ACCOUNTING (continued)***

***Basis of Accounting***

In the government-wide Statement of Net Position and Statement of Activities both governmental and business-like 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 assets used. Revenues, expenses, gains, losses, assets, deferred outflow of resources, liabilities, and deferred inflow of resources 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. Under this modified accrual basis of accounting, revenues such as property taxes, 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, private purpose trust funds, police, fire & city and school employees’ pension 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 is used.

Amounts reported as program revenues include charges to customers or applicants for services or privileges provided, operating grants and contributions, and capital grants and contributions. Internally dedicated resources are reported as general revenues rather than 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 proprietary fund’s principal operation. The principal operating revenue of the enterprise fund 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, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND EQUITY***

***Cash Equivalents***

Cash and cash equivalents are carried at cost. Cash equivalents include amounts invested in certificate of deposits as management believes that these certificates can be accessed at any point in time. Substantially, all of the Town’s cash and cash equivalents are held in public deposit institutions.

(continued)

**TOWN OF JOHNSTON, RHODE ISLAND**  
**Notes to Financial Statements**  
**June 30, 2015**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND EQUITY (continued)***

Pursuant to Section 35-10-1 of the Rhode Island General Laws, as of October 1, 1991, public institutions are required to insure accounts which hold public funds in excess of the \$250,000 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 governments to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, and repurchase agreements.

***Investments***

The town invests in various types of investments, which are state at fair value based on quoted market prices.

***Accounts Receivable***

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Accounts receivable are shown net of an allowance for uncollectible accounts. Allowances for accounts receivable are based upon historical trends and the periodic aging of accounts receivable. The allowance for uncollectible accounts receivable amounted to \$6,880,696 at June 30, 2015. The allowance for uncollectible accounts includes \$5,637,840 for property taxes, \$143,555 for Municipal Court fees and traffic fines, \$1,051,541 for fire rescue services, \$47,760 for sewer (enterprise) assessment, and \$0 for water (enterprise fund) service fees. Major receivable balances for the governmental activities include property taxes (77% of total government receivables). 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 measureable 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 receivables 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 December 31 (lien date) and attach an enforceable lien on the property as of July 1 (levy date). Taxes may be paid in full or in equal installments on July 24, October 24, January 24, and April 24 following the levy date. Taxes due and unpaid after the respective due dates are subject to interest at a rate of 12% per annum calculated on the unpaid portion of the total tax. An automatic lien is placed on the taxpayer's property if payment has not been received by the tax due date. Property taxes levied are recorded as receivables in the fiscal year of the levy. Property tax revenues are recorded in accordance with the modified accrual basis of accounting in the fund financial statements.

(continued)

**TOWN OF JOHNSTON, RHODE ISLAND**  
*Notes to Financial Statements*  
*June 30, 2015*

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND EQUITY (continued)***

***Prepaid Items***

Prepaid items are accounted for under the allocation method whereby a prepaid asset is established at the date of payment and subsequently amortized over the accounting periods expected to benefit from the initial payment. Prepaid items recorded in the governmental type fund do not reflect current appropriate resources and, as such, an equivalent portion of the fund balance is reported as non-spendable.

***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 GAAP.

***Capital Assets and Depreciation***

**Government-Wide Statements**

Long lived assets are accounted for as capital assets and are reported in the Government-Wide Statement of Net Assets, but are not reported in the Governmental Fund Financial Statements.

All capital assets are capitalized at historical or estimated historical cost if actual cost is unavailable. Donated capital assets are recorded at the fair market values as of the date received. The Town follows the policy of capitalizing assets with a cost of \$5,000 or more and a useful life of more than 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 Position. Depreciation is calculated on the straight-line basis over the following useful lives:

<u>Description</u>	<u>Useful Life</u>
Buildings and improvements	10-50 Years
Land improvements	20 Years
Infrastructure	20-100 Years
Machinery & equipment	5-10 Years
Vehicles	5-10 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 government fund upon acquisition. Capital assets used in the 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, 2015**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND EQUITY (continued)***

***Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate section represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditures) until that later date. At June 30, 2015 the Town had two items that qualified as a deferred outflow of resources; deferred charge on refunding and deferred pension amounts, both of which are reported in the government-wide statement of net position. The deferred charge on the refunding totaling \$451,617 (\$398,856 for government activities and \$52,761 for business-type activities) is the unamortized balance of the difference between the carrying value of the refunded debt and new debt. This amount is deferred and amortized over the shorter of the life of the refunded or new debt. The deferred pension amounts totaled \$10,136,728 and relate to contributions to pension plans made subsequent to the actuarial valuation date.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate section represents the acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until a later date. At June 30, 2015 the Town had one item that qualified as a deferred inflow of resources in the governmental funds balance sheet. The unavailable tax revenue represents property tax receivable which are assessed on December 31, 2013 and prior and are not collected within 60 days of June 30, 2015. Net unavailable property tax revenue included in the fund financial statements was \$2,581,717 at June 30, 2015. This amount is deferred and will be recognized as an inflow of resources in the year(s) in which the amounts become available. The Town also had one item that qualified as a deferred inflow of resources in the government-wide statement of net position. The deferred pension amounts totaled \$6,567,366 and represent amounts to be amortized as a component of pension expense in future years.

***Inter-fund Transactions***

Inter-fund activity within and among the funds of the City have been classified and reported as follows:

***Reciprocal Inter-fund Activities:***

- Inter-fund loans are reported as inter-fund receivables in the lending fund and inter-fund payables in borrower funds.
- Inter-fund services are reported as revenues in the seller fund and as expenditures on expenses in the purchasing fund.

(continued)



**TOWN OF JOHNSTON, RHODE ISLAND**  
*Notes to Financial Statements*  
*June 30, 2015*

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND EQUITY (continued)***

***Non-Reciprocal Inter-fund Activities:***

- Inter-fund 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 non-operating revenues and expenses.
- Inter-fund 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
- Inter-fund transactions are accounted for as expenditures/expenses when they constitute reimbursements from one fund to another. These transactions are accounted for as expenditures/expenses in the reimbursing fund and are recorded as reductions of expenditures/expenses in the fund receiving the reimbursement. All other inter-fund transactions are reported as transfers.

***Net Position/ Fund Balance Classifications***

**Government-Wide Statements**

Net Position is classified and displayed in three components:

- 1) Net investment 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 bond, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- 2) Restricted net position - Consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, laws/regulations of other governments, law through constitutional provisions, or enabling legislation.
- 3) Unrestricted net position – All remaining net position that does 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 classified as non-spendable, restricted, committed, assigned or unassigned. These categories are described below:

- **Non-spendable**- Includes the amount of fund balances that cannot be spent because it is either not in spendable form or legally or contractually required to be maintained intact. Not in spendable form includes items that are not expected to be converted to cash within one year.
- **Restricted** – 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.

(continued)

**TOWN OF JOHNSTON, RHODE ISLAND**  
**Notes to Financial Statements**  
**June 30, 2015**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND EQUITY (continued)***

- **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 Town Council is the highest level of decision-making authority and utilizes Town Ordinances as a formal procedure to commit fund balance
- **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 the governing body itself or a body (a budget or finance committee) or official to which the governing body has delegate the authority to assign amounts to be used for specific purposes.
- **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.

***Application of Funds***

The following policy has been established by the Town in order to address the implementation of Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Funds Definitions. The policy is created in consideration of unanticipated events that could adversely affect the financial condition of the Town and jeopardize the continuation of necessary public service. The policy ensures that the Town maintains an adequate fund balance and reserves in order to:

***Fund Financials***

- (a) Provide sufficient cash flow for daily financial needs
- (b) Provide funds for unforeseen expenditures related to emergencies
- (c) Offset significant economic downturns or revenue shortfalls

The Town maintains a spending policy in accordance with GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. This policy states when expenditure is incurred for purposes for which both restricted and unrestricted amounts are available, it shall be the policy of the Town to consider restricted amounts to have been used first. When expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it shall be the policy of the Town that committed funds would be spent first, followed by assigned amounts and then unassigned amounts.

Proprietary fund net position is classified the same as in the government-wide statement.

(continued)

**TOWN OF JOHNSTON, RHODE ISLAND**  
*Notes to Financial Statements*  
*June 30, 2015*

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND EQUITY (continued)***

***Compensated Absences***

Under the terms of various contracts and agreements, Town employees are granted vacation and sick leave in varying amounts. Unused vacation leave is paid upon an employee's termination. Subject to certain limitations sick time is paid upon retirement, termination or death, at the employee's current rates of pay. In addition, qualifying employees may also receive two days severance compensation for each year of service. The liability is calculated at the rate of pay in effect at June 30, 2015. The amount of earned but not unpaid vacation and sick leave relating to governmental fund employees is recorded as a long-term debt in the government-wide financial statements. Business type compensated absences are recorded in the enterprise fund accounts.

***Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

***Recent accounting pronouncements***

During the fiscal year ended June 30, 2015, the Town adopted the provisions of Statement No. 68 of the Governmental Accounting Standards Board, Accounting and Financial Reporting for Pensions (GASB 68). GASB 68 requires the liability of employers to employees for defined pension liability (net pension liability) to be measured and reported as the portion of the present value of projected benefits payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the amount of the pension plan's fiduciary net position. In addition, GASB 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources and inflows of resources, and the associated adjustment to expenses.

Effective for the fiscal year ending June 30, 2016, the Town will be required to adopt the provisions of Statement No. 72 of the Governmental Accounting Standards Board, Fair value Measurements and Application (GASB 72). GASB 72 addresses accounting and financial reporting issues related to fair value measurement, and provide guidance for determining a fair value measurement for financial reporting purposes. In addition, GASB 72 provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The effect of adopting GASB 72 on the Town's financial statement has not yet been determined.

Effective for the fiscal year ending June 30, 2018, the Town will be required to adopt the provisions of Statement No. 75 of the Governmental Accounting Standards Board, Accounting and Financial Reporting for Postemployment Benefits Other Than Pension (GASB 75). GASB 75 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses and expenditures related to other postemployment benefits (OPEB)

(continued)

**TOWN OF JOHNSTON, RHODE ISLAND**  
*Notes to Financial Statements*  
*June 30, 2015*

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND EQUITY (continued)***

administered through trusts or equivalent arrangements. For defined benefit other postemployment benefits, GASB 75 identifies the method and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. In addition, GASB 75 will require more extensive footnote disclosure in the employer financial statements. The Town is currently evaluation the effects of GASB 75 on its financial statements.

Effective for the fiscal year ending June 30, 2017, the Town will be required to adopt the provisions of Statement No. 77 of the Governmental Accounting Standards Board, Tax Abatement Disclosures (GASB 77). GASB 77 will require more extensive footnote disclosures regarding tax abatement agreements entered into by the Town or another governmental entity that reduces the Town's tax revenues. The Town is currently evaluating the effects of GASB 77 on its financial statements.

***Pensions***

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Town of Johnston, Rhode Island's various pension plans (described in greater detail in Note 11) and additions to/deductions from the pension plans net position have been determined on the same basis as they are reported by the pension plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**NOTE 2 – BUDGETARY PROCESS**

***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 end of the fiscal year. During the last quarter of the budget year, the Town Council may revise the budget between departments other than the School Department.

***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 Balance – Governmental Funds (Exhibit B-2) in that School 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 the GASB No. 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 No. 54 for GAAP, but is not reported for budgetary purposes.

(continued)

**TOWN OF JOHNSTON, RHODE ISLAND**  
*Notes to Financial Statements*  
*June 30, 2015*

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**NOTE 2 – BUDGETARY PROCESS (continued)**

***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 2015 were \$483,493 as compared to \$763,791 at June 30, 2014. Only the revenues and expenditures are included in the Required Supplementary Information. The Unrestricted School Fund is the on 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**

<b>Total School Unrestricted revenues and other financing sources</b>	
<b>From Exhibit B-2</b>	\$15,474,349
<b>Adjustments:</b>	
State on behalf pension contribution not budgeted	<u>(1,507,153)</u>
<b>Total budgetary basis revenues and other financing sources</b>	
<b>From RSI - 3</b>	\$13,967,196

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.

**NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

***LEGAL DEBT MARGIN***

The Town's legal debt margin as set forth by State Statute is limited to three percent of total taxable assessed value. The legal debt margin for the Town of Johnston is approximately \$114,831,786. As of June 30, 2015, the Town's debt subject to legal debt margin is \$47,901,591 and the Town is under the debt limit by \$ 66,930,195.

**NOTE 4 - 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 it federal regulator must be collateralized. The Town does not have a formally adopted investment policy.

(continued)

**TOWN OF JOHNSTON, RHODE ISLAND**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 4 - CASH AND INVESTMENTS (continued)**

**DEPOSITS**

At June 30, 2015 the carrying amount of the Town's deposits was \$40,015,725, (including Fiduciary Funds, but excluding restricted cash and funds held in escrow) while the bank balance was \$40,513,243 of the balance, \$250,000 was covered by federal depository insurance and \$40,263,243 was uninsured. The Town has entered into collateralization agreements with various financial institutions and as a result \$39,450,275 of the uninsured balances at June 30, 2015 was collateralized by securities held by financial institutions and/or third parties in the name of the Town. The remaining uninsured balance of \$812,968 was held in money market accounts/funds. These money market funds were held in the name of the Town of Johnston and included U.S. Treasury Funds and Government Obligation Tax Managed Funds.

**RESTRICTED CASH AND FUNDS HELD IN ESCROW**

At June 30, 2015, the Fiduciary Funds reported restricted cash of \$199,130 representing four years' worth of post judgement statutory interest (at a rate of 12% per year) on \$825,777 of cash held in escrow by the Rhode Island Superior Court. These funds are the result of litigation between certain police retirees and the Town. Currently, the Town has appealed this judgement these funds are to be used to repay the plaintiffs should the Town lose its appeal.

Funds held in escrow of \$825,777 reported in the Fiduciary Funds at June 30, 2015. These funds represent 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, 2015, the Town's investments totaled \$38,490,522 and included those held in the Fiduciary Funds and consisted of the following:

	Fair Value	Interest Rate	Maturity	Rating
Mutual Funds	\$38,294,874	N/A	N/A	Not Rated
Single premium deferred annuities	<u>195,648</u>	N/A	N/A	N/A
<i>Total Investments</i>	<u>\$ 38,490,522</u>			

**INTEREST RATE RISK**

As noted above, the 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.

(continued)

**TOWN OF JOHNSTON, RHODE ISLAND**  
**Notes to Financial Statements**  
**June 30, 2015**

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**NOTE 4 - CASH AND INVESTMENTS (continued)**

***CUSTODIAL CREDIT RISK***

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the Town will not be able to recover deposits or investments. The Town does not believe that it has a significant custodial credit risk as substantially all investment 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 rate financial institutions and the ratings of these institutions is reviewed by management on a periodic basis.

**NOTE 5 - 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 taxpayers' option. A 12% annual interest penalty is imposed on all overdue taxes.

Unpaid property taxes at June 30, 2015, 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 2015 were based on an assessed value of approximately \$2,264,511,642 at December 31, 2013, and amounted to approximately \$72,783,899. Total collections through June 30, 2015, on the 2015 tax levy, amounted to approximately \$72,353,071, which represents approximately 99% of the net tax levy. The 60 day receipts, applicable to the 2015 levy, amounted to approximately \$1,385,361, which is recognized as revenue and increases total collections to 101% of the 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 amounted to \$9,046,730 as of June 30, 2015. The receivables are recorded, net of allowance for uncollectible property taxes of \$5,637,840.

The portion of the property tax receivable, which is not collected within the 60 days immediately following June 30, 2015 are recorded as unavailable revenue, net of the allowance of \$5,637,840 and amount to \$2,023,529 at June 30, 2015.

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.

(continued)

**TOWN OF JOHNSTON, RHODE ISLAND**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 5 – RECEIVABLES (continued)**

Receivables at June 30, 2015 consisted of the following:

<u>Receivables:</u>	<u>General</u>	<u>Business-type Activities</u>	<u>Total</u>
2014 taxes	\$3,722,963	\$ -	\$3,722,963
2013 taxes	1,621,586	-	1,621,586
2012 and prior years' taxes	3,702,181	-	3,702,181
Other accounts	-	2,662,838	2,662,838
Gross Receivables	9,046,730	2,662,838	11,709,568
Less: Allowance for Collectibles	(5,637,840)	(47,760)	(5,685,600)
Total Receivables	\$3,408,890	\$2,615,078	\$6,023,968

**NOTE – 6 INTERGOVERNMENTAL RECEIVABLE**

Amounts due from the Federal Government and the State of Rhode Island consisted of the following at June 30, 2015:

**General Fund:**

Rhode Island Solid Management Corporation	\$1,066,305
State of Rhode Island - Miscellaneous grants and fees	397,645
<b>Total General Fund</b>	<b>1,463,950</b>

**School Unrestricted Fund:**

Medicaid	-
State of Rhode Island - Department of Education	216
<b>Total School Unrestricted Fund</b>	<b>216</b>

**Other Governmental Funds:**

State of Rhode Island	
School Restricted Grant Funds	730,933
Community Development Block Grants (CDBG)	71,909
Substance Abuse Prevention Grant	5,484
School Wireless Classroom Grant	182,842
<b>Total Other Government Funds</b>	<b>991,168</b>

**Total Government Funds**

**2,455,334**

**Business-type Activities**

Cafeteria Fund – State of Rhode Island	
<b>Total Intergovernmental Receivables</b>	<b>\$2,455,334</b>

(continued)



**TOWN OF JOHNSTON, RHODE ISLAND**  
*Notes to Financial Statements*  
**JUNE 30, 2015**

**NOTE 7 - CAPITAL ASSETS**

	<u>Balance 7/1/2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/2015</u>
<b>Governmental Activity:</b>				
<b>Nondepreciable Assets</b>				
Land	\$ 8,979,477	\$ -	\$ -	\$ 8,979,477
Construction in progress	1,133,494	324,382	1,133,493	324,383
<b>Depreciable Assets:</b>				
Land improvements		3,144,482	-	3,144,482
Building & building improvements	44,029,370	987,230	-	45,016,600
Vehicles and equipment	10,421,241	872,792	-	11,294,033
Infrastructure	55,555,788	-	-	55,555,788
<b>Total cost</b>	<u>120,119,370</u>	<u>5,328,886</u>	<u>1,133,493</u>	<u>124,314,763</u>
Less accumulated depreciation for:				
Land improvements	-	41,926	-	41,926
Building & building improvements	17,514,634	1,005,635	-	18,520,269
Vehicles and equipment	7,517,913	693,130	-	8,211,043
Infrastructure	43,589,394	1,437,507	-	45,026,901
Total accumulated depreciation	<u>68,621,941</u>	<u>3,178,198</u>	<u>-</u>	<u>71,800,139</u>
<b>Net capital assets for governmental activity</b>	<u>\$ 51,497,429</u>	<u>\$ 2,150,688</u>	<u>\$ 1,133,493</u>	<u>\$ 52,514,624</u>
<b>Business-type activities:</b>				
<b>Nondepreciable Assets</b>				
Land	\$ 40,000	\$ -	\$ -	\$ 40,000
Construction in progress	43,111	-	-	43,111
<b>Depreciable Assets:</b>				
Infrastructure	2,806,692	-	-	2,806,692
Vehicles	309,377	-	-	309,377
Machinery & equipment	192,426	-	-	192,426
Water distributions	11,971,380	-	-	11,971,380
<b>Total cost</b>	<u>15,362,986</u>	<u>-</u>	<u>-</u>	<u>15,362,986</u>
Less accumulated depreciation for:				
Infrastructure	453,929	98,610	-	552,539
Vehicles	111,116	27,190	-	138,306
Machinery & equipment	148,685	2,000	-	150,685
Water distributions	2,955,157	121,401	-	3,076,558
Total accumulated depreciation	<u>3,668,887</u>	<u>249,201</u>	<u>-</u>	<u>3,918,088</u>
<b>Business-type activities capital assets, net</b>	<u>\$ 11,694,099</u>	<u>\$ 249,201</u>	<u>\$ -</u>	<u>\$ 11,444,898</u>

Depreciation expense was charged to functions as follows:

Governmental activities:

Education	\$ 733,471
Public safety	605,622
Public works	1,523,520
Public libraries	102,293
Other	213,292
<b>Total</b>	<u>\$ 3,178,198</u>

Business-type activities:

Water fund	\$ 121,401
Sewer fund	127,800
School cafeteria fund	-
<b>Total</b>	<u>\$ 249,201</u>

**TOWN OF JOHNSTON, RHODE ISLAND**  
**Notes to Financial Statements**  
**June 30, 2015**

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**NOTE 8 - LONG TERM DEBT**

**(a) General**

The Rhode Island General Laws provide that no city or town shall without special statutory authority, incur any debt which would increase its aggregate indebtedness beyond three percent of the taxable property of the city or town. Tax anticipation notes are not included in the computation of the 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 exempt from the three percent debt limit or are within such limit.

The current three percent limit of the Town of Johnston is \$67,935,349, based on the net assessed valuation at December 31, 2013 of \$2,264,511,642. The entire \$25,739,453 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, 2015**

**NOTE 8: LONG-TERM DEBT (Continued)**

(b) At June 30, 2015 the Towns long-term debt outstanding and activity consisted of the following:

Description	Date of Issue	Maturity Date	Amount of Issue	Interest Rate	Balance June 30, 2014	Transfers in & Additions	Transfers out & Retirements	Balance June 30, 2015	Due within One year
<b>General obligation bonds:</b>									
2005 General Obligation Bond	6/1/2005	6/1/2025	\$ 6,325,000	4%-4.75%	\$ 4,165,000	\$ -	\$ 4,165,000	\$ -	\$ -
2007 General Obligation Bond	9/13/2007	9/1/2019	2,277,000	5.05%	1,305,000	-	190,000	1,115,000	200,000
2009 General Obligation Bond	9/9/2009	9/1/2029	4,430,000	3%-7%	3,885,000	-	170,000	3,715,000	180,000
2010 General Obligation Bond	6/29/2010	8/15/2018	3,120,000	2%-4%	2,030,000	-	380,000	1,650,000	390,000
2012 General Obligation Bond	5/29/2012	6/1/2024	6,224,725	2.85%	5,450,550	-	483,300	4,967,250	496,725
2013 General Obligation Bond	6/12/2013	6/1/2033	5,000,000	2%-4%	4,845,000	-	255,000	4,590,000	255,000
2014 General Obligation Bond	5/1/2014	5/1/2029	4,000,000	2.48%	4,000,000	-	195,000	3,805,000	205,000
2015 General Obligation Bond	3/5/2015	6/1/2025	3,990,000	1.89%	-	3,990,000	45,000	3,945,000	370,000
Premium on bonds					176,764	-	10,537	166,227	
<b>Total bonds outstanding</b>			<b>\$ 35,366,725</b>		<b>\$ 25,857,314</b>	<b>\$ 3,990,000</b>	<b>\$ 5,893,837</b>	<b>\$ 23,953,477</b>	<b>2,096,725</b>
<b>Note payable obligations</b>									
Note payable obligation	9/30/2012	10/14/2017	\$ 21,000	6.99%	\$ 14,834	\$ -	\$ 4,098	\$ 10,736	\$ 4,320
Note payable obligation	10/16/2012	10/30/2017	18,792	6.74%	13,252	-	3,667	9,585	3,857
<b>Total notes payable obligations</b>			<b>\$ 39,792</b>		<b>\$ 28,086</b>	<b>\$ -</b>	<b>\$ 7,765</b>	<b>\$ 20,321</b>	<b>\$ 8,177</b>
<b>Capital lease obligations</b>									
Capital lease obligation	1/25/2010	1/25/2015	\$ 591,000	3.30%	\$ 114,866	\$ -	\$ 114,866	\$ -	\$ -
Capital lease obligation	7/7/2011	7/7/2016	1,158,100	2.10%	709,247	-	231,497	477,750	236,870
Capital lease obligation	9/27/2013	9/26/2018	425,000	1.66%	425,000	-	85,000	340,000	85,000
Capital lease obligation	08/01/2014		750,000	1.65%	1,249,113	750,000	-	750,000	150,000
<b>Total capital lease obligations</b>			<b>\$ 2,174,100</b>		<b>\$ 1,249,113</b>	<b>\$ -</b>	<b>\$ 431,363</b>	<b>\$ 1,567,750</b>	<b>\$ 471,870</b>
<b>Compensated absences and severance estimate</b>									
Net pension liability					\$ 8,194,442	\$ -	\$ 205,129	\$ 7,989,313	\$ 2,000,000
Net OPEB obligation					221,289,802	12,619,398	7,887,379	226,021,821	-
Claims and judgements					70,765,572	-	-	70,765,572	-
					26,000	-	11,000	15,000	9,000
<b>Total compensated absences and severance estimate</b>					<b>\$ 327,410,329</b>	<b>\$ 16,609,398</b>	<b>\$ 14,436,473</b>	<b>\$ 330,333,254</b>	<b>\$ 4,585,772</b>
<b>General obligation bonds:</b>									
RI Clean Water Bond - Sewer Project	10/6/2009	9/1/2029	\$ 2,500,000	0.79%-3.08%	\$ 1,381,000	\$ -	\$ 70,000	\$ 1,311,000	\$ 70,000
RI Clean Water Bond	4/25/2002	9/1/2022	750,000	0.661%	397,981	-	38,690	359,291	39,969
2012 General Obligation Refunding	5/29/2012	6/1/2024	730,275	2.85%	639,450	-	56,700	582,750	58,275
<b>Total general obligation bonds outstanding</b>			<b>\$ 3,980,275</b>		<b>\$ 2,418,431</b>	<b>\$ -</b>	<b>\$ 165,390</b>	<b>\$ 2,253,041</b>	<b>\$ 168,244</b>
<b>Capital lease obligations:</b>									
Capital lease obligation	7/7/2011	7/7/2016	271,900	2.10%	166,518	-	54,380	112,138	55,010
<b>Total capital lease obligation</b>			<b>\$ 271,900</b>		<b>\$ 166,518</b>	<b>\$ -</b>	<b>\$ 54,380</b>	<b>\$ 112,138</b>	<b>\$ 55,010</b>
<b>Compensated absences</b>									
					39,482	4,060	-	43,542	-
<b>Total compensated absences</b>					<b>\$ 2,624,431</b>	<b>\$ 4,060</b>	<b>\$ 219,770</b>	<b>\$ 2,408,721</b>	<b>\$ 223,254</b>

(\*\*) 2012 General Obligation and 2011 Capital Lease Obligation balance and activity is allocated between Governmental and Business-Type activities

(\*\*\*) 2014 Net Pension Obligation is restated to conform to GASB 68

**TOWN OF JOHNSTON, RHODE ISLAND**  
**Notes to Financial Statements**  
**JUNE 30, 2015**

**NOTE 8: LONG-TERM DEBT (Continued)**

**(c) Debt Service Requirements**

Presented below is a summary of debt service requirements, including interest, to maturity by year.

Fiscal Year Ended October 31	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 2,576,435	\$ 758,186	\$ 3,334,621
2017	2,640,410	683,250	3,323,660
2018	2,457,201	604,092	3,061,293
2019	2,507,525	527,075	3,034,600
2020	2,050,425	456,326	2,506,751
2021-2025	8,268,325	1,510,176	9,778,501
2026-2030	4,110,000	536,639	4,646,639
2031-2033	765,000	56,610	821,610
<b>TOTALS</b>	<u>\$ 25,375,321</u>	<u>\$ 5,132,354</u>	<u>\$ 30,507,675</u>

Fiscal Year Ended October 31	<u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 223,744	47,425	\$ 271,169
2017	232,802	43,285	276,087
2018	178,555	38,932	217,487
2019	181,540	35,652	217,192
2020	190,512	32,197	222,709
2021-2025	860,050	103,580	963,630
2026-2030	498,000	30,156	528,156
<b>TOTALS</b>	<u>\$ 2,365,203</u>	<u>\$ 331,227</u>	<u>\$ 2,696,430</u>

**(d) 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. As of June 30, 2015, the in-substance defeased bonds outstanding were \$5,470,000 and were excluded from the accompanying financial statements.

**TOWN OF JOHNSTON, RHODE ISLAND**  
**Notes to Financial Statements**  
**June 30, 2015**

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**NOTE 8 - LONG TERM DEBT (continued)**

**(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 the Governmental Fund Type employees at June 30, 2015 amounted to \$7,989,313 of which \$2,618,802 and \$5,370,511 are related to School and Town employees, respectively.

**(g) Schedule of long-term debt by purpose at June 30, 2015 is as follows:**

**Governmental activities:**

School, public improvement, and public safety		
Bonds and notes payable	\$23,973,798	7%
Town equipment and vehicles lease	1,567,750	<1%
Net pension benefit liability	226,021,821	68%
Net OPEB obligations	70,765,572	21%
Claims and judgements – Town	15,000	<1%
Compensated absences and severance	7,989,313	2%
<b>Total governmental activities</b>	<b>\$330,333,254</b>	<b>100%</b>

**Business-type activities**

Sewer projects bonds	\$ 2,253,041	94%
Sewer vehicle lease	112,138	5%
Compensated absences and severance	43,542	1%
<b>Total business-type activities</b>	<b>\$ 2,408,721</b>	<b>100%</b>

(continued)

**TOWN OF JOHNSTON, RHODE ISLAND**  
**Notes to Financial Statements**  
**June 30, 2015**

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**NOTE 9 – OPERATING LEASES**

On February 1, 2009, the Town entered into a 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 the 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 October of 2013, the Town entered into a 36-month lease agreement for certain office equipment. The lease requires a base monthly rental charge of \$174. Lease expense incurred under the terms of this agreement was approximately \$2,000 for the fiscal year ended June 30, 2015.

On April 10, 2014, the School Department entered into a 60-month lease agreement for nineteen (19) units of equipment. The lease agreement requires a base monthly rental charge of \$4,613. Lease expense incurred under the terms of this agreement was approximately \$55,000 for the fiscal year ended June 30, 2015.

On December 9, 2011, the school department entered into a 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 parking of school buses and for the storage of school equipment. The terms of the agreement require annual rent of one (\$1) dollar.

In January 2013, the Town entered into a 2-year lease agreement for two vehicles. The lease requires an annual rent charge of \$7,800, plus annual maintenance fees. Lease expense incurred under the terms of these agreements was approximately \$8,500 for the fiscal year ended June 30, 2015.

In January 2013, the Town entered into a 5-year lease agreement for twenty seven (27) units of equipment. The lease requires an annual rental charge of \$6,900. Lease expense incurred under the terms of this agreement was \$8,800 for the fiscal year ended June 30, 2015.

In July 2012, the Town entered into a 72-month lease agreement for certain office equipment. The lease requires a base monthly rental charge of \$600. Lease expense incurred under the terms of this agreement was approximately \$7,200 for the fiscal year ended June 30, 2015.

In June 2014, the Town entered into a 60-month lease agreement for certain office equipment. The lease requires a monthly rental charge of \$1,000. Lease expense incurred under the terms of this agreement was approximately \$12,000 for the fiscal year ended June 30, 2015.

(continued)

**TOWN OF JOHNSTON, RHODE ISLAND**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 9 – OPERATING LEASES (continued)**

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

Year Ended <u>June 30,</u>	
2016.....	\$ 83,545
2017.....	81,977
2018.....	74,555
2019.....	<u>57,129</u>
Total	<u>\$297,206</u>

**NOTE 10 – INTERFUND BALANCES AND TRANSFERS**

Inter-fund 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 inter-fund balances at June 30, 2015 is as follows:

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
Governmental Funds:		
General Fund	\$ -	\$ 8,628,851
School Unrestricted Fund	6,174,640	-
All non-Major funds	589,895	1,109,857
Total governmental fund	<u>6,764,535</u>	<u>9,738,708</u>
Proprietary Funds:	3,522,172	-
Water Fund	-	67,017
Sewer Fund	-	458,079
Cafeteria Fund	-	-
Summer School Fund	10,518	-
Credit Recovery Fund	-	554
Internal Service Fund	-	140,617
Total Proprietary Fund	<u>3,532,690</u>	<u>666,267</u>
Fiduciary Funds:		
Agency Fund	<u>107,750</u>	-
<b>TOTAL ALL FUNDS</b>	<u>\$ 10,404,975</u>	<u>\$ 10,404,975</u>

(continued)

**TOWN OF JOHNSTON, RHODE ISLAND**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 10 – INTERFUND BALANCES AND TRANSFERS (continued)**

The Composition of inter-fund transfers for the year ended June 30, 2015 is as follows:

<u>Transfer Out</u>	<u>General Fund</u>	<u>School Unrestricted</u>	<u>Non-Major Governmental Funds</u>	<u>Total Transfer Out</u>
General Fund	-	\$37,129,015	-	\$37,129,015
Non-major Governmental funds	-	-	70,249	70,249
<b>Total Transfers In</b>	-	\$37,129,015	\$70,249	\$37,199,264

**NOTE 11- DEFINED BENEFIT PENSION PLANS**

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 and both a normal and optional plan for police and fire personnel.

**(a) General Municipal Employee's Pension Plan**

**General Information about the Pension Plan**

**Plan Description** - The Municipal Employees' Retirement System (MERS) – an agent multiple-employer defined benefit pension plan - provides certain retirement, disability and death benefits to plan members and beneficiaries. MERS was established under Rhode Island General Law and placed under the management of the Employee's Retirement System of Rhode Island (ERSRI) Board to provide retirement allowances to employees of municipalities, housing authorities, water and sewer districts, and municipal police and fire persons that have elected to participate. Benefit provisions are subject to amendment by the General Assembly.

MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the ERSRI website at [www.ersri.org](http://www.ersri.org)

**Benefits provided** – For general employees prior to June 30, 2012 the plan provided retirement benefits equal to 2% of a member's final average salary multiplied by the number of years of total service up to a maximum of 75%. Such benefits are available to members at least age 58 with 10 years of service or after 30 years of service at any age. Benefits accrued at June 30, 2012 are protected under the Rhode Island Retirement Security Act until it is exceeded by the member's full years of service credit, including service after June 30, 2012, multiplied by the average of five consecutive years of compensation. Effective July 1, 2012 the retirement age will mirror the Social Security Normal Retirement Age not to exceed age 67. Members will receive a benefit accrual of 1.0% per year based on the five-year average compensation.

(continued)



**TOWN OF JOHNSTON, RHODE ISLAND**  
**Notes to Financial Statements**  
**June 30, 2015**

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**NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)**

**(a) General Municipal Employee's Pension Plan (continued)**

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 sixty-two (62) and a reduced amount thereafter. The reduced amount is equal to the benefit before age sixty-two (62), including cost-of-living increases, minus the member's estimated social security benefit payable at age sixty-two (62).

Prior to June 30, 2012 police and fire personnel may retire at age 55 if they have 10 years of service or after 25 years of service at any age. An option may be elected to provide a 20 year service pension with a benefit equal to 2.5% for each year of service up to a maximum of 75% for police and fire personnel. Benefits are based on the average of the highest three consecutive years' earnings, exclusive of overtime.

The new retirement age will be 55 years old with 25 years of total service or for members with five years of service but less than 25 years of service the new retirement age will mirror the Social Security Normal Retirement Age not to exceed 67. Police officers or firefighters, that are at least 45 years old, have 10 or more years of contributing service and are eligible to retire prior to age 52 under the law in effect on June 30, 2012, may retire at age 52.

As of June 30, 2012 members will continue to have a frozen benefit accrual of 2.0% per year for a standard 25 year with any age and out plan; 2.5% for a standard 20 year with any age and out plan. Effective July 1, 2012 the optional 20 and 25 year with retirement at any age plans have been eliminated. The benefit accrual for all plans will be 2.0% per year based on the five-year average compensation, exclusive of overtime. Police and fire employees may retire with a reduced pension benefit if they have 20 years of service and are within five years of their retirement eligibility. The actuarially reduced benefit will be calculated based on how close the member is to the eligibility date that is prescribed in the Rhode Island Retirement Security Act.

The plan also provides survivor's benefits; and certain lump sum death benefits.

Plan members are vested after five years of service.

An optional cost-of-living provision may be elected for police and fire personnel and general employees. The Cost of Living Adjustment (COLA) has been suspended for any unit whose funding level is less than 80%. The COLA provision can be reviewed in a five-year interval. When the funding level of a plan exceeds 80% funded eligible retirees may receive a COLA annually effective on their date of retirement plus one month.

The COLA will be calculated as the five (5) year smoothed investment rate of return less 5.50%, with a 0.00% floor and a 4.00% cap. For police and fire units, COLA will be delayed until the later of age 55 or three years after retirement. For general employee units, COLA will be delayed until the later of the Social Security Normal Retirement Age or three years after retirement. The COLA will be applied to the first \$25,000 of benefits indexed annually.

(continued)

**TOWN OF JOHNSTON, RHODE ISLAND**  
**Notes to Financial Statements**  
**June 30, 2015**

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**NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)**  
**(a) General Municipal Employee's Pension Plan (continued)**

The plan also provides nonservice-connected disability benefits after 5 years of service; service-connected disability pensions with no minimum service requirement.

**Employees covered by benefit terms.**

At the June 30, 2013 valuation date, the following employees were covered by the benefit terms:

Retirees and Beneficiaries	201
Inactive, Nonretired Members	111
Active Members	239
<b>Total</b>	<b>551</b>

**Contributions** - The amount of employee and employer contributions have been established under Rhode Island General Law Chapter 45-21. General employees are required to contribute 2% of their salaries. Public safety employees are required to contribute 7% of their salaries. The Town of Johnston contributes at a rate of covered employee payroll as determined by an independent actuary on an annual basis. The General Assembly can amend the amount of these contribution requirements. The Town of contributed \$1,237,686 in the year ended June 30, 2015 which was 15.72% of annual covered payroll.

**Net Pension Liability (Asset)** - The total pension liability was determined by actuarial valuations performed as of June 30, 2013 and rolled forward to June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement.

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(continued)

**TOWN OF JOHNSTON, RHODE ISLAND**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)**  
**(a) General Municipal Employee's Pension Plan (continued)**

<b>Summary of Actuarial Assumptions Used in the Valuations to determine the Net Pension Liability at the June 30, 2014 measurement date (June 30, 2013 valuation rolled forward to June 30, 2014)</b>	
Actuarial Cost Method	Entry Age Normal - the Individual Entry Age Actuarial Cost methodology is used.
Amortization Method	Level Percent of Payroll – Closed
Equivalent Single Remaining Amortization Period	21 years at June 30, 2014
Actuarial Assumptions	
Investment Rate of Return	7.50%
Projected Salary Increases	General Employees - 3.50% to 7.50% ; Police & Fire Employees - 4.00% to 14.00%
Inflation	2.75%
Mortality	<ul style="list-style-type: none"> <li>• Male Employees, MERS General and MERS P&amp;F: 115% of RP-2000 Combined Healthy for Males with White Collar adjustments, projected with Scale AA from 2000.</li> <li>• Female Employees, MERS General and MERS P&amp;F: 95% of RP-2000 Combined Healthy for Females with White Collar adjustments, projected with Scale AA from 2000.</li> </ul>
Cost of Living Adjustments	COLA is equal to the average five-year fund asset performance (percent) greater than 5.5% up to a maximum of 4% - the COLA is to be applied to the first \$25,000 of benefits, indexed over time. COLA is delayed until the latter of Social Security eligibility age or 3 years after retirement except for MERS Police and Fire for which the COLA is delayed until the later of age 55 or 3 years after retirement. A 2% COLA is assumed after January 1, 2014.

(continued)

**TOWN OF JOHNSTON, RHODE ISLAND**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)**  
**(a) General Municipal Employee's Pension Plan (continued)**

The actuarial assumptions used in the June 30, 2013 valuation rolled forward to June 30, 2014 and the calculation of the total pension liability at June 30, 2014 were consistent with the results of an actuarial experience study performed as of June 30, 2013.

The long-term expected rate of return best-estimate on pension plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of pension plan investment expense and inflation) for each major asset class, based on forward-looking medium-term (10 year) capital market return assumptions developed by eight investment consulting firms. The June 30, 2014 expected arithmetic returns over the medium term by asset class as developed by the State Investment Commission's investment consultant, which are generally consistent with the averages utilized by the actuary, are summarized in the following table:

Asset Class	Target allocation	Medium-term expected real rate of return
Global Equity	38%	6.05%
Private Equity	7%	9.05%
Equity Hedge funds	8%	4.75%
Absolute return hedge	7%	2.95%
Real Return	14%	3.85%
Real Estate	8%	4.45%
Core Fixed	15%	0.25%
Cash	3%	-0.50%
	100%	

These return assumptions are then weighted by the target asset allocation percentage, factoring in correlation effects, to develop the overall medium-term expected rate of return best-estimate on an arithmetic basis. To arrive at the long-term expected return estimate, the actuary adjusts the medium-term number to reflect the longer 30-year time frame required for actuarial calculations. This process produces the actuarial expected return, which is based on a 30-year horizon, and can differ from the medium-term, 10-year-horizon return expectations.

**Discount rate** - The discount rate used to measure the total pension liability of the plans was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(continued)

**TOWN OF JOHNSTON, RHODE ISLAND**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)**  
**(a) General Municipal Employee's Pension Plan (continued)**

<b>Changes in the Net Pension Liability (Asset)</b>			
	Increase (Decrease)		
From GRS employer specific valuation	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances as of June 30, 2013	\$39,806,322	\$28,700,722	\$11,105,600
Changes for the Year	-	-	-
Service cost	742,315	-	742,315
Interest on the total pension liability	2,908,421	-	2,908,421
Changes in benefits	-	-	-
Difference between expected and actual experience	-	-	-
Changes in assumptions	30,100	-	30,100
Employer contributions	-	1,050,131	(1,050,131)
Employee contributions	-	145,488	(145,488)
Net investment income	-	4,198,765	(4,198,765)
Benefit payments, including employee refunds	(2,797,073)	(2,797,073)	-
Administrative expense	-	(26,293)	26,293
Other changes	-	253,162	(253,162)
Net changes	883,763	2,824,180	(1,940,417)
<b>Balances as of June 30, 2014</b>	<b>\$40,690,085</b>	<b>\$31,524,902</b>	<b>\$9,165,183</b>

**Sensitivity of the Net Pension Liability to changes in the discount rate.** The following presents the net pension liability (asset) of the employers calculated using the discount rate of 7.5 percent, as well as what the employers' net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

1.00% Decrease (6.5%)	Current Discount Rate (7.5%)	1.00 Increase (8.5%)
\$13,524,387	\$9,165,183	\$4,805,978

**Pension plan fiduciary net position** - detailed information about the pension plan's fiduciary net position is available in the separately issued ERSRI financial report.

(continued)

**TOWN OF JOHNSTON, RHODE ISLAND**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)**

**(a) General Municipal Employee's Pension Plan (continued)**

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended June 30, 2015, the Town of Johnston recognized pension expense of \$764,508. The Town of Johnston reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date	\$ 1,237,686	\$ -
Difference in experience	-	-
Differences in assumptions	-	23,412
Excess(deficit) investment returns	-	(1,678,206)
Total	<u>\$ 1,237,686</u>	<u>\$ (1,654,794)</u>

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Net Deferred Outflows of Resources
2016	\$ (412,864)
2017	(412,864)
2018	(412,864)
2019	(416,202)
2020	-
Thereafter	-
Total	<u>\$ (1,654,794)</u>

**(b) Municipal Police Pension Plan**

**General Information about the Pension Plan**

**Plan Description** - The Municipal Employees' Retirement System (MERS) – an agent multiple-employer defined benefit pension plan - provides certain retirement, disability and death benefits to plan members and beneficiaries. MERS was established under Rhode Island General Law and placed under the management of the Employee's Retirement System of Rhode Island (ERSRI) Board to provide retirement allowances to employees of municipalities, housing authorities, water and sewer districts, and municipal police and fire persons that have elected to participate. Benefit provisions are subject to amendment by the General Assembly.

(continued)

**TOWN OF JOHNSTON, RHODE ISLAND**  
*Notes to Financial Statements*  
*June 30, 2015*

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**NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)**  
***(b) Police Pension Plan (continued)***

MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the ERSRI website at [www.ersri.org](http://www.ersri.org)

**Benefits provided** – For general employees prior to June 30, 2012 the plan provided retirement benefits equal to 2% of a member's final average salary multiplied by the number of years of total service up to a maximum of 75%. Such benefits are available to members at least age 58 with 10 years of service or after 30 years of service at any age. Benefits accrued at June 30, 2012 are protected under the Rhode Island Retirement Security Act until it is exceeded by the member's full years of service credit, including service after June 30, 2012, multiplied by the average of five consecutive years of compensation. Effective July 1, 2012 the retirement age will mirror the Social Security Normal Retirement Age not to exceed age 67. Members will receive a benefit accrual of 1.0% per year based on the five-year average compensation.

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 sixty-two (62) and a reduced amount thereafter. The reduced amount is equal to the benefit before age sixty-two (62), including cost-of-living increases, minus the member's estimated social security benefit payable at age sixty-two (62).

Prior to June 30, 2012 police and fire personnel may retire at age 55 if they have 10 years of service or after 25 years of service at any age. An option may be elected to provide a 20 year service pension with a benefit equal to 2.5% for each year of service up to a maximum of 75% for police and fire personnel. Benefits are based on the average of the highest three consecutive years' earnings, exclusive of overtime.

The new retirement age will be 55 years old with 25 years of total service or for members with five years of service but less than 25 years of service the new retirement age will mirror the Social Security Normal Retirement Age not to exceed 67. Police officers or firefighters, that are at least 45 years old, have 10 or more years of contributing service and are eligible to retire prior to age 52 under the law in effect on June 30, 2012, may retire at age 52.

As of June 30, 2012 members will continue to have a frozen benefit accrual of 2.0% per year for a standard 25 year with any age and out plan; 2.5% for a standard 20 year with any age and out plan. Effective July 1, 2012 the optional 20 and 25 year with retirement at any age plans have been eliminated. The benefit accrual for all plans will be 2.0% per year based on the five-year average compensation, exclusive of overtime. Police and fire employees may retire with a reduced pension benefit if they have 20 years of service and are within five years of their retirement eligibility. The actuarially reduced benefit will be calculated based on how close the member is to the eligibility date that is prescribed in the Rhode Island Retirement Security Act.

The plan also provides survivor's benefits; and certain lump sum death benefits.

(continued)

**TOWN OF JOHNSTON, RHODE ISLAND**  
**Notes to Financial Statements**  
**June 30, 2015**

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**NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)**

**(b) Police Pension Plan (continued)**

Plan members are vested after five years of service.

An optional cost-of-living provision may be elected for police and fire personnel and general employees. The Cost of Living Adjustment (COLA) has been suspended for any unit whose funding level is less than 80%. The COLA provision can be reviewed in a five-year interval. When the funding level of a plan exceeds 80% funded eligible retirees may receive a COLA annually effective on their date of retirement plus one month.

The COLA will be calculated as the five (5) year smoothed investment rate of return less 5.50%, with a 0.00% floor and a 4.00% cap. For police and fire units, COLA will be delayed until the later of age 55 or three years after retirement. For general employee units, COLA will be delayed until the later of the Social Security Normal Retirement Age or three years after retirement. The COLA will be applied to the first \$25,000 of benefits indexed annually.

The plan also provides nonservice-connected disability benefits after 5 years of service; service-connected disability pensions with no minimum service requirement.

**Employees covered by benefit terms**

At the June 30, 2013 valuation date, the following employees were covered by the benefit terms:

Retirees and Beneficiaries	0
Inactive, Nonretired Members	0
Active Members	9
<b>Total</b>	<b>9</b>

**Contributions** - The amount of employee and employer contributions have been established under Rhode Island General Law Chapter 45-21. General employees are required to contribute 2% of their salaries. Public safety employees are required to contribute 7% of their salaries. The Town of Johnston contributes at a rate of covered employee payroll as determined by an independent actuary on an annual basis. The General Assembly can amend the amount of these contribution requirements. The Town of Johnston contributed \$55,529 in the year ended June 30, 2015 which was 9.28% of annual covered payroll.

(continued)



**TOWN OF JOHNSTON, RHODE ISLAND**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)**  
**(b) Police Pension Plan (continued)**

**Net Pension Liability** - The total pension liability was determined by actuarial valuations performed as of June 30, 2013 and rolled forward to June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement.

<b>Summary of Actuarial Assumptions Used in the Valuations to determine the Net Pension Liability at the June 30, 2014 measurement date (June 30, 2013 valuation rolled forward to June 30, 2014)</b>	
Actuarial Cost Method	Entry Age Normal - the Individual Entry Age Actuarial Cost methodology is used.
Amortization Method	Level Percent of Payroll – Closed
Equivalent Single Remaining Amortization Period	21 years at June 30, 2014
Actuarial Assumptions	
Investment Rate of Return	7.50%
Projected Salary Increases	General Employees - 3.50% to 7.50% ; Police & Fire Employees - 4.00% to 14.00%
Inflation	2.75%
Mortality	<ul style="list-style-type: none"> <li>• Male Employees, MERS General and MERS P&amp;F: 115% of RP-2000 Combined Healthy for Males with White Collar adjustments, projected with Scale AA from 2000.</li> <li>• Female Employees, MERS General and MERS P&amp;F: 95% of RP-2000 Combined Healthy for Females with White Collar adjustments, projected with Scale AA from 2000.</li> </ul>
Cost of Living Adjustments	COLA is equal to the average five-year fund asset performance (percent) greater than 5.5% up to a maximum of 4% - the COLA is to be applied to the first \$25,000 of benefits, indexed over time. COLA is delayed until the latter of Social Security eligibility age or 3 years after retirement except for MERS Police and Fire for which the COLA is delayed until the later of age 55 or 3 years after retirement. A 2% COLA is assumed after January 1, 2014.

The actuarial assumptions used in the June 30, 2013 valuation rolled forward to June 30, 2014 and the calculation of the total pension liability at June 30, 2014 were consistent with the results of an actuarial experience study performed as of June 30, 2013.

(continued)

**TOWN OF JOHNSTON, RHODE ISLAND**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)**  
**(b) Police Pension Plan (continued)**

The long-term expected rate of return best-estimate on pension plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of pension plan investment expense and inflation) for each major asset class, based on forward-looking medium-term (10 year) capital market return assumptions developed by eight investment consulting firms. The June 30, 2014 expected arithmetic returns over the medium term by asset class as developed by the State Investment Commission's investment consultant, which are generally consistent with the averages utilized by the actuary, are summarized in the following table:

Asset Class	Target allocation	Medium-term expected real rate of return
Global Equity	38%	6.05%
Private Equity	7%	9.05%
Equity Hedge funds	8%	4.75%
Absolute return hedge	7%	2.95%
Real Return	14%	3.85%
Real Estate	8%	4.45%
Core Fixed	15%	0.25%
Cash	3%	-0.50%
	100%	

These return assumptions are then weighted by the target asset allocation percentage, factoring in correlation effects, to develop the overall medium-term expected rate of return best-estimate on an arithmetic basis. To arrive at the long-term expected return estimate, the actuary adjusts the medium-term number to reflect the longer 30-year time frame required for actuarial calculations. This process produces the actuarial expected return, which is based on a 30-year horizon, and can differ from the medium-term, 10-year-horizon return expectations.

**Discount rate** - The discount rate used to measure the total pension liability of the plans was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(continued)

**TOWN OF JOHNSTON, RHODE ISLAND**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)**  
**(b) Police Pension Plan (continued)**

<b>Changes in the Net Pension Liability (Asset)</b>			
	Increase (Decrease)		
From GRS employer specific valuation	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances as of June 30, 2013	\$101,920	\$87,857	\$14,063
Changes for the year	-	-	-
Service cost	79,271	-	79,271
Interest on the total pension liability	10,616	-	10,616
Changes in benefits	-	-	-
Difference between expected and actual experience	-	-	-
Changes in assumptions	(2,021)	-	(2,021)
Employer contributions	-	35,823	(35,823)
Employee contributions	-	35,823	(35,823)
Net investment income	-	30,268	(30,268)
Benefit payments, including employee refunds	(7)	(7)	-
Administrative expense	-	(190)	190
Other changes	-	37,680	(37,680)
Net changes	87,859	139,397	(51,538)
<b>Balances as of June 30, 2014</b>	<b>\$189,779</b>	<b>\$227,254</b>	<b>\$ (37,475)</b>

**Sensitivity of the Net Pension Liability to changes in the discount rate.** The following presents the net pension liability (asset) of the employers calculated using the discount rate of 7.5 percent, as well as what the employers' net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

<b>1.00% Decrease (6.5%)</b>	<b>Current Discount Rate (7.5%)</b>	<b>1.00 Increase (8.5%)</b>
\$ (18,947)	\$ (37,475)	\$ (56,454)

**Pension plan fiduciary net position** - detailed information about the pension plan's fiduciary net position is available in the separately issued ERSRI financial report.

(continued)

**TOWN OF JOHNSTON, RHODE ISLAND**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)**

**(b) Police Pension Plan (continued)**

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended June 30, 2015, the employer recognized pension expense of \$1,886. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date	\$ 55,529	\$ -
Difference in experience	-	-
Differences in assumptions	-	(1,910)
Excess(deficit) investment Returns	-	(15,669)
Total	<u>\$ 55,529</u>	<u>\$ (17,579)</u>

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Net Deferred Outflows of Resources
2016	\$ (4,028)
2017	(4,028)
2018	(4,028)
2019	(4,029)
2020	(111)
Thereafter	(1,355)
Total	<u>\$ (17,579)</u>

**(c) Municipal Firefighters Pension Plan**

**General Information about the Pension Plan**

**Plan Description** - The Municipal Employees' Retirement System (MERS) – an agent multiple-employer defined benefit pension plan - provides certain retirement, disability and death benefits to plan members and beneficiaries. MERS was established under Rhode Island General Law and placed under the management of the Employee's Retirement System of Rhode Island (ERSRI) Board to provide retirement allowances to employees of municipalities, housing authorities, water and sewer districts, and municipal police and fire persons that have elected to participate. Benefit provisions are subject to amendment by the General Assembly.

(continued)

**TOWN OF JOHNSTON, RHODE ISLAND**  
**Notes to Financial Statements**  
**June 30, 2015**

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**NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)**

***(c) Municipal Firefighters Pension Plan***

MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the ERSRI website at [www.ersri.org](http://www.ersri.org)

**Benefits provided** – For general employees prior to June 30, 2012 the plan provided retirement benefits equal to 2% of a member's final average salary multiplied by the number of years of total service up to a maximum of 75%. Such benefits are available to members at least age 58 with 10 years of service or after 30 years of service at any age. Benefits accrued at June 30, 2012 are protected under the Rhode Island Retirement Security Act until it is exceeded by the member's full years of service credit, including service after June 30, 2012, multiplied by the average of five consecutive years of compensation. Effective July 1, 2012 the retirement age will mirror the Social Security Normal Retirement Age not to exceed age 67. Members will receive a benefit accrual of 1.0% per year based on the five-year average compensation.

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 sixty-two (62) and a reduced amount thereafter. The reduced amount is equal to the benefit before age sixty-two (62), including cost-of-living increases, minus the member's estimated social security benefit payable at age sixty-two (62).

Prior to June 30, 2012 police and fire personnel may retire at age 55 if they have 10 years of service or after 25 years of service at any age. An option may be elected to provide a 20 year service pension with a benefit equal to 2.5% for each year of service up to a maximum of 75% for police and fire personnel. Benefits are based on the average of the highest three consecutive years' earnings, exclusive of overtime.

The new retirement age will be 55 years old with 25 years of total service or for members with five years of service but less than 25 years of service the new retirement age will mirror the Social Security Normal Retirement Age not to exceed 67. Police officers or firefighters, that are at least 45 years old, have 10 or more years of contributing service and are eligible to retire prior to age 52 under the law in effect on June 30, 2012, may retire at age 52.

As of June 30, 2012 members will continue to have a frozen benefit accrual of 2.0% per year for a standard 25 year with any age and out plan; 2.5% for a standard 20 year with any age and out plan. Effective July 1, 2012 the optional 20 and 25 year with retirement at any age plans have been eliminated. The benefit accrual for all plans will be 2.0% per year based on the five-year average compensation, exclusive of overtime. Police and fire employees may retire with a reduced pension benefit if they have 20 years of service and are within five years of their retirement eligibility. The actuarially reduced benefit will be calculated based on how close the member is to the eligibility date that is prescribed in the Rhode Island Retirement Security Act.

The plan also provides survivor's benefits; and certain lump sum death benefits.

(continued)

**TOWN OF JOHNSTON, RHODE ISLAND**  
*Notes to Financial Statements*  
*June 30, 2015*

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**NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)**  
***(c) Municipal Firefighters Pension Plan***

Plan members are vested after five years of service.

An optional cost-of-living provision may be elected for police and fire personnel and general employees. The Cost of Living Adjustment (COLA) has been suspended for any unit whose funding level is less than 80%. The COLA provision can be reviewed in a five-year interval. When the funding level of a plan exceeds 80% funded eligible retirees may receive a COLA annually effective on their date of retirement plus one month.

The COLA will be calculated as the five (5) year smoothed investment rate of return less 5.50%, with a 0.00% floor and a 4.00% cap. For police and fire units, COLA will be delayed until the later of age 55 or three years after retirement. For general employee units, COLA will be delayed until the later of the Social Security Normal Retirement Age or three years after retirement. The COLA will be applied to the first \$25,000 of benefits indexed annually.

The plan also provides nonservice-connected disability benefits after 5 years of service; service-connected disability pensions with no minimum service requirement.

**Employees covered by benefit terms.**

At the June 30, 2013 valuation date, the following employees were covered by the benefit terms:

Retirees and Beneficiaries	2
Inactive, Nonretired Members	3
Active Members	55
<b>Total</b>	<b>60</b>

**Contributions** - The amount of employee and employer contributions have been established under Rhode Island General Law Chapter 45-21. General employees are required to contribute 2% of their salaries. Public safety employees are required to contribute 7% of their salaries. The Town of Johnston contributes at a rate of covered employee payroll as determined by an independent actuary on an annual basis. The General Assembly can amend the amount of these contribution requirements. The Town of Johnston contributed \$331,292 in the year ended June 30, 2015 which was 9.65% of annual covered payroll.

**Net Pension Liability (Asset)** - The total pension liability was determined by actuarial valuations performed as of June 30, 2013 and rolled forward to June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement.

(continued)

**TOWN OF JOHNSTON, RHODE ISLAND**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)**  
**(c) Municipal Firefighters Pension Plan**

<b>Summary of Actuarial Assumptions Used in the Valuations to determine the Net Pension Liability at the June 30, 2014 measurement date (June 30, 2013 valuation rolled forward to June 30, 2014)</b>	
Actuarial Cost Method	Entry Age Normal - the Individual Entry Age Actuarial Cost methodology is used.
Amortization Method	Level Percent of Payroll – Closed
Equivalent Single Remaining Amortization Period	21 years at June 30, 2014
Actuarial Assumptions	
Investment Rate of Return	7.50%
Projected Salary Increases	General Employees - 3.50% to 7.50% ; Police & Fire Employees - 4.00% to 14.00%
Inflation	2.75%
Mortality	<ul style="list-style-type: none"> <li>• Male Employees, MERS General and MERS P&amp;F: 115% of RP-2000 Combined Healthy for Males with White Collar adjustments, projected with Scale AA from 2000.</li> <li>• Female Employees, MERS General and MERS P&amp;F: 95% of RP-2000 Combined Healthy for Females with White Collar adjustments, projected with Scale AA from 2000.</li> </ul>
Cost of Living Adjustments	COLA is equal to the average five-year fund asset performance (percent) greater than 5.5% up to a maximum of 4% - the COLA is to be applied to the first \$25,000 of benefits, indexed over time. COLA is delayed until the latter of Social Security eligibility age or 3 years after retirement except for MERS Police and Fire for which the COLA is delayed until the later of age 55 or 3 years after retirement. A 2% COLA is assumed after January 1, 2014.

The actuarial assumptions used in the June 30, 2013 valuation rolled forward to June 30, 2014 and the calculation of the total pension liability at June 30, 2014 were consistent with the results of an actuarial experience study performed as of June 30, 2013.

(continued)

**TOWN OF JOHNSTON, RHODE ISLAND**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)**

**(c) Municipal Firefighters Pension Plan**

The long-term expected rate of return best-estimate on pension plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of pension plan investment expense and inflation) for each major asset class, based on forward-looking medium-term (10 year) capital market return assumptions developed by eight investment consulting firms. The June 30, 2014 expected arithmetic returns over the medium term by asset class as developed by the State Investment Commission's investment consultant, which are generally consistent with the averages utilized by the actuary, are summarized in the following table:

Asset Class	Target allocation	Medium-term expected real rate of return
Global Equity	38%	6.05%
Private Equity	7%	9.05%
Equity Hedge funds	8%	4.75%
Absolute return hedge	7%	2.95%
Real Return	14%	3.85%
Real Estate	8%	4.45%
Core Fixed	15%	0.25%
Cash	3%	-0.50%
	100%	

These return assumptions are then weighted by the target asset allocation percentage, factoring in correlation effects, to develop the overall medium-term expected rate of return best-estimate on an arithmetic basis. To arrive at the long-term expected return estimate, the actuary adjusts the medium-term number to reflect the longer 30-year time frame required for actuarial calculations. This process produces the actuarial expected return, which is based on a 30-year horizon, and can differ from the medium-term, 10-year-horizon return expectations.

**Discount rate** - The discount rate used to measure the total pension liability of the plans was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(continued)



**TOWN OF JOHNSTON, RHODE ISLAND**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)**  
**(c) Municipal Firefighters Pension Plan**

<b>Changes in the Net Pension Liability (Asset)</b>			
From GRS employer specific valuation	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances as of June 30, 2013	\$4,315,039	\$4,005,841	\$309,198
Changes for the Year	-	-	-
Service cost	516,218	-	516,218
Interest on the total pension liability	340,281	-	340,281
Changes in benefits	-	-	-
Difference between expected and actual experience	-	-	-
Changes in assumptions	(134,099)	-	(134,099)
Employer contributions	-	276,573	(276,573)
Employee contributions	-	231,191	(231,191)
Net investment income	-	681,794	(681,794)
Benefit payments, including employee refunds	(72,130)	(72,130)	-
Administrative expense	-	(4,269)	4,269
Other changes	-	(1)	1
Net changes	650,270	1,113,158	(462,888)
<b>Balances as of June 30, 2014</b>	<b>\$4,965,309</b>	<b>\$5,118,999</b>	<b>\$(153,690)</b>

**Sensitivity of the Net Pension Liability to changes in the discount rate.** The following presents the net pension liability (asset) of the employers calculated using the discount rate of 7.5 percent, as well as what the employers' net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

<b>1.00% Decrease (6.5%)</b>	<b>Current Discount Rate (7.5%)</b>	<b>1.00 Increase (8.5%)</b>
\$350,324	\$(153,690)	\$(657,704)

**Pension plan fiduciary net position** - detailed information about the pension plan's fiduciary net position is available in the separately issued ERSRI financial report.

(continued)

**TOWN OF JOHNSTON, RHODE ISLAND**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)**

**(c) Municipal Firefighters Pension Plan**

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended June 30, 2015, the Town of Johnston recognized pension expense of \$231,104. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date	\$ 331,292	\$ -
Difference in experience	-	-
Differences in assumptions	-	(125,275)
Excess(deficit) investment returns	-	(292,144)
Total	<u>\$ 331,292</u>	<u>\$ (417,419)</u>

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Net Deferred Outflows of Resources
2016	\$ (81,860)
2017	(81,860)
2018	(81,860)
2019	(81,860)
2020	(8,824)
Thereafter	(81,155)
Total	<u>\$ (417,419)</u>

**(d) Teachers' Pension Plan - Employees' Retirement System**

**General Information about the Pension Plan**

**Plan description** - Certain employees of the Johnston School Department participate in a cost-sharing multiple-employer defined benefit pension plan - the Employees' Retirement System plan - administered by the Employees' Retirement System of the State of Rhode Island (System). Under a cost-sharing plan, pension obligations for employees of all employers are pooled and plan assets are available to pay the benefits of the employees of any participating employer providing pension benefits through the plan, regardless of the status of the employers' payment of its pension obligation to the plan. The plan provides retirement and disability benefits and death benefits to plan members and beneficiaries.

(continued)

**TOWN OF JOHNSTON, RHODE ISLAND**  
**Notes to Financial Statements**  
**June 30, 2015**

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**NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)**

***(d) Teachers' Pension Plan - Employees' Retirement System (continued)***

The System issues a publicly available financial report that includes financial statements and required supplementary information for the plans. The report may be obtained at [www.ersri.org](http://www.ersri.org).

***Benefit provisions*** – The level of benefits provided to participants is established by Chapter 36-10 of the General Laws, which is subject to amendment by the General Assembly. Member benefit provisions vary based on service credits accumulated at dates specified in various amendments to the General Laws outlining minimum retirement age, benefit accrual rates and maximum benefit provisions. In general, members accumulate service credits for each year of service subject to maximum benefit accruals of 80% or 75%. For those hired after June 30, 2012, the benefit accrual rate is 1% per year with a maximum benefit accrual of 40%. Members eligible to retire at September 30, 2009 may retire with 10 years of service at age 60 or after 28 years of service at any age. The retirement eligibility age increases proportionately for other members reflecting years of service and other factors until it aligns with the Social Security Normal Retirement Age, which applies to any member with less than 5 years of service as of July 1, 2012. Members are vested after 5 years of service.

The plan provides for survivor's benefits for service connected death and certain lump sum death benefits. Joint and survivor benefit provision options are available to members.

Cost of living adjustments are provided but are currently suspended until the collective plans covering state employees and teachers reach a funded status of 80%. Until the plans reach an 80% funded status, interim cost of living adjustments are provided at five-year intervals.

The plan also provides nonservice-connected disability benefits after five years of service and service-connected disability benefits with no minimum service requirement.

***Contributions*** - The funding policy, as set forth in the General Laws, Section 16-16-22, provides for actuarially determined periodic contributions to the plan. For fiscal 2015, Johnston School Department teachers were required to contribute 3.75% of their annual covered salary. The state and the Johnston School Department are required to contribute at an actuarially determined rate, 40% of which is to be paid by the state and the remaining 60% is to be paid by Johnston School Department; the rates were 9.19% and 13.41% of annual covered payroll for the fiscal year ended June 30, 2015 for the state and Johnston School Department, respectively. The Johnston School Department contributed \$3,538,185, \$2,557,752 and \$2,435,000 for the fiscal years ended June 30, 2015, 2014 and 2013, respectively, equal to 100% of the required contributions for each year.

(continued)

**TOWN OF JOHNSTON, RHODE ISLAND**  
**Notes to Financial Statements**  
**June 30, 2015**

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**NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)**

***(d) Teachers' Pension Plan - Employees' Retirement System (continued)***

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources**

At June 30, 2015, the Johnston School Department reported a liability of \$31,616,141 for its proportionate share of the net pension liability that reflected a reduction for contributions made by the state. The amount recognized by the Johnston School Department as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the Johnston School Department were as follows:

Johnston School Department proportionate share of the net pension liability	\$31,616,141
State's proportionate share of the net pension liability associated with the Johnston School Department	<u>\$21,680,644</u>
Total net pension liability	<u>\$53,296,785</u>

The net pension liability was measured as of June 30, 2014, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014. The Johnston School Department proportion of the net pension liability was based on a projection of the Johnston School Department long-term share of contributions to the pension plan relative to the projected contributions of all participating employers and the state, actuarially determined. At June 30, 2014 the Johnston School Department proportion was 1.30%.

Subsequent to June 30, 2014 (the measurement date), litigation challenging the various pension reform measures enacted in previous years by the General Assembly (2009, 2010, and 2011) was settled. The final settlement approved by the Court on July 8, 2015 also included enactment of the pension settlement provisions by the General Assembly.

The amended benefit provisions in the newly enacted legislation and settlement agreement have not been reflected in the determination of the net pension liability at June 30, 2014 (the measurement date). These amended benefit provisions are summarized below:

- Employees with more than 20 years of service at July 1, 2012 will increase their employee contribution rate from 3.75% to 11% and participate solely in the defined benefit plan going forward – service credit accruals will increase from 1% to 2% per year.
- Employees with more than 10 but less than 20 years of service at July 1, 2012 will receive an increased employer contribution to the defined contribution plan.

(continued)

**TOWN OF JOHNSTON, RHODE ISLAND**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)**  
**(d) Teachers' Pension Plan - Employees' Retirement System (continued)**

- Retirees as of June 30, 2015 will receive two \$500 stipends; the interim cost of living increases will occur at 4 year rather 5 year intervals.
- Minor adjustments were made to the actuarial reduction for employees choosing to retire early.

These amendments are not considered to have a material effect on the net pension liability had they been retroactively applied to the calculation of the total pension liability at June 30, 2013 rolled forward to June 30, 2014. An actuarial analysis of the pension settlement provisions enacted by the General Assembly and approved by the Court indicated that the funded ratio at June 30, 2014 for teachers (determined on a funding basis) decreased from 59.6% to 58.2%

For the year ended June 30, 2015 the Johnston School Department recognized gross pension expense of \$3,704,983 and revenue of \$1,507,153 for support provided by the State. At June 30, 2015 the Johnston School Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred outflows of resources	
Contributions subsequent to the measurement date	\$3,538,185
Deferred inflows of resources	
Change of assumptions	1,119,904
Net difference between projected and actual earnings on pension plan investments	<u>2,722,488</u>
Total deferred inflows of resources	<u>\$3,842,392</u>

\$2,208,690 reported as deferred outflows of resources related to pensions resulting from the Johnston School Department contributions in fiscal year 2015 subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30:</b>	
<b>2016</b>	\$839,181
<b>2017</b>	839,181
<b>2018</b>	839,181
<b>2019</b>	839,181
<b>2020</b>	158,559
<b>thereafter</b>	<u>327,108</u>
	<u>\$3,842,392</u>

(continued)

**TOWN OF JOHNSTON, RHODE ISLAND**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)**  
**(d) Teachers' Pension Plan - Employees' Retirement System (continued)**

*Actuarial Assumptions* - the total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.50% to 6.50%
Investment rate of return	7.50%

Mortality – male and female teachers: 97% and 92%, respectively of rates in a GRS table based on male and female teacher experience, projected with Scale AA from 2000.

The actuarial assumptions used in the June 30, 2013 valuation rolled forward to June 30, 2014 and the calculation of the total pension liability at June 30, 2014 were consistent with the results of an actuarial experience study performed as of June 30, 2013.

The long-term expected rate of return best-estimate on pension plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of pension plan investment expense and inflation) for each major asset class, based on forward-looking medium-term (10 year) capital market return assumptions developed by eight investment consulting firms. The June 30, 2014 expected arithmetic returns over the medium term by asset class as developed by the State Investment Commission's investment consultant, which are generally consistent with the averages utilized by the actuary, are summarized in the following table:

Asset Class	Target allocation	Medium-term expected real rate of return
Global Equity	38%	6.05%
Private Equity	7%	9.05%
Equity Hedge funds	8%	4.75%
Absolute return hedge	7%	2.95%
Real Return	14%	3.85%
Real Estate	8%	4.45%
Core Fixed	15%	0.25%
Cash	3%	-0.50%
	100%	

(continued)

**TOWN OF JOHNSTON, RHODE ISLAND**

*Notes to Financial Statements*

*June 30, 2015*

**NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)**

***(d) Teachers' Pension Plan - Employees' Retirement System (continued)***

These return assumptions are then weighted by the target asset allocation percentage, factoring in correlation effects, to develop the overall medium-term expected rate of return best-estimate on an arithmetic basis. To arrive at the long-term expected return estimate, the actuary adjusts the medium-term number to reflect the longer 30-year time frame required for actuarial calculations. This process produces the actuarial expected return, which is based on a 30-year horizon, and can differ from the medium-term, 10-year-horizon return expectations.

***Discount rate*** - the discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

***Sensitivity of the net pension liability (asset) to changes in the discount rate*** - the following presents the net pension liability (asset) calculated using the discount rate of 7.5 percent as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

<b>1.00% Decrease (6.5%)</b>	<b>Current Discount Rate (7.5%)</b>	<b>1.00 Increase (8.5%)</b>
39,595,309	31,616,141	23,473,247

**Pension plan fiduciary net position** - detailed information about the pension plan's fiduciary net position is available in the separately issued ERSRI financial report.

***(e) Police and Fire Pension Trust (Fiduciary Fund)***

***Plan Description*** – The Town administers and contributes to the Police and Fire Pension Plan, a single-employer retirement plan. The assets of the Police and Fire Pension Plan are held in a Trust which is reported in the fiduciary fund in the Town's annual financial statements. The Police and Fire Pension Plan was established by the Town in accordance with the Town Charter.

Police and fire department employees are covered under this pay-as-you-go pension plan, except for firefighters hired after July 1, 1999 and police employees hired after July 1, 2010 who are covered under the State of Rhode Island MERS retirement system (described earlier). 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 firefighter 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 firefighters.

(continued)

**TOWN OF JOHNSTON, RHODE ISLAND**  
*Notes to Financial Statements*  
*June 30, 2015*

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**NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)**

***(e) Police and Fire Pension Trust (Fiduciary Fund) (continued)***

***Benefits Provided*** - In April 2011, the Town established an irrevocable Police and Fire Pension Trust Fund.

Effective July 1, 2012 and July 1, 1992, the required contribution rate for the pay-as-you-go police and fire pension plan, respectively is 8% by the employees and 12% by the Town. The contribution is calculated on the employee's annual salary, holiday pay, overtime pay, etc.

The police officer pay-as-you-go plan 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 chart below). 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. For retirements prior to July 1, 2005, pensions for retirees are indexed to one-half of the negotiated base pay increases for active police after benefit commencement. For retirements after July 1, 2005, pensions for retirees shall increase by a 3.00% compounded Cost of Living Adjustment (COLA). The COLA shall begin in the 25<sup>th</sup> month following the date of the officer's retirement.

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

<u>Years of Service</u>	<u>Percentage of Final Average Salary</u>
18	45.0%
19	47.5%
20	50.0%
21	52.5%
22	55.0%
23	57.5%
24	60.0%
25	65.0%
26	66.0%
27	67.0%
28	68.0%
29	69.0%
30+	70.0%

(continued)



**TOWN OF JOHNSTON, RHODE ISLAND**  
*Notes to Financial Statements*  
 June 30, 2015

**NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)**

*(e) Police and Fire Pension Trust (Fiduciary Fund) (continued)*

**Benefits Provided (continued):**

The firefighter pay-as-you-go plan provides retirement benefits as well as death and disability benefits. All members of the fire department hire before July 1, 1999 are eligible to participate. Participants in the plan are eligible to retire after 20 years of service. Benefits are equal to 50% of the final average of the employee's three highest consecutive years of compensation based on the base salary, longevity, holiday, clothing allowance, maintenance allowance, severance pay, etc (see chart below). 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 final average pay. Employees are vested in their retirement benefits on completion of 10 years of service and attainment of age 55. All firefighters who retire on disability receive sixty-six and two-thirds percent of their final average salary. Retirees receive a COLA of one-half of the negotiated pay increases for active firefighters.

The following reflects the retirement benefits schedule for members of the fire department

<u>Years of Service</u>	<u>Percentage of Final Average Salary</u>
20	50.0%
21	52.5%
22	55.0%
23	57.5%
24	60.0%
25	62.5%
26	65.0%
27	67.5%
28	70.0%
29	72.5%
30+	75.0%

**Plan Membership -**

At June 30<sup>th</sup>, 2014, pension plan membership consisted of the following for police:

Retirees and Beneficiaries	99
Inactive, Nonretired Members	0
Active Members	55
<b>Total</b>	<b>154</b>

At June 30<sup>th</sup>, 2014, pension plan membership consisted of the following for fire:

Retirees and Beneficiaries	83
Inactive, Nonretired Members	0
Active Members	31
<b>Total</b>	<b>114</b>

(continued)

**TOWN OF JOHNSTON, RHODE ISLAND**  
**Notes to Financial Statements**  
**June 30, 2015**

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**NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)**

***(e) Police and Fire Pension Trust (Fiduciary Fund) (continued)***

**Contributions** – The amount of employee contributions have been established under the plan. For the police department, employee contributions are equal to 6% of gross pay increasing to 7% of gross pay effective July 1, 2011 and further increasing to 8% of gross pay effective July 1, 2012. Police employees terminating before retirement may withdraw the employee-provided account and forfeit their right to pension benefits. The Town of Johnston has adopted a policy to increase the prior year's employer's contribution 2.75% annually.

For the fire department, employee contributions are equal to 8% of salary including base, holiday, longevity, clothing allowance, clothing maintenance allowance, severance and overtime. The Town of Johnston has adopted a policy to increase the prior year's employer's contribution 2.75% annually.

**Net Pension Liability** – The total net pension liability for the Police and Fire Pension Trust was determined by an actuarial valuation as of July 1, 2014, using the following actuarial assumptions, applied to all periods included in the measurement, with the results rolled forward to June 30<sup>th</sup>, 2015

**Investment rate of return** – For the year ended June 30, 2015, the annual money-weighted rate of return on the Police and fire Pension Plan investments, net of investment expenses, was 7.5%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Actuarial assumptions** - The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an experience study for the period July 1, 2007 to June 20, 2011. The total pension liability was determined by an actuarial valuation of July 1, 2014, using the following actuarial assumptions, applied to all periods included in the measurement, with the results rolled forward to June 30, 2014:

Inflation	2.75%
Salary increases	4.00%
Investment rate of return	7.50%, net of pension plan investment expense, including inflation (4.72% blended rate used to determine total pension liability)

Healthy mortality rates were based on the sex-distinct RP-2000 Combined Health White Collar Mortality Table using 115% of males rates and 95% of female rates for females, adjusted to the valuation date, using general projection under Scale AA to reflect future mortality improvement.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

(continued)

**TOWN OF JOHNSTON, RHODE ISLAND**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)**

***(e) Police and Fire Pension Trust (Fiduciary Fund) (continued)***

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	40.0%	6.3%
International equity - developed markets	17.5%	7.0%
International equity - emerging markets	2.5%	9.3%
Fixed income - core	28.0%	1.2%
Fixed income - high yield	6.0%	4.0%
Real estate	5.0%	5.0%
Cash	1.0%	0.0%
<b>Total</b>	100.0%	

**Discount rate** - The blended discount rate used to measure the total pension liability is 4.72%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that the Town of Johnston's contributions of 5.2 million for the fiscal year ending June 30<sup>th</sup>, 2014 will increase 2.75% each year. Based on these assumptions, the Pension System's fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on Pension Plan investments was applied to the first 13 periods of projected benefit payments and a 4.29% municipal bond rate was applied to all periods thereafter to determine the total pension liability.

(continued)

**TOWN OF JOHNSTON, RHODE ISLAND**  
**Notes to Financial Statements**  
**June 30, 2015**

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**NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)**

*(e) Police and Fire Pension Trust (Fiduciary Fund) (continued)*

**Sensitivity of the net pension liability to changes in the discount rate** – The following presents the net pension liability of the employers calculated using the discount of 4.72 %, as well as what the employers’ net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.72%) or 1-percentage-point higher (5.72%) than the current rate:

<b>Unit</b>	<b>1.00% Decrease (3.72%)</b>	<b>Current Discount Rate (4.72%)</b>	<b>1.00 Increase (5.72%)</b>
Police	\$126,219,894	\$103,390,926	\$85,790,269
Fire	118,383,067	98,367,348	82,591,534
<b>Total</b>	<b>\$244,602,961</b>	<b>\$201,758,274</b>	<b>\$168,381,803</b>

The schedule of changes in the Town’s net pension liability, employer contributions, and investment returns are presented as required supplementary information following the notes to the basic financial statements.

(continued)

**TOWN OF JOHNSTON, RHODE ISLAND**  
**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY**  
**POLICE AND FIREFIGHTERS PENSION TRUST FUND**  
**June 30, 2015**

	<i>As of June 30, 2014</i>		
	<b>Police</b>	<b>Fire</b>	<b>Total</b>
<b>A. Total pension liability (TPL)</b>			
1. Service Cost	\$ 3,486,338	\$ 2,208,787	\$ 5,695,125
2. Interest on the Total Pension Liability	4,843,141	5,185,774	10,028,915
3. Changes of benefit terms	-	-	-
4. Difference between expected and actual experience of the Total Pension Liability	5,744,046	2,570,343	8,314,389
5. Changes of assumptions	-	-	-
6. Benefit payments, including refunds of employee contributions	(3,929,063)	(4,035,577)	(7,964,640)
7. Net change in total pension liability	10,144,462	5,929,327	16,073,789
* 8. Total pension liability – beginning	104,573,453	111,885,883	216,459,336
** 9. Total pension liability – ending (a)	<b>114,717,915</b>	<b>117,815,210</b>	<b>232,533,125</b>
<b>B. Plan fiduciary net position (FNP)</b>			
1. Contributions – employer	2,711,326	2,706,157	5,417,483
2. Contributions – employee	369,825	356,584	726,409
3. Net investment income	2,301,494	3,228,280	5,529,774
4. Benefit payments, including refunds of employee contributions	(3,929,063)	(4,035,577)	(7,964,640)
5. Pension Plan Administrative Expense	(127,317)	(127,318)	(254,635)
6. Other	-	-	-
7. Net change in plan fiduciary net position	1,326,265	2,128,126	3,454,391
8. Plan fiduciary net position – beginning	15,816,172	22,051,272	37,867,444
9. Plan fiduciary net position – ending (b)	<b>17,142,437</b>	<b>24,179,398</b>	<b>41,321,835</b>
<b>C. Net pension liability - ending (a) - (b) (NPL)</b>	<b>\$ 97,575,478</b>	<b>\$ 93,635,812</b>	<b>\$ 191,211,290</b>

\* Entry Age Normal liabilities calculated using service amounts as of June 30, 2013 are used to measure TPL as of June 30, 2013.

The balances as of June 30, 2013 constitute measurements of the NPL for the fiscal year ending June 30, 2014

\*\* Entry Age Normal liabilities calculated using service amounts as of June 30, 2014 are used to measure TPL as of June 30, 2014.

The balances as of June 30, 2014 constitute measurements of the NPL for the fiscal year ending June 30, 2015

**TOWN OF JOHNSTON, RHODE ISLAND**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)**

***(e) Police and Fire Pension Trust (Fiduciary Fund) (continued)***

For the year ended June 30, 2015 Johnston recognized gross pension expense of \$16,093,718. At June 30, 2015 the Johnston reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

		Deferred Outflows of Resources		Deferred Inflows of Resources
Contributions subsequent to the measurement date of June 30, 2014	\$	5,377,624	\$	-
Differences between expected and actual experience		4,157,195		-
Net difference between projected and actual earnings on pension plan investments		-		(2,214,032)
Total	\$	9,534,819	\$	(2,214,032)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows in future years:

	Year Established	Outstanding Balance at July 1, 2014	Amount Recognized During FYE June 30, 2015	Outstanding Balance at June 30, 2015	Deferred Outflows/(Inflows) Recognized in Future Years					
					2016	2017	2018	2019	2020	2021 and Thereafter
<b>Fiscal Year Outflows</b>										
Demographics	2015	\$ 8,314,389	\$ 4,157,194	\$ 4,157,195	\$ 4,157,195	-	-	-	-	-
Total Outflows		\$ 8,314,389	\$ 4,157,194	\$ 4,157,195	\$ 4,157,195	-	-	-	-	-
<b>Fiscal Year Inflows</b>										
Investment	2015	\$ (2,767,542)	\$ (553,510)	\$ (2,214,032)	\$ (553,508)	\$ (553,508)	\$ (553,508)	\$ (553,508)	-	-
Total Inflows		\$ (2,767,542)	\$ (553,510)	\$ (2,214,032)	\$ (553,508)	\$ (553,508)	\$ (553,508)	\$ (553,508)	-	-
Total		\$ 5,546,847	\$ 3,603,684	\$ 1,943,163	\$ 3,603,687	\$ (553,508)	\$ (553,508)	\$ (553,508)	-	-

(continued)

**NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)**

**(f) Teachers' Survivor Benefit**

**General Information about the Pension Plan**

**Plan description** - Certain employees of the Johnston School Department participate in a cost-sharing multiple-employer defined benefit pension plan - the Teachers' Survivors Benefit plan - administered by the Employees' Retirement System of the State of Rhode Island (System). Under a cost-sharing plan, pension obligations for employees of all employers are pooled and plan assets are available to pay the benefits of the employees of any participating employer providing pension benefits through the plan, regardless of the status of the employers' payment of its pension obligation to the plan. The plan provides a survivor benefit to public school teachers in lieu of Social Security since not all school districts participate in Social Security.

The System issues a publicly available financial report that includes financial statements and required supplementary information for the plans. The report may be obtained at <http://www.ersri.org>.

**Eligibility and plan benefits** - the plan provides a survivor benefit to public school teachers in lieu of Social Security since not all school districts participate in the plan. Specific eligibility criteria and the amount of the benefit is subject to the provisions of Chapter 16-16 of the Rhode Island General Laws which are subject to amendment by the General Assembly. Spouse, parents, family and children's benefits are payable following the death of a member. A spouse shall be entitled to benefits upon attaining the age of sixty (60) years. Children's benefits are payable to the child, including a stepchild or adopted child of a deceased member if the child is unmarried and under the age of eighteen (18) years or twenty-three (23) years and a full time student, and was dependent upon the member at the time of the member's death. Family benefits are provided if at the time of the member's death the surviving spouse has in his or her care a child of the deceased member entitled to child benefits. Parents benefits are payable to the parent or parents of a deceased member if the member did not leave a widow, widower, or child who could ever qualify for monthly benefits on the member's wages and the parent has reached the age of 60 years, has not remarried, and received support from the member. In January, a yearly cost-of-living adjustment for spouse's benefits is paid and based on the annual social security adjustment.

Survivors are eligible for benefits if the member has made contributions for at least six months prior to death or retirement.

(continued)

**TOWN OF JOHNSTON, RHODE ISLAND**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)**  
**(f) Teachers' Survivor Benefit (continued)**

The TSB plan provides benefits based on the highest salary at the time of retirement of the teacher. Benefits are payable in accordance with the following table:

Highest Annual Salary	Basic Monthly Spouses' Benefit
\$17,000 or less	\$ 750
\$17,001 to \$25,000	\$ 875
\$25,001 to \$33,000	\$ 1,000
\$33,001 to \$40,000	\$ 1,125
\$40,001 and over	\$ 1,250

Benefits payable to children and families are equal to the spousal benefit multiplied by the percentage below:

Parent and 1 Child	Parent and 2 or More Children	One Child Alone	Two Children Alone	Three or More Children Alone	Dependent Parent
150%	175%	75%	150%	175%	100%

**Contributions** - The contribution requirements of active employees and the participating school districts were established under Chapter 16-16 of the Rhode Island General Laws, which may be amended by the General Assembly. The cost of the benefits provided by the plan are two percent (2%) of the member's annual salary up to but not exceeding an annual salary of \$9,600; one-half (1/2) of the cost is contributed by the member by deductions from his or her salary, and the other half (1/2) is contributed and paid by the respective school district by which the member is employed. These contributions are in addition to the contributions required for regular pension benefits.

The Johnston School Department contributed \$29,256, \$28,320, and \$34,573 for the fiscal years ended June 30, 2015, 2014, and 2013 respectively, equal to 100% of the required contributions for each year.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources**

At June 30, 2015 the Johnston School Department reported an asset of \$5,779,628 for its proportionate share of the net pension asset related to its participation in TSB. The net pension asset was measured as of June 30, 2014, the measurement date, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014. The School Department's proportion of the net pension asset was based on its share of contributions to the TSB for fiscal year 2014 relative to the total contributions of all participating employers for that fiscal year. At June 30, 2014 the School Department's proportion was 4.65%.

(continued)



**TOWN OF JOHNSTON, RHODE ISLAND**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)**

**(f) Teachers' Survivor Benefit (continued)**

For the year ended June 30, 2015 the Johnston School Department recognized pension expense of \$(445,513) – an increase in the net pension asset. At June 30, 2015 the Johnston School Department deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred outflows of resources:	
Contributions subsequent to the measurement date	\$29,256
Deferred inflows of resources:	
Net difference between projected and actual earnings on pension plan investments	\$756,389

\$29,256 reported as deferred outflows of resources related to pensions resulting from the Johnston School Department contributions in fiscal year 2015 subsequent to the measurement date will be recognized as an addition to the net pension asset for the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30:</b>	
<b>2016</b>	\$(189,097)
<b>2017</b>	(189,097)
<b>2018</b>	(189,097)
<b>2019</b>	(189,097)
	\$756,389

**Actuarial Assumptions** - the total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.50% to 13.50%
Investment rate of return	7.50%

Mortality rates for male and female teachers were based on 97% (males) and 92% (females) of rates in a GRS table based on male and female teacher experience, projected with scale AA from 2000.

Cost of living adjustment – eligible survivors receive a yearly cost of living adjustment based on the annual social security adjustment – for valuation purposes, a 2.75% cost of living adjustment is assumed.

(continued)

**TOWN OF JOHNSTON, RHODE ISLAND**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)**  
**(f) Teachers' Survivor Benefit (continued)**

The actuarial assumptions used in the June 30, 2013 valuation rolled forward to June 30, 2014 and the calculation of the total pension liability at June 30, 2014 were consistent with the results of an actuarial experience study performed as of June 30, 2013.

The long-term expected rate of return best-estimate on pension plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of pension plan investment expense and inflation) for each major asset class, based on forward-looking medium-term (10 year) capital market return assumptions developed by eight investment consulting firms. The June 30, 2014 expected arithmetic returns over the medium term by asset class as developed by the State Investment Commission's investment consultant, which are generally consistent with the averages utilized by the actuary, are summarized in the following table:

Asset Class	Target allocation	Medium-term expected real rate of return
Global Equity	38%	6.05%
Private Equity	7%	9.05%
Equity Hedge funds	8%	4.75%
Absolute return hedge	7%	2.95%
Real Return	14%	3.85%
Real Estate	8%	4.45%
Core Fixed	15%	0.25%
Cash	3%	-0.50%
	100%	

These return assumptions are then weighted by the target asset allocation percentage, factoring in correlation effects, to develop the overall medium-term expected rate of return best-estimate on an arithmetic basis. To arrive at the long-term expected return estimate, the actuary adjusts the medium-term number to reflect the longer 30-year time frame required for actuarial calculations. This process produces the actuarial expected return, which is based on a 30-year horizon, and can differ from the medium-term, 10-year-horizon return expectations.

**Discount rate** - the discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(continued)

**TOWN OF JOHNSTON, RHODE ISLAND**  
**Notes to Financial Statements**  
**June 30, 2015**

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**NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)**  
**(f) Teachers' Survivor Benefit (continued)**

*Sensitivity of the net pension liability (asset) to changes in the discount rate* - the following presents the net pension liability (asset) calculated using the discount rate of 7.5 percent as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

<b>1.00% Decrease (6.5%)</b>	<b>Current Discount Rate (7.5%)</b>	<b>1.00 Increase (8.5%)</b>
\$(4,953,058)	\$(5,779,628)	\$(6,606,078)

**Pension plan fiduciary net position** - detailed information about the pension plan's fiduciary net position is available in the separately issued ERSRI financial report.

**NOTE 12 – DEFINED BENEFIT CONTRIBUTION PLAN**

***Defined Contribution Plan Description:***

Employees participating in the defined benefit plan, as described above, also participate in a defined contribution plan authorized by General Law Chapter 36-10.3. The defined contribution plan is established under IRS section 401(a) and is administered by TIAA-CREF. Employees may choose among various investment options available to plan participants. Employees contribute 5% of their annual covered salary and employers contribute 1% of annual covered salary. Employee contributions are immediately vested while employer contributions and any investment earnings thereon are vested after three years of contributory service. Benefit terms and contributions required under the plan by both the employee and employer are established by the General Laws, which are subject to amendment by the General Assembly.

As previously indicated in the disclosure of recently-enacted pension legislation, the employer contribution for certain qualifying employees will increase slightly beginning in fiscal 2016.

Amounts in the defined contribution plan are available to participants in accordance with Internal Revenue Service guidelines for such plans.

For the fiscal year ended June 30, 2015, the employer contributions for The Town of Johnston (including the School Department) were \$40,248 for general municipal employees, \$40,372 for noncertified school employees, and \$665,999 for certified teachers.

The System issues a publicly available financial report that includes financial statements and required supplementary information for plans administered by the system. The report may be obtained at [www.ersri.org](http://www.ersri.org).

(continued)

**TOWN OF JOHNSTON, RHODE ISLAND**  
**Notes to Financial Statements**  
**June 30, 2015**

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**NOTE 13 – POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB)**

In addition to the pension benefits described in Note 11 and 12, 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 after 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 has 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 service and age 55. There is no spousal coverage available at retirement.

***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 Town's GASB 45 - Financial Report – Fiscal year ended June 30, 2015. This report dated July 25, 2014 can be obtained by contacting the Town's Finance Department.

***Funding Policy***

The Annual Required Contribution (ARC) for OPEB consists of two pieces: *Normal Cost* (the cost of benefits earned each year which should be accrued in that year) plus *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 by GASB).

The annual OPEB cost for governmental activities for the fiscal year ended June 30, 2014 was \$14,672,746 and represents \$3,586,187 and \$11,086,559, for School and Town personnel respectively. The annual OPEB cost for business-type activities for the fiscal year ended June 30, 2014 was \$151,732.

(continued)

**TOWN OF JOHNSTON, RHODE ISLAND**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 13 – POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS**  
**(continued)**

The current year expenditures for these post-retirement benefits are recognized on a pay-as-you-go basis, as the monthly cost for the benefits become due. During the year ended June 30, 2015, expenditures of approximately \$4,764,300 were recognized for the post-retirement benefits. Of this amount approximately \$3,157,900 was paid for 309 Town and \$1,606,400 was paid for 274 School retirees. Current year expenditures represent approximately 35.2% or ARC.

As noted above the Town did not comply with the funding requirements for the fiscal year ended June 30, 2014 which were determined by the actuarial valuation report with a valuation date of July 1, 2014. As a result, the government-wide financial statements include a long-term liability of \$70,989,313 and an expense for this Net OPEB Obligation (NOO) of \$10,060,213.

The NOO at June 30, 2014 was calculated as follows:

	Governmental Activities	Business-Type Activities
Annual Required Contribution	\$15,062,231	\$152,193
Interest on existing NOO	2,129,999	2,520
Adjustment to ARC	(2,519,484)	(2,981)
Annual OPEB cost	14,672,746	151,732
Contribution made during fiscal year 2015	(4,764,265)	-
Net increase in NOO	9,908,481	151,732
NOO at June, 30, 2013	60,857,091	72,009
<b>NOO at June, 2014</b>	<b>70,765,572</b>	<b>223,741</b>

**Trend Information – Governmental Activities**

Fiscal Year <u>Ended</u>	Annual <u>OPEB Cost</u>	Contributions <u>Made</u>	%of OPEB <u>Contributed</u>	Net OPEB <u>Obligations</u>
6/30/2014	\$ 14,672,746	\$ 4,764,265	32.9%	\$ 70,765,572
6/30/2013	\$ 14,465,795	\$ 5,189,692	35.9%	\$ 60,857,091
6/30/2012	\$17,183,666	\$5,284,569	30.8%	\$51,580,988

**Trend Information – Business Type Activities**

Fiscal Year <u>Ended</u>	Annual <u>OPEB Cost</u>	Contributions <u>Made</u>	%of OPEB <u>Contributed</u>	Net OPEB <u>Obligations</u>
6/30/2014	\$ 151,732	-	0.0%	\$ 223,741
6/30/2013	\$ 13,569	-	0.0%	\$ 72,009
6/30/2012	\$10,523	-	0.0%	\$58,440

(continued)

**TOWN OF JOHNSTON, RHODE ISLAND**  
**Notes to Financial Statements**  
**June 30, 2015**

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**NOTE 13 – POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS**  
**(continued)**

**Funded Status of Plan**

The required supplementary information which follows the notes to the financial statements presents multiyear trend information 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, 2014 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) - \$198,288,651
- Unfunded actuarial accrued liability (UAAL) - \$198,288,651
- Funded ratio – 0.00%
- Annual covered payroll – NA
- UAAL as percent of payroll – NA

**Business-Type Activities**

- Actuarial value of assets - \$0
- Actuarial accrued liability (AAL) - \$1,297,957
- Unfunded actuarial accrued liability (UAAL) - \$1,297,957
- Funded ratio – 0.00%
- Annual covered payroll – NA
- UAAL as percent of payroll – NA

Actuarial calculation 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 the 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 exceptions and new estimates are made about the future

**Actuarial Assumptions:**

- a. Valuation Date: July 1, 2014
- b. Actuarial Cost Method: Projected Unit Credit
- c. Amortization Method: Payments increase at 3.5%
- d. Amortization Period: 30 year closed (25 years remaining at July 1, 2014)
- e. Asset Valuation Method: Market Value
- f. Investment Rate of Return: 3.5%
- g. Medical/Drug cost trend rate – 9% decreasing by 0.5% for 8 years to an ultimate level of 5.0%

(continued)

**TOWN OF JOHNSTON, RHODE ISLAND**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 13 – POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS**  
**(continued)**

**Number of participants:**

At July 1, 2014 the total number of participants under the plan was 1,204. The plan participants include 583 current retirees and spouses (Town and School) and 621 active employees (Town and School).

**NOTE 14 – FUND BALANCES (DEFICITS)**

Fund Balances

As stated in Note 1, in accordance with GASB Statements 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, 2015 non-spendable fund balance consisted of the following:

General Fund:	
Prepaid	\$ 735,869
School Unrestricted Fund	
Prepaid	173,795
Total Non-spendable fund Balance	<u>\$ 909,664</u>

At June 30, 2015 non-spendable fund balance consisted of the following:

**Other Governmental Funds:**

**Special Revenue Funds:**

Education	\$ 90,780
Community Development	15,302
Law Enforcement	97,717
Parks and Recreation	24,180
Historical Records Preservation	79,861
Fire Prevention and Education	29,730
Library Renovations	141,108
Champlin Grant	8,200

**Capital Project Funds**

School Renovations	133,169
Parks and Recreation	12,121
Other Capital Projects	4,819,449
School Athletic Complex	<u>28</u>
<b>Total Restricted fund balance</b>	<u><b>\$5,451,645</b></u>

(continued)

**TOWN OF JOHNSTON, RHODE ISLAND**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 14 – FUND BALANCES (DEFICITS) (continued)**

At June 30, 2015 committed fund balance consisted of the following:

<b>School Unrestricted Fund:</b>	
Committed for Education	\$5,163,254
 <b>Other Governmental Funds:</b>	
Fire Department Expenses	55,577
Fire Equipment and Apparatus	<u>495,541</u>
<b>Total Committed fund Balance</b>	<u><b>\$5,714,372</b></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 expenditure 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 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.

**Fund Deficits**

The following individual funds incurred operating deficits for the year ended June 30, 2015 as follows:

<b>Non-Major Governmental Funds:</b>	
Special Revenue Funds:	
School restricted Fund	\$ 62,705
Fire department expense	162,026
Historical Trust	24,853
 <b>Capital Project Fund:</b>	
School Athletic Complex	2,157,992
Capital Projects	1,381,048
Capital Lease 2011	17,688
Capital Project 2013 Series A	<u>1,217,736</u>
 <b>Total deficits non-major governmental activities for</b>	
<b>The year ended June 30, 2015</b>	<u><b>\$5,024,048</b></u>
 <b>Proprietary Funds</b>	
Credit Recovery	\$ 3,616
Water Control	<u>319,099</u>
 <b>Total deficits proprietary activities for</b>	
<b>The year ended June 30, 2015</b>	<u><b>\$ 322,715</b></u>

(continued)



**TOWN OF JOHNSTON, RHODE ISLAND**  
*Notes to Financial Statements*  
**June 30, 2015**

**NOTE 14 – FUND BALANCES (DEFICITS) (continued)**

At June 30, 2015 deficit fund balance consisted of the following:

<b>Other Government Funds:</b>	
<b>Special Revenue Funds:</b>	
Education	\$ <u>22,379</u>

**NOTE 15 – 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 year 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, 2015 the stop loss insurance contract covered all claims exceeding \$250,000 per individual on an annual basis. In addition, specific stop loss maximum for the Town for the year is maintained at approximately \$1,750,000.

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 of based on estimated working rates. Healthcare claims incurred by the Healthcare Management Fund for the fiscal year ended June 30, 2015 were approximately \$14,788,000. At June 30, 2015 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, 2015 as follows:

	<u>2015</u>	<u>2014</u>
IBNR at beginning of year	\$ 724,435	\$ 588,418
Claims incurred during the year	14,788,416	14,658,170
Claims paid during the year	(14,822,317)	(14,522,153)
<b>IBNR at June 30</b>	<b>\$ 690,534</b>	<b>\$ 724,435</b>

**Unemployment**

The Town is self-insured for unemployment benefits.

(continued)

**TOWN OF JOHNSTON, RHODE ISLAND**  
*Notes to Financial Statements*  
*June 30, 2015*

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**NOTE 15 – RISK MANAGEMENT AND HEALTHCARE MANAGEMENT FUND (continued)**

**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 risks of loss.

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

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

Upon joining the Trust, members sign a participation agreement which outline 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.

**NOTE 16 – OTHER AGREEMENTS**

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 assignee owns or operates solid waste management facilities and landfills on the property in the Town.

The terms of the agreement are as follows:

1. The 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 ½% 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 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 shall be increased ten percent (10%)

(continued)

**TOWN OF JOHNSTON, RHODE ISLAND**  
*Notes to Financial Statements*  
*June 30, 2015*

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**NOTE 16 – OTHER AGREEMENTS (continued)**

5. Total revenue recognized under this agreement and recorded in the General Fund for the year ended June 30, 2015 was approximately \$3,258,000. In addition to the \$3.43 million, the Town also recognized revenue for Tipping Fees of approximately \$454,462 during the fiscal year ended June 30, 2015.

On March 16, 2015 the Town and Energy Rhode Island State Energy L.P. (ERISE) entered into an agreement regarding the supply of energy to certain parts of the Town. In May of 1999, the town entered into the original agreement regarding this matter with predecessors' organizations. The current agreement commenced on January 2105 and expires on December 31, 2035.

ERISE agrees to provide energy at a significant benefit to the industrial customers located in the industrial park site where the energy facility is constructed. Also, the agreement provides additional benefits to the Town through the provision of discounted generation supply to the Town for use in its municipal facilities.

The agreement provides for a tax stabilization payment of \$3,000,000 to be paid by January 31, 2016. Thereafter, all tax shall be subject to an annual escalation of two percent. The agreement allows for an evaluation of the escalation rate every fifth year. Annual payments are due on or before January 31<sup>st</sup> of each year of the term.

Total revenue of \$2,500,000 was received under the terms of the previous agreement and where recorded as tax revenue in the General Fund for the year ended June 30, 2015.

**NOTE 17 – COMMITMENTS, CONTINGENCIES AND LITIGATION**

In September, 2015, the School entered into a new contract for bus service for students. The contract is effective August 26, 2015 through August 31, 2018, with an option to renew the contract for up to an additional two years. Estimated costs to be incurred over the remaining life of this contract are approximately \$2,000,000.

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 financial resources. At June 30, 2015, the Town (including the School Department) had several lawsuits pending. These lawsuits include personal injury and property damage 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 costs of these claims. At June 30, 2015, the liability, if any resulting from these claims was not determinable.

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

(continued)

**TOWN OF JOHNSTON, RHODE ISLAND**  
*Notes to Financial Statements*  
*June 30, 2015*

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**NOTE 17 – COMMITMENTS, CONTINGENCIES AND LITIGATION (continued)**

amounts, if any, to be immaterial.

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 (RICWFA) 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 Systems 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 Rhode Island Housing (RIH). RIH, on behalf of the Town shall perform all administrative functions related to servicing the individual loans, including disbursing loans to property owners and collecting and remitting borrower loan payments. The loan has a zero interest rate to the Town and 4% to property owners. The Town is only required to make principal repayments in the event that individual property owners default on their loans.

In February 2008, the Town received a commitment from RICWFA to finance the Town's Community Septic Systems 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, 2015 all the funds under these programs had been drawn down by the community.

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 \$14,864. The present value of this obligation at June 30, 2015 was approximately \$14,282. The liability has been recorded in the Government-Wide Statements at June 30, 2015. The liability is not recorded in the Fund Statements as it is not expected to be paid with the current measurable and available resources.

The Town was named in as the defendant in a case involving the pension obligation to three retirees. In fiscal 2012 the Town was unsuccessful in its defense but has appealed the verdict to the Rhode Island Supreme Court. The estimated obligation resulting from this case including interest in accordance with the initial judgement was estimated to be \$825,777. This potential obligation has been reported as a liability in the Police and Fire Pension Trust Fund (a Fiduciary Fund) as of June 30, 2015. 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, 2015, the Town

(continued)

**TOWN OF JOHNSTON, RHODE ISLAND**  
**Notes to Financial Statements**  
**June 30, 2015**

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**NOTE 17 – COMMITMENTS, CONTINGENCIES AND LITIGATION (continued)**

has established a letter of credit for the potential interest owed on the judgement and deposited funds equal to that letter of credit into separate restricted cash accounts. In addition, the initial judgement of approximately \$199,130 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.

**NOTE 18 – RESTATEMENTS**

The net position of the Government Wide Activities has been restated to reflect adjustments made to adopt GASB Statement No. 68, "Accounting and Financial reporting for Pensions – an amendment of GASB No. 27," and GASB Statement No. 71, "Pension Transition for Contributions made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68," in fiscal year 2015.

	Governmental Activities
Net Position, June 30, 2014 as previously reported	\$ 50,184,762
Adoption of GASB Statements	<u>\$ 180,306,735</u>
Net Position, June 30, 2014 as restated	\$ 230,491,497

**NOTE 19 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events for recognition and disclosure through December 24, 2015, the date the financial statements were available to be issued. On September 30, 2015, the Town entered into a five year lease agreement in the amount of \$250,00 to purchase certain computers and specialized police vehicle computer equipment.

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(continued)

## **REQUIRED SUPPLEMENTARY INFORMATION**

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, 2015  
UNAUDITED**

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
<b>Tax revenues:</b>				
Current year	\$ 65,951,645	\$ 65,951,645	\$ 69,852,780	\$ 3,901,135
1st preceding year	1,850,000	1,850,000	2,077,166	227,166
2nd preceding year	-	-	613,820	613,820
All other preceding years	-	-	167,393	167,393
Abatements	(100,000)	(100,000)	(91,447)	8,553
Power plant tax treaty	2,600,000	2,600,000	2,500,000	(100,000)
National Grid reliability project	-	-	500,000	500,000
<b>Total revenues</b>	<b>70,301,645</b>	<b>70,301,645</b>	<b>75,619,712</b>	<b>5,318,067</b>
<b>Departmental fees and revenue:</b>				
Business licenses and registration	75,000	75,000	62,778	(12,222)
Non business licenses and fees	175,000	175,000	104,207	(70,793)
Infrastructure fees	25,000	25,000	17,305	(7,695)
Inspection fees:	-	-	-	-
Mechanical	35,000	35,000	-	(35,000)
Plumbing	40,000	40,000	58,068	18,068
Building	375,000	375,000	211,755	(163,245)
Electrical	95,000	95,000	55,023	(39,977)
Engineering fees	7,000	7,000	850	(6,150)
Demolition permit	-	-	300	300
Public works	1,000	1,000	-	(1,000)
DPW - release and discharge of liens	45,000	45,000	130,703	85,703
Zoning board	65,000	65,000	52,364	(12,636)
Planning board fees	85,000	85,000	33,606	(51,394)
Tax collector's fees	40,000	40,000	25,786	(14,214)
Investment and interest income	85,000	85,000	115,171	30,171
Municipal court fees	470,000	470,000	340,619	(129,381)
Recreation program fees	2,500	2,500	100	(2,400)
Recreation Day Camp revenues	-	-	26,130	26,130
Entertainment licenses	2,500	2,500	1,900	(600)
Marriage, death, and birth certificates	30,000	30,000	32,166	2,166
Stamps	235,000	235,000	197,799	(37,201)
Advertising	17,000	17,000	16,315	(685)
Dog licenses	1,000	1,000	1,180	180
Recording/probate land evidence	260,000	260,000	242,872	(17,128)
Probate fees	40,000	40,000	36,311	(3,689)
Police fees	1,000	1,000	4,850	3,850
VIN number checks	30,000	30,000	41,866	11,866
BCI Fees	-	-	2,537	2,537
Police department reimbursement	-	-	43,120	43,120
Fire department revenues	1,000	1,000	372	(628)
Fire plan review fees	125,000	125,000	125,000	-
Annual PILOT Ridgewood/RIRRC	325,000	325,000	447,500	122,500
Tipping fees	310,000	310,000	454,462	144,462
Cell phone towers	195,000	195,000	163,223	(31,777)
Interest and penalties on property tax	575,000	575,000	878,654	303,654
Rescue services reimbursement	950,000	950,000	950,000	-
Housing authority	35,000	35,000	31,540	(3,460)
<b>Total departmental fees and revenue</b>	<b>4,753,000</b>	<b>4,753,000</b>	<b>4,906,432</b>	<b>153,432</b>

(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, 2015  
UNAUDITED**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Positive (Negative)</u>
<b>State and federal aid grants:</b>				
State aid - school	12,724,887	12,724,887	12,942,029	217,142
School housing aid	450,000	450,000	353,034	(96,966)
Motor vehicle phase out	404,093	404,093	422,956	18,863
Solid waste in lieu of taxes	3,257,932	3,257,932	3,338,970	81,038
Public service corporation tax	360,253	360,253	357,486	(2,767)
Meal and beverage tax distribution	508,616	508,616	539,510	30,894
Library aid	124,729	124,729	124,729	-
<b>Total state and federal aid grants</b>	<u>17,830,510</u>	<u>17,830,510</u>	<u>18,078,714</u>	<u>248,204</u>
<b>Miscellaneous</b>	<u>741,000</u>	<u>741,000</u>	<u>837,215</u>	<u>96,215</u>
<b>School miscellaneous</b>	<u>810,000</u>	<u>810,000</u>	<u>1,025,167</u>	<u>215,167</u>
<b>Total revenues before other financing sources</b>	<u>94,436,155</u>	<u>94,436,155</u>	<u>100,467,240</u>	<u>6,031,085</u>
<b>Other financing sources:</b>				
Transfer from other funds	375,000	375,000	200,000	(175,000)
<b>Total other financing sources</b>	<u>375,000</u>	<u>375,000</u>	<u>200,000</u>	<u>(175,000)</u>
<b>Total revenues and other financing sources</b>	<u>94,811,155</u>	<u>94,811,155</u>	<u>100,667,240</u>	<u>5,856,085</u>

(Continued)



## TOWN OF JOHNSTON, RHODE ISLAND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
GENERAL FUND - BUDGETARY BASIS (CONTINUED)FOR THE YEAR ENDED JUNE 30, 2015  
UNAUDITED

	Originally Adopted Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
<b>Legislative, judicial and general administrative:</b>				
<b>Town Council:</b>				
Salaries	32,700	32,700	32,700	-
FICA	2,685	2,685	2,685	-
Retirement town's share	1,155	1,155	1,177	(22)
Department	100	100	52	48
Telephone	2,000	2,000	1,505	495
Office	100	100	-	100
Town Sargent salary	2,400	2,400	2,400	-
Claims	2,000	2,000	-	2,000
Contingency	4,000	4,000	2,000	2,000
<b>Total Town Council</b>	<b>47,140</b>	<b>47,140</b>	<b>42,519</b>	<b>4,621</b>
<b>Mayor:</b>				
Mayor's salary	75,000	75,000	75,289	(289)
Chief of Staff salary	32,500	32,500	32,625	(125)
Full time salaries	48,100	48,100	48,300	(200)
FICA	11,903	11,903	11,786	117
Health insurance	37,016	37,016	37,016	-
Life insurance	321	321	170	151
Retirement town's share	8,042	8,042	8,068	(26)
Office	3,500	3,500	1,917	1,583
Equipment lease	2,295	2,295	1,968	327
Telephone	500	500	-	500
Department expense	3,000	3,000	3,626	(626)
<b>Total Mayor</b>	<b>222,177</b>	<b>222,177</b>	<b>220,765</b>	<b>1,412</b>
<b>Courts:</b>				
Probate court	7,500	7,500	7,829	(329)
FICA	574	574	576	(2)
Health Insurance	6,429	6,429	6,429	-
Life Insurance	-	-	-	-
Department	100	100	39	61
<b>Total Courts</b>	<b>14,603</b>	<b>14,603</b>	<b>14,873</b>	<b>(270)</b>
<b>Canvassers:</b>				
Board salaries	6,000	6,000	6,000	-
Full time salaries	44,026	44,026	44,190	(164)
Overtime salaries	-	-	1,357	(1,357)
Severance	-	-	-	-
FICA	3,827	3,827	3,943	(116)
Health Insurance	1,178	1,178	1,178	-
Life Insurance	107	107	166	(59)
Retirement town's share	7,361	7,361	7,402	(41)
Office	9,000	9,000	2,493	6,507
Department expense	500	500	305	195
Equipment lease	831	831	1,297	(466)
Election expense	55,000	55,000	39,984	15,016
<b>Total Canvassers</b>	<b>127,830</b>	<b>127,830</b>	<b>108,315</b>	<b>19,515</b>
<b>Legal:</b>				
Salaries	52,000	52,000	52,200	(200)
Health insurance	18,507	18,507	18,507	-
Life insurance	-	-	-	-
FICA	3,978	3,978	3,993	(15)
Hourly billings	400,000	400,000	420,830	(20,830)
Contingency: judgments	100,000	100,000	17,423	82,577
Legal services	30,000	30,000	8,111	21,889
Office	450	450	444	6
<b>Total Legal</b>	<b>604,935</b>	<b>604,935</b>	<b>521,508</b>	<b>83,427</b>

(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, 2015

UNAUDITED

	Originally Adopted Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
<b>Legislative, judicial and general administrative (continued):</b>				
<b>Town Clerk:</b>				
Salaries	162,753	162,753	160,139	2,614
Overtime salaries	-	-	10,998	(10,998)
FICA	12,451	12,451	12,872	(421)
Health insurance	44,018	44,018	44,018	-
Life insurance	321	321	248	73
Retirement town's share	26,334	26,334	25,880	454
Stenographer	15,000	15,000	7,304	7,696
Department expense	1,500	1,500	1,413	87
Office	2,200	2,200	3,213	(1,013)
Equipment lease	2,000	2,000	1,872	128
Operating	19,500	19,500	16,359	3,141
<b>Total town clerk</b>	<b>286,077</b>	<b>286,077</b>	<b>284,316</b>	<b>1,761</b>
<b>Zoning Board:</b>				
Board salaries	8,800	8,800	8,800	-
FICA	673	673	673	-
Life insurance	-	-	-	-
Stenographer	5,100	5,100	4,139	961
Department	600	600	955	(355)
<b>Total zoning board</b>	<b>15,173</b>	<b>15,173</b>	<b>14,567</b>	<b>606</b>
<b>Total legislative, judicial, and general administrative</b>	<b>1,317,935</b>	<b>1,317,935</b>	<b>1,206,863</b>	<b>111,072</b>
<b>Financial Administration:</b>				
<b>Finance:</b>				
Salaries	503,092	503,092	518,774	(15,682)
Overtime	-	-	15,057	(15,057)
FICA	38,487	38,487	40,219	(1,732)
Health insurance	136,556	136,556	136,556	-
Life insurance	1,070	1,070	828	242
Retirement town's share	82,813	82,813	84,206	(1,393)
Office	5,000	5,000	6,202	(1,202)
Audit	48,000	48,000	50,783	(2,783)
Consulting fee	73,000	73,000	71,939	1,061
Department expense	20,150	20,150	15,824	4,326
Dues, publications, and subscriptions	1,000	1,000	1,130	(130)
Payroll processing	31,500	31,500	35,948	(4,448)
Training	3,200	3,200	2,505	695
Fiscal advisor	5,000	5,000	5,500	(500)
Computer service contracts	10,900	10,900	10,653	247
Postage	12,500	12,500	12,039	461
Bank and bond fees	7,500	7,500	3,844	3,656
Telephone	7,500	7,500	4,971	2,529
Tax collection fees	10,000	10,000	1,730	8,270
Equipment lease purchase	435	435	1,340	(905)
<b>Total financial administration</b>	<b>997,703</b>	<b>997,703</b>	<b>1,020,048</b>	<b>(22,345)</b>
<b>Assessor:</b>				
Full-time salaries	129,444	129,444	125,466	3,978
Part time & overtime salaries	6,350	6,350	9,786	(3,436)
FICA	10,388	10,388	10,079	309
Health insurance	44,018	44,018	44,018	-
Life insurance	321	321	248	73
Retirement town's share	21,643	21,643	20,962	681
Processing tax roll	33,000	33,000	32,218	782
Computer service contracts	16,000	16,000	3,625	12,375
Consulting fee	4,500	4,500	7,200	(2,700)
Equipment service contract	1,500	1,500	1,711	(211)
Office	5,150	5,150	9,115	(3,965)
Department expense	1,750	1,750	960	790
Dues, publications, and subscriptions	250	250	80	170
Equipment lease	1,000	1,000	-	1,000
Full real estate tax valuation	30,000	30,000	47,000	(17,000)
<b>Total assessor</b>	<b>305,314</b>	<b>305,314</b>	<b>312,468</b>	<b>(7,154)</b>

(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, 2015  
UNAUDITED

	Originally Adopted Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
<b>Public safety:</b>				
<b>Police Department:</b>				
Salaries	4,208,158	4,208,158	4,268,696	(60,538)
Overtime salaries	850,000	850,000	1,179,587	(329,587)
JARE overtime salaries	125,000	125,000	151,454	(26,454)
Civilian overtime salaries	30,000	30,000	54,230	(24,230)
Part time salaries	57,460	57,460	50,432	7,028
Holiday salaries	225,664	225,664	239,206	(13,542)
Training and college	40,000	40,000	43,025	(3,025)
Training and accreditation	15,000	15,000	10,968	4,032
FICA	445,424	445,424	526,129	(80,705)
Health insurance	1,094,388	1,094,388	1,094,388	-
Life insurance	14,196	14,196	14,380	(184)
Severance pay	150,000	150,000	35,880	114,120
Longevity	268,640	268,640	269,992	(1,352)
Gasoline	135,000	135,000	108,798	28,202
Arms and ammunition	14,000	14,000	13,984	16
Clothing and maintenance	120,250	120,250	134,678	(14,428)
Firearm allowance	32,500	32,500	33,000	(500)
Police pension	2,202,786	2,202,786	2,202,786	-
Bureau of criminal investigation	17,000	17,000	21,951	(4,951)
Office	15,750	15,750	16,132	(382)
Police chief department expense	3,000	3,000	3,000	-
Retirement	698,994	698,994	740,573	(41,579)
Retiree health insurance	1,083,140	1,083,140	1,083,140	-
Retiree life insurance	15,563	15,563	17,492	(1,929)
Dues and publications	2,700	2,700	2,639	61
Radio maintenance	4,000	4,000	2,056	1,944
Vehicle repair deductible	12,000	12,000	3,356	8,644
Equipment rental	5,300	5,300	4,664	636
Computer service contracts	30,000	30,000	21,442	8,558
Equipment maintenance	10,000	10,000	10,439	(439)
Explorer	9,000	9,000	9,888	(888)
Utilities	66,000	66,000	44,350	21,650
Telephone	45,000	45,000	42,570	2,430
Rent	1,800	1,800	1,800	-
Department expense	15,000	15,000	13,663	1,337
Recruits expense	25,000	25,000	9,509	15,491
Animal control	10,000	10,000	4,145	5,855
Grant matching funds	1,700	1,700	19,533	(17,833)
Capital purchases	-	-	-	-
Injured on duty TPA	5,000	5,000	4,188	812
Information technology	2,500	2,500	3,341	(841)
SWAT Team (Special Response Team)	3,000	3,000	2,779	221
Military surplus	3,000	3,000	-	3,000
Medicare	270,565	270,565	270,565	-
Building Maintenance	10,000	10,000	27,264	(17,264)
<b>Total police department</b>	<b>12,393,478</b>	<b>12,393,478</b>	<b>12,810,092</b>	<b>(416,614)</b>
<b>Municipal Court:</b>				
Full time salaries	76,540	76,540	76,620	(80)
Part time salaries	40,000	40,000	41,402	(1,402)
Overtime salaries	-	-	917	(917)
Auxiliary judge	1,000	1,000	1,800	(800)
FICA	8,915	8,915	8,939	(24)
Health insurance	37,016	37,016	37,016	-
Life insurance	214	214	170	44
Retirement town's share	12,797	12,797	12,785	12
Utilities	8,000	8,000	7,628	372
Office	2,700	2,700	1,796	904
Building maintenance	3,000	3,000	2,208	792
Telephone	1,500	1,500	2,364	(864)
Service contracts	6,000	6,000	5,600	400
Department	4,000	4,000	4,204	(204)
Equipment lease	1,500	1,500	1,447	53
<b>Total municipal court</b>	<b>203,182</b>	<b>203,182</b>	<b>204,896</b>	<b>(1,714)</b>

(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, 2015  
UNAUDITED

	Originally Adopted Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
<b>Public safety (continued):</b>				
<b>Fire department:</b>				
Department salaries	4,815,116	4,815,116	4,866,953	(51,837)
Part-time salaries	13,050	13,050	9,596	3,454
Call-back and overtime salaries	1,253,850	1,253,850	2,667,365	(1,413,515)
Longevity	598,610	598,610	600,806	(2,196)
Holiday salaries	307,823	307,823	308,393	(570)
Unused sick day bonus	18,000	18,000	24,162	(6,162)
FICA	549,648	549,648	630,522	(80,874)
Health insurance	1,275,314	1,275,314	1,275,314	-
Life insurance	17,614	17,614	15,502	2,112
Severance pay	150,000	150,000	40,082	109,918
Radio maintenance	20,000	20,000	26,186	(6,186)
Fire prevention	6,000	6,000	3,230	2,770
Sanitary supplies	18,000	18,000	18,925	(925)
Clothing and allowance	156,600	156,600	156,736	(136)
Fire alarm	10,000	10,000	12,397	(2,397)
First aid and ambulance service	70,000	70,000	73,378	(3,378)
Gasoline	90,000	90,000	37,057	52,943
Office	9,050	9,050	7,977	1,073
Haz-Mat stipend	67,860	67,860	68,106	(246)
Fire pension	2,229,639	2,229,639	2,229,639	-
SCBA operations	9,000	9,000	10,367	(1,367)
Utilities	96,000	96,000	96,944	(944)
Telephone	34,000	34,000	59,641	(25,641)
Rent	1,800	1,800	1,800	-
Hydrants	183,977	183,977	187,873	(3,896)
Hazardous materials	8,000	8,000	3,294	4,706
Fire chief department expense	4,280	4,280	3,079	1,201
Retirement	743,772	743,772	757,149	(13,377)
Retiree health insurance	1,083,488	1,083,488	1,083,488	-
Training and college	35,000	35,000	42,896	(7,896)
Equipment rental	2,000	2,000	1,480	520
Department expense	6,000	6,000	17,081	(11,081)
Building maintenance	15,000	15,000	75,423	(60,423)
Fire fighter equipment and supplies	61,000	61,000	70,061	(9,061)
Injured on duty TPA	7,200	7,200	6,824	376
Grant matching funds	-	-	12,103	(12,103)
Vehicle repairs	70,000	70,000	121,603	(51,603)
Medicare	170,479	170,479	170,479	-
<b>Total fire department</b>	<b>14,207,170</b>	<b>14,207,170</b>	<b>15,793,911</b>	<b>(1,586,741)</b>
<b>Emergency Management:</b>				
Salaries	5,000	5,000	10,000	(5,000)
FICA	383	383	765	(382)
<b>Total emergency management</b>	<b>5,383</b>	<b>5,383</b>	<b>10,765</b>	<b>(5,382)</b>
<b>Total public safety</b>	<b>26,809,213</b>	<b>26,809,213</b>	<b>28,819,664</b>	<b>(2,010,451)</b>

(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, 2015  
UNAUDITED

	Originally Adopted Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
<b>Public works department:</b>				
<b>Streets and highways:</b>				
Salaries	572,275	572,275	589,336	(17,061)
Overtime	65,000	65,000	194,661	(129,661)
FICA	-	-	59,460	(59,460)
Health insurance	178,321	178,321	178,321	-
Life insurance	1,231	1,231	1,238	(7)
Severance pay	48,752	48,752	3,560	45,192
Retirement town's share	94,013	94,013	94,811	(798)
Snow removal	125,000	125,000	168,818	(43,818)
Drainage	6,000	6,000	2,279	3,721
Street lighting	500,000	500,000	430,732	69,268
Street and traffic control	20,000	20,000	8,812	11,188
Street and highway materials	60,000	60,000	68,743	(8,743)
Equipment maintenance	2,500	2,500	154	2,346
<b>Total streets and highways</b>	<b>1,673,092</b>	<b>1,673,092</b>	<b>1,800,925</b>	<b>(127,833)</b>
<b>Building maintenance:</b>				
Salaries	91,603	91,603	92,038	(435)
Part-time salaries	17,680	17,680	9,370	8,310
Overtime	7,100	7,100	2,742	4,358
FICA	8,903	8,903	7,808	1,095
Health insurance	37,016	37,016	37,015	1
Life insurance	214	214	180	34
Retirement town's share	15,316	15,316	15,243	73
Building supplies	10,500	10,500	27,787	(17,287)
Department expense	500	500	-	500
<b>Total building maintenance</b>	<b>188,832</b>	<b>188,832</b>	<b>192,183</b>	<b>(3,351)</b>
<b>Public Works Administration:</b>				
Salaries	227,866	227,866	222,141	5,725
Overtime	1,000	1,000	1,566	(566)
Severance pay	-	-	35,363	(35,363)
FICA	17,508	17,508	19,541	(2,033)
Health insurance	62,525	62,525	62,525	-
Life insurance	535	535	414	121
Retirement town's share	38,100	38,100	37,165	935
Bidding and advertising	600	600	626	(26)
Garbage collections	1,430,000	1,430,000	1,429,400	600
Recycling bins	6,000	6,000	1,955	4,045
Safety equipment	7,000	7,000	4,911	2,089
Tree removal	18,000	18,000	15,025	2,975
Gasoline	100,000	100,000	139,945	(39,945)
Equipment lease	10,000	10,000	9,949	51
Telephone	16,000	16,000	9,152	6,848
Utilities	33,800	33,800	43,877	(10,077)
Office expense	7,500	7,500	7,360	140
Department	4,000	4,000	4,883	(883)
Uniforms	8,200	8,200	5,917	2,283
Dams escrow agreement	250,000	250,000	250,000	-
<b>Total public works administration</b>	<b>2,238,634</b>	<b>2,238,634</b>	<b>2,301,715</b>	<b>(63,081)</b>
<b>Sewer Department:</b>				
Salaries	55,000	55,000	55,272	(272)
FICA	4,208	4,208	4,148	60
Health insurance	18,507	18,507	18,507	-
Life insurance	107	107	83	24
Retirement town's share	5,016	5,016	5,031	(15)
Department	500	500	1,500	(1,000)
Dues, publications and subscriptions	-	-	-	-
Computer service contract	9,800	9,800	-	9,800
<b>Total sewer department</b>	<b>93,138</b>	<b>93,138</b>	<b>84,541</b>	<b>8,597</b>

(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, 2015  
UNAUDITED

	Originally Adopted Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
<b>Public works department (Continued):</b>				
<b>Waste water management:</b>				
Part time salaries	8,925	8,925	5,282	3,643
FICA	1,218	1,218	940	278
Postage	550	550	246	304
Bidding and advertising	200	200	-	200
Board salaries	7,000	7,000	7,000	-
<b>Total waste water management</b>	<b>17,893</b>	<b>17,893</b>	<b>13,468</b>	<b>4,425</b>
<b>Fleet maintenance:</b>				
Salaries	185,994	185,994	189,605	(3,611)
Overtime salaries	10,000	10,000	3,436	6,564
FICA	14,994	14,994	14,548	446
Health insurance	44,018	44,018	44,018	-
Life insurance	428	428	331	97
Retirement town's share	31,098	31,098	31,336	(238)
Vehicle repair - Police	45,000	45,000	38,057	6,943
Vehicle repair - Highway	55,000	55,000	142,996	(87,996)
Vehicle repair - Inspectors	1,000	1,000	787	213
Department expense	1,000	1,000	-	1,000
<b>Total fleet maintenance</b>	<b>388,532</b>	<b>388,532</b>	<b>465,114</b>	<b>(76,582)</b>
<b>Inspector's fees:</b>				
Salaries	34,264	34,264	34,483	(219)
Overtime	1,500	1,500	1,600	(100)
Plumbing inspector's salary	14,683	14,683	14,504	179
Building inspector's salary	12,000	12,000	400	11,600
Electrical inspector's salary	14,683	14,683	-	14,683
Mechanical inspector	-	-	-	-
Building official	70,000	70,000	85,607	(15,607)
FICA	16,228	16,228	15,301	927
Health Insurance	25,509	25,509	25,509	-
Life Insurance	321	321	248	73
Retirement town's share	28,301	28,301	30,891	(2,590)
Dues, publications and subscriptions	150	150	40	110
Office	4,000	4,000	3,263	737
Code enforcement inspector	65,000	65,000	65,250	(250)
Department expense	3,000	3,000	4,155	(1,155)
<b>Total inspector's office</b>	<b>289,639</b>	<b>289,639</b>	<b>281,251</b>	<b>8,388</b>

(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, 2015  
UNAUDITED

	Originally Adopted Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
<b>Public works department (Continued):</b>				
<b>Parks and recreation:</b>				
Park salaries	458,185	458,185	452,865	5,320
Recreation salaries	130,197	130,197	130,891	(694)
Overtime salaries	5,000	5,000	31,447	(26,447)
Part time salaries	41,304	41,304	51,898	(10,594)
Severance pay	-	-	56,160	(56,160)
FICA	48,553	48,553	54,424	(5,871)
Health insurance	192,325	192,325	192,325	-
Life insurance	1,445	1,445	1,164	281
Retirement town's share	97,076	97,076	97,185	(109)
Equipment maintenance	4,000	4,000	5,148	(1,148)
Park maintenance	25,000	25,000	25,626	(626)
Vehicle repairs	6,500	6,500	7,245	(745)
Equipment lease	1,000	1,000	1,433	(433)
Recreation supplies	500	500	455	45
Utilities	40,000	40,000	49,765	(9,765)
Gasoline	18,000	18,000	14,318	3,682
Telephone	10,000	10,000	5,627	4,373
Uniforms	3,000	3,000	2,663	337
Office	1,700	1,700	1,361	339
Office fire expense	-	-	-	-
Day camp	1,000	1,000	5,749	(4,749)
Raione gym parking rental	5,000	5,000	5,000	-
Department	4,000	4,000	4,606	(606)
Building maintenance	10,000	10,000	7,472	2,528
<b>Total parks and recreation</b>	<b>1,103,785</b>	<b>1,103,785</b>	<b>1,204,827</b>	<b>(101,042)</b>
<b>Total public works</b>	<b>5,993,545</b>	<b>5,993,545</b>	<b>6,344,024</b>	<b>(350,479)</b>
<b>Municipal land trust:</b>				
Employee benefits	551	551	498	53
Board salaries	7,200	7,200	6,514	686
<b>Total municipal land trust</b>	<b>7,751</b>	<b>7,751</b>	<b>7,012</b>	<b>739</b>
<b>Human resources:</b>				
<b>General Public Assistance:</b>				
Salaries	2,400	2,400	2,400	-
FICA	184	184	184	-
Department	50	50	-	50
Food stamps and holidays	1,000	1,000	-	1,000
<b>Total general public assistance</b>	<b>3,634</b>	<b>3,634</b>	<b>2,584</b>	<b>1,050</b>
<b>Personnel:</b>				
Full time salaries	34,264	34,264	38,273	(4,009)
Overtime salaries	-	-	7,387	(7,387)
FICA	2,621	2,621	3,413	(792)
Health insurance	18,507	18,507	18,507	-
Life insurance	107	107	83	24
Retirement town's share	5,729	5,729	6,382	(653)
Office	100	100	55	45
Department expense	1,800	1,800	812	988
<b>Total personnel</b>	<b>63,128</b>	<b>63,128</b>	<b>74,912</b>	<b>(11,784)</b>
<b>Total human resources</b>	<b>66,762</b>	<b>66,762</b>	<b>77,496</b>	<b>(10,734)</b>

(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, 2015  
UNAUDITED

	Originally Adopted Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
<b>Miscellaneous appropriations:</b>				
General liability insurance	573,100	573,100	628,361	(55,261)
Workers compensation insurance	243,100	243,100	207,894	35,206
FICA	15,514	15,514	14,637	877
Health insurance retirees	373,500	373,500	373,500	-
Declination - health & dental insurance	196,201	196,201	208,343	(12,142)
Retirement town's share	9,604	9,604	9,604	-
Unemployment compensation	5,000	5,000	17,865	(12,865)
Stop - loss health insurance	250,000	250,000	250,000	-
Dues, publications, and subscriptions	3,000	3,000	-	3,000
Sealer of weights and measures	6,000	6,000	6,000	-
Tree warden	600	600	-	600
Contingency	15,500	15,500	7,452	8,048
Human needs program	5,000	5,000	5,000	-
Rent	3,800	3,800	3,800	-
Police / fire pension actuarial	30,000	30,000	150	29,850
Tri-Town	30,000	30,000	30,000	-
Utilities	25,000	25,000	8,850	16,150
Medicare	542,984	542,984	542,984	-
Johnston Senior Citizen Center, Inc.	221,411	221,411	220,206	1,205
Building maintenance - town hall	2,000	2,000	4,800	(2,800)
<b>Total miscellaneous appropriations</b>	<b>2,551,314</b>	<b>2,551,314</b>	<b>2,539,446</b>	<b>11,868</b>
<b>Planning and Assessment Board:</b>				
<b>Planning Board:</b>				
Full time salaries	108,908	108,908	28,663	80,245
Part time salaries	-	-	21,881	(21,881)
Overtime	500	500	1,204	(704)
Severance Pay	-	-	7,626	(7,626)
Board salaries	7,200	7,200	7,083	117
FICA	6,168	6,168	5,588	580
Health insurance	18,507	18,507	18,507	-
Life insurance	107	107	83	24
Retirement town's share	18,209	18,209	5,859	12,350
Stenographer	4,500	4,500	2,808	1,692
Department expense	1,500	1,500	-	1,500
Office	1,000	1,000	948	52
Bidding and advertising	2,000	2,000	346	1,654
Dues, publications and subscriptions	2,000	2,000	3,164	(1,164)
<b>Total planning board</b>	<b>170,599</b>	<b>170,599</b>	<b>103,760</b>	<b>66,839</b>
<b>Assessment Board:</b>				
Board salaries	2,550	2,550	2,550	-
FICA	195	195	195	-
<b>Total assessment board</b>	<b>2,745</b>	<b>2,745</b>	<b>2,745</b>	<b>-</b>
<b>Total planning and assessment board</b>	<b>173,344</b>	<b>173,344</b>	<b>106,505</b>	<b>66,839</b>

(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, 2015  
UNAUDITED

	Originally Adopted Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
<b>Library:</b>				
Full time salaries	247,564	247,564	240,254	7,310
Part time salaries	105,960	105,960	106,614	(654)
Overtime	-	-	177	(177)
FICA	26,311	26,311	26,033	278
Health insurance	106,543	106,543	106,542	1
Life insurance	749	749	580	169
Retirement town's share	41,393	41,393	40,052	1,341
Books and media	20,000	20,000	19,342	658
Dues and publications	300	300	300	-
Bidding and advertising	250	250	-	250
Computer service contracts	32,300	32,300	32,313	(13)
Auto expense	500	500	758	(258)
Conferences	200	200	340	(140)
Sanitary supplies	-	-	-	-
Printing	500	500	385	115
Training	500	500	410	90
Utilities	26,000	26,000	23,641	2,359
Telephone	2,000	2,000	1,274	726
Building maintenance	9,500	9,500	5,968	3,532
Office	5,000	5,000	4,656	344
Department expense	3,000	3,000	1,920	1,080
<b>Total library</b>	<b>628,570</b>	<b>628,570</b>	<b>611,559</b>	<b>17,011</b>
<b>Debt service:</b>				
Bond interest expense	901,726	901,726	1,047,340	(145,614)
Master lease interest expense	39,352	39,352	29,290	10,062
Bonded debt payments	1,983,300	1,983,300	1,919,609	63,691
Master lease principal payments	611,212	611,212	440,163	171,049
Fund balance restoration	1,760,212	1,760,212	1,760,212	-
<b>Total debt service</b>	<b>5,295,802</b>	<b>5,295,802</b>	<b>5,196,614</b>	<b>99,188</b>
<b>Total expenditures before other financing uses:</b>	<b>44,147,253</b>	<b>44,147,253</b>	<b>46,241,699</b>	<b>(2,094,446)</b>
<b>Other budgeted financing uses:</b>				
Transfer to School - Town appropriation	37,129,015	37,129,015	37,129,015	-
Transfer to School - State aid and miscellaneous receipts	13,534,887	13,534,887	13,967,196	(432,309)
<b>Total other budgeted financing uses</b>	<b>50,663,902</b>	<b>50,663,902</b>	<b>51,096,211</b>	<b>(432,309)</b>
<b>Total expenditures and other budgeted financing uses</b>	<b>94,811,155</b>	<b>94,811,155</b>	<b>97,337,910</b>	<b>(2,526,755)</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>3,329,330</b>	<b>\$ 3,329,330</b>
<i>Inclusion of net income of Police Detail Fund with the General Fund, for GAAP purposes, not part of budget</i>			(72,226)	
<i>Inclusion of net income of Fire Dept Detail Fund with the General Fund, for GAAP purposes, not part of budget</i>			13,699	
<i>Expenditure "fund balance restoration" which represents funds placed into a reserve fund for budget purposes but not allowed for GAAP</i>			765,546	
<i>Inclusion of "funding improvement" which represents funds places into a reserve fund for budget purposes but not allowed for GAAP</i>			1,000,000	
<b>Net Change in Fund Balances - GAAP Basis (Exhibit B-2)</b>			<b>\$ 5,036,349</b>	

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
GENERAL FUND - BUDGETARY BASIS**

**FOR THE YEAR ENDED JUNE 30, 2015  
UNAUDITED**

**REVENUES**

<b>Total General Fund revenues and other financing sources, from Exhibit B-2</b>	\$ 88,252,361
<b>Adjustments:</b>	
School State Aid budgeted in General Fund	12,942,029
School Medicaid reimbursement budgeted in General Fund	872,634
School's miscellaneous income budgeted in General Fund	152,533
Inclusion of revenue (net of transfer out) of Police Detail Fund with the General Fund, for GAAP purposes, not part of budget	(524,990)
Inclusion of revenue of Fire Dept. Detail Fund with the General Fund, for GAAP purposes, not part of budget	(21,993)
Inclusion of revenue of "Fund Balance Restoration" with the General Fund, for GAAP purposes, not part of budget	(5,334)
Inclusion of revenue of "Funding Improvement" with the General Fund, for GAAP purposes, not part of budget	(1,000,000)
<b>Total budgetary basis revenues and other financing sources from RSI-2 (pg. 71)</b>	<u><u>\$ 100,667,240</u></u>

**EXPENDITURES**

<b>Total General Fund expenditures and other financing uses, from Exhibit B-2</b>	\$ 83,216,012
<b>Adjustments:</b>	
School State Aid budgeted in General Fund	12,942,029
School Medicaid reimbursement budgeted in General Fund	872,634
School's miscellaneous income budgeted in General Fund	152,533
Expenditure "fund balance restoration" (net of transfer in) which represents funds placed into a reserve fund for budget purposes but not allowed for GAAP	760,212
Inclusion of expenditures of Police Detail Fund with the General Fund, for GAAP purposes, not part of budget	(597,216)
Inclusion of expenditures of Fire Dept. Detail Funds with the General Fund, for GAAP purposes, not part of budget	(8,294)
<b>Total budgetary basis expenditures and other financing uses, from RSI-2 (pg. 80)</b>	<u><u>\$ 97,337,910</u></u>

(CONCLUDED)

TOWN OF JOHNSTON, RHODE ISLAND

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL - BUDGETARY BASIS  
SCHOOL UNRESTRICTED FUND**

**FOR THE YEAR ENDED JUNE 30, 2015  
UNAUDITED**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Positive (Negative)
<b>Revenues:</b>				
<b>Expenditures:</b>				
Salaries	\$ 26,489,859	\$ 26,489,859	\$ 26,655,225	\$ (165,366)
Employee benefits	12,531,764	12,531,764	12,716,989	(185,225)
Purchased services	9,834,809	9,834,809	9,350,881	483,928
Supplies and materials	1,807,470	1,807,470	1,213,348	594,122
Other	-	-	-	-
Capital outlay	-	-	547,697	(547,697)
<b>Total expenditures</b>	<u>50,663,902</u>	<u>50,663,902</u>	<u>50,484,140</u>	<u>179,762</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(50,663,902)</u>	<u>(50,663,902)</u>	<u>(50,484,140)</u>	<u>179,762</u>
<b>Other financing sources (uses):</b>				
Transfer from Town of Johnston General Fund	37,129,015	37,129,015	37,129,015	-
Transfer from Town General Fund - State Aid	12,724,887	12,724,887	12,942,029	217,142
Transfer from Town General Fund - Medicaid & Other	810,000	810,000	1,025,167	215,167
<b>Total other financing sources (uses)</b>	<u>50,663,902</u>	<u>50,663,902</u>	<u>51,096,211</u>	<u>432,309</u>
 <b>NET CHANGE IN FUND BALANCES</b>	 <u>\$ -</u>	 <u>\$ -</u>	 612,071	 <u>\$ 612,071</u>
 <i>Less fiscal 2013 encumbrances considered expenditures for GAAP</i>			(763,791)	
<i>Add back fiscal 2014 encumbrances not considered expenditures for GAAP</i>			<u>483,493</u>	
<b>Net Change in Fund Balances - GAAP Basis (Exhibit B-2)</b>			<u>\$ 331,773</u>	

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL - BUDGETARY BASIS  
SCHOOL UNRESTRICTED FUND**

**FOR THE YEAR ENDED JUNE 30, 2015  
UNAUDITED**

REVENUES

<b>Total School Unrestricted revenues and other financing sources, from Exhibit B-2</b>	\$ 52,603,364
<b>Adjustments:</b>	
State on behalf pension contribution not budgeted	(1,507,153)
<b>Total budgetary basis revenues and other financing sources from RSI-2</b>	<u>\$ 51,096,211</u>

EXPENDITURES

<b>Total School Unrestricted expenditures and other financing uses, from Exhibit B-2</b>	\$ 52,271,591
<b>Adjustments:</b>	
Prior year encumbrances	(763,791)
Current year encumbrances	483,493
State on behalf pension contribution not budgeted	(1,507,153)
<b>Total budgetary basis expenditures and other financing uses, from RSI-2</b>	<u>\$ 50,484,140</u>

(CONCLUDED)

TOWN OF JOHNSTON, RHODE ISLAND

**Schedule of Funding Progress for OPEB Plans  
Pay-As-You-Go Assumptions  
June 30, 2015  
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
<b>Governmental Activities:</b>						
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
7/1/2013	\$0	\$ 146,758,567	\$ (146,758,567)	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
7/1/2013	\$0	\$ 51,530,084	\$ (51,530,084)	0%	N/A	N/A
<b>Total Governmental Activities:</b>						
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
7/1/2013	\$0	\$ 198,288,651	\$ (198,288,651)	0%	N/A	N/A
<b>Business-Type Activities:</b>						
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
7/1/2013	\$0	\$ 1,297,957	\$ (1,297,957)	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**  
**Required Supplementary Information**  
**For the Year Ended June 30, 2015**  
**Police and Fire Trust (Fiduciary Fund)**

Schedule of Contributions Multiyear  
Last 2 Fiscal Years

FY Ending June 30,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributins as a Percentage of Covered Employee Payroll
2015	\$ 12,910,527	\$ 5,377,624	\$ 7,532,903	\$ 8,027,576	66.99%
2014	12,959,095	5,417,483	7,541,612	7,596,208	71.32%

**TOWN OF JOHNSTON, RHODE ISLAND**  
**Required Supplementary Information**  
**For the Year Ended June 30, 2015**  
**Police and Fire Trust (Fiduciary Fund)**

RSI-5

Schedule of Changes in Net Pension Liability and Related Ratios Multiyear

Measurement period ending June 30,	2015	2014	2012	2011	2010	2009	2008	2007	2006	2005
Last 10 Fiscal Years (to be built prospectively)										
<b>Total Pension Liability</b>										
Service Cost	\$ 5,963,935	\$ 5,695,125								
Interest on the Total Pension Liability	10,783,657	10,028,915								
Benefit Changes										
Difference Between Expected and Actual Experience		8,314,389								
Assumption Changes										
Benefit Payments	(8,131,651)	(7,964,640)								
<b>Net Change in Total Pension Liability</b>	<b>\$ 8,615,941</b>	<b>\$ 16,073,789</b>								
<b>Total Pension Liability - Beginning</b>	<b>232,533,125</b>	<b>216,459,336</b>								
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 241,149,066</b>	<b>\$ 232,533,125</b>								
<b>Plan Fiduciary Net Position</b>										
Employer Contributions	\$ 5,377,624	\$ 5,417,483								
Employee Contributions	623,955	726,409								
Pension Plan Net Investment Income	341,029	5,529,774								
Benefit Payments	(8,131,651)	(7,964,640)								
Pension Plan Administrative Expense	(142,000)	(254,635)								
Other Changes in Plan Fiduciary Net Position										
<b>Net Change in Plan Fiduciary Net Position</b>	<b>\$ (1,931,043)</b>	<b>\$ 3,454,391</b>								
<b>Plan Fiduciary Net Position - Beginning</b>	<b>41,321,835</b>	<b>37,867,444</b>								
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 39,390,792</b>	<b>\$ 41,321,835</b>								
<b>Net Pension Liability/(Asset) - Ending (a) - (b)</b>	<b>\$ 201,758,274</b>	<b>\$ 191,211,290</b>								
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	16.33%	17.77%								
<b>Covered Employee Payroll</b>	<b>\$ 8,027,573</b>	<b>7,596,208</b>								
<b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>	2513.32%	2517.19%								

**TOWN OF JOHNSTON, RHODE ISLAND**  
**Police and Fire Trust (Fiduciary Fund)**  
**Notes to Required Supplementary Information**

**June 30, 2015**

<b>Valuation date</b>	Actuarial determined contribution rates are calculated as of July 1 two years prior to the end of the fiscal year in which contributions are reported.
<b>Methods and used assumptions to determine contribution rate:</b>	
<b>Actuarial cost method</b>	Entry age
<b>Amortization method</b>	Closed level dollar for remaining unfunded liability
<b>Remaining amortization period</b>	21 years remaining as of June 30, 2015 22 years remaining as of June 30, 2014
<b>Asset valuation method</b>	Market Value

<b>Actuarial assumptions:</b>	
Investment rate of return	7.5-%, net pension plan investment expense, including inflation
Inflation rate	2.75%
Projected salary increases	4.00%
Cost-of-living adjustments	Police retirements prior to July 1, 2005 - 1.625% Police retirements on and after July 1, 2005 - 3.0% Firefighters retirements - 1.625%
Retirement rates	See the July 1, 2013 actuarial valuation report for the summary of assumption and for the history of changes to this assumption, if any.
Mortality	See the July 1, 2013 actuarial valuation report for the summary of assumption and for the history of changes to this assumption, if any.



**TOWN OF JOHNSTON, RHODE ISLAND  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF INVESTMENT RETURN  
JUNE 30, 2015  
Police and Fire Trust (Fiduciary Fund)**

	<u>Annual money-weighted rate of return</u>
2015	7.5%
2016	
2017	
2018	
2019	
2020	
2021	
2022	
2023	
2024	

**TOWN OF JOHNSTON, RHODE ISLAND**  
**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS**  
**MERS (Municipal Employees' Retirement System)**  
**June 30, 2015**

	<i>As of June 30, 2014</i>		
	<b>General Employees</b>	<b>Police</b>	<b>Fire</b>
<b>A. Total pension liability</b>			
1. Service Cost	\$ 742,315	\$ 79,271	\$ 516,218
2. Interest on the Total Pension Liability	2,908,421	10,616	340,281
3. Changes of benefit terms	-	-	-
4. Difference between expected and actual experience of the Total Pension Liability	-	-	-
5. Changes of assumptions	30,100	(2,021)	(134,099)
6. Benefit payments, including refunds of employee contributions	(2,797,073)	(7)	(72,130)
7. Net change in total pension liability	883,763	87,859	650,270
8. Total pension liability – beginning	39,806,322	101,920	4,315,039
9. Total pension liability – ending (a)	<b>40,690,085</b>	<b>189,779</b>	<b>4,965,309</b>
<b>B. Plan fiduciary net position</b>			
1. Contributions – employer	1,050,131	35,823	276,573
2. Contributions – employee	145,488	35,823	231,191
3. Net investment income	4,198,765	30,268	681,794
4. Benefit payments, including refunds of employee contributions	(2,797,073)	(7)	(72,130)
5. Pension Plan Administrative Expense	(26,293)	(190)	(4,269)
6. Other	253,162	37,680	(1)
7. Net change in plan fiduciary net position	2,824,180	139,397	1,113,158
8. Plan fiduciary net position – beginning	28,700,722	87,857	4,005,841
9. Plan fiduciary net position – ending (b)	<b>31,524,902</b>	<b>227,254</b>	<b>5,118,999</b>
<b>C. Net pension liability - ending (a) - (b)</b>	<b>\$ 9,165,183</b>	<b>\$ (37,475)</b>	<b>\$ (153,690)</b>
<b>D. Plan fiduciary net position as a percentage of the total pension liability</b>	77.48%	119.75%	103.10%
<b>E. Covered employee payroll</b>	7,748,594	511,759	3,302,741
<b>F. Net pension liability as a percentage of covered payroll</b>	118.28%	-7.32%	-4.65%

**TOWN OF JOHNSTON, RHODE ISLAND**  
**SCHEDULE OF THE TOWN OF JOHNSTON'S CONTRIBUTIONS**  
**MERS (Municipal Employees' Retirement System)**  
**June 30, 2015**

**SCHEDULE OF GENERAL EMPLOYEES' CONTRIBUTIONS**

**Municipal Employees' Retirement System**

	<b>Fiscal 2015</b>
Actuarially determined contribution	\$ 1,237,686
Contributions in relation to the actuarially determined contribution	1,237,686
Contribution deficiency (excess)	\$ -
Covered-employee payroll	\$ 7,873,321
Contributions as a percentage of covered-employee payroll	15.72%

**SCHEDULE OF POLICE EMPLOYEES' CONTRIBUTIONS**

**Municipal Employees' Retirement System**

	<b>Fiscal 2015</b>
Actuarially determined contribution	\$ 55,529
Contributions in relation to the actuarially determined contribution	55,529
Contribution deficiency (excess)	\$ -
Covered-employee payroll	\$ 598,373
Contributions as a percentage of covered-employee payroll	9.28%

**SCHEDULE OF FIRE EMPLOYEES' CONTRIBUTIONS**

**Municipal Employees' Retirement System**

	<b>Fiscal 2015</b>
Actuarially determined contribution	\$ 331,292
Contributions in relation to the actuarially determined contribution	331,292
Contribution deficiency (excess)	\$ -
Covered-employee payroll	\$ 3,433,078
Contributions as a percentage of covered-employee payroll	9.65%

*1.) Employers participating in the Municipal Employee's Retirement System are required by RI General Laws, Section 45-21-42, to contribute an actuarially determined contribution rate each year.*

*2.) Schedule is intended to show information for 10 years - additional years will be displayed as they become available.*

**TOWN OF JOHNSTON, RHODE ISLAND**  
**NOTES TO SCHEDULE**  
**MERS (Municipal Employees' Retirement System)**  
**June 30, 2015**

Notes to Schedule	
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	21 years
Inflation	2.75%
Salary Increases	General Employees - 3.50% to 7.50% Police & Fire Employees - 4.00% to 14.00%
Investment rate of return	7.50%
Retirement age	Varies depending on Years of Service and Age
Mortality	Male Employees, MERS General and MERS P&F: 115% of RP-2000 Combined Healthy for Males with White Collar adjustments, projected with Scale AA from 2000.
	Female Employees, MERS General and MERS P&F: 95% of RP-2000 Combined Healthy for Females with White Collar adjustments, projected with Scale AA from 2000.

**SCHEDULE OF TOWN OF JOHNSTON'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY**

**Employees' Retirement System**

	<b>2015</b>
Town of Johnston's proportion of the net pension liability	1.3 %
Town of Johnston's proportionate share of the net pension liability	\$ 31,616,141
State's proportionate share of the net pension liability associated with the school district	21,680,644
Total	\$ 53,296,785
Town of Johnston's covered employee payroll	\$ 26,384,676
Town of Johnston's proportionate share of the net pension liability as a percentage of its covered employee payroll	120%
Plan fiduciary net position as a percentage of the total pension liability	59.32%

**Notes:**

1.) The amounts presented for each fiscal year were determined as of 6/30 measurement date prior to the fiscal year-end.

2.) Schedule is intended to show information for 10 years - additional years will be displayed as they become available.

**SCHEDULE OF TOWN OF JOHNSTON'S CONTRIBUTIONS**

**Employees' Retirement System**

	<b>2015</b>
Actuarially determined contribution	\$ 3,538,185
Contributions in relation to the actuarially determined contribution	3,538,185
Contribution deficiency (excess)	\$ 0
Covered-employee payroll	\$ 26,384,676
Contributions as a percentage of covered- employee payroll	13.41%

**Notes:**

1.) Employers participating in the State Employee's Retirement System are required by RI General Laws, Section 36-10-2, to contribute an actuarially determined contribution rate each year.

2.) Schedule is intended to show information for 10 years - additional years will be displayed as they become available.

**SCHEDULE OF TOWN OF JOHNSTON'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY (ASSET)**

**Teachers' Survivors Benefit Plan**

	<b>2015</b>
Town of Johnston's proportion of the net pension asset	4.65%
Town of Johnston's proportionate share of the net pension asset	\$ 5,779,628
Town of Johnston's covered employee payroll	\$ 26,384,676
Town of Johnston's proportionate share of the net pension asset as a percentage of its covered employee payroll	21.91%
Plan fiduciary net position as a percentage of the total pension asset	173.3%

**Notes:**

- 1.) *The amounts presented for each fiscal year were determined as of 6/30 measurement date prior to the fiscal year-end.*
- 2.) *Schedule is intended to show information for 10 years - additional years will be displayed as they become available.*

**SCHEDULE OF TOWN OF JOHNSTON'S CONTRIBUTIONS  
Teachers' Survivors Benefit Plan**

	<b>2015</b>
Statutorily determined contribution	\$ 29,256
Contributions in relation to the statutorily determined contribution	29,256
Contribution deficiency (excess)	\$ <u><u>0</u></u>
Covered-employee payroll	\$ 26,384,676
Contributions as a percentage of covered- employee payroll	0.11%

**Notes:**

- 1.) *Employers participating in the Teachers' Survivor's Benefit Plan contribute at a rate established by the RI General Laws, Section 16-16-35.*
- 2.) *Schedule is intended to show information for 10 years - additional years will be displayed as they become available.*

## **SUPPLEMENTARY INFORMATION**

# *Town of Johnston, Rhode Island*

## **Non-major 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 purpose other than debt service or capital projects. The following funds are considered Special Revenue Funds at June 30, 2015:

#### **\*\*School Restricted Funds**

**Community Development Block Grant  
Police Special Account  
Memorial Park Recreations Fields Restoration  
Substance Abuse Prevention Grant  
Blue Riptide Grant  
ARRA EECBG  
RI Statewide Planning**

**Historical Trust Fund  
Fire Plan Review  
Fire Prevention  
Memorial Library Fund  
Secure Our Schools  
Champlin Grant  
NRCS**

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

**Preschool IDEA Section 619  
IDEA PART B  
Title I  
Race to the Top  
Broadrock Energy  
NE Dairy  
USDA FFV  
Lifetouch Commission  
Title II  
Healthier U.S. Schools  
Panther Partner Donation  
Aramark Scholarships  
PTO Donations  
EDS Technology**

**Title III  
Target Grant  
Verizon Foundation  
RISCA  
Scholarship America  
RI Education Foundation  
Walmart Grant  
Donation & Miscellaneous Grant  
General Assembly  
Feinstein Elementary  
Festival Fete  
Full Day Kindergarten  
Student Equity**



# *Town of Johnston, Rhode Island*

## **Non-major Governmental Funds**

### **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, 2015:

**School Facilities Fund**  
**Rainone Gym Renovations**  
**Unobligated Capital Fund**  
**DAM Renovations**  
**Pezza Property Acquisition**  
**School Wireless Classroom Initiative**  
**Dams Escrow Fund**

**Capital Improvements**  
**Fire Equipment**  
**Capital Project Fund**  
**Capital Lease 2011**  
**Capital Lease 2014**  
**Capital Project 2013 A**  
**School Athletic Complex**



TOWN OF JOHNSTON, RHODE ISLAND

Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2015

SPECIAL REVENUE FUNDS

	Historical Trust Fund	Fire Plan Review	Fire Prevention	Memorial Library Fund	State JAG Grant	Secure Our Schools	Champlin Grant	Total Special Revenue Func
\$	80,659	\$ -	\$ -	\$ 141,108	\$ -	\$ -	\$ -	\$ 366,279
	-	-	-	-	-	-	-	808,326
	2,727	55,577	29,730	-	30,791	8,200		295,343
<b>TOTAL ASSETS</b>	\$ 83,386	\$ 55,577	\$ 29,730	\$ 141,108	\$ -	\$ 30,791	\$ 8,200	\$ 1,469,948

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

LIABILITIES AND FUND BALANCE

\$	3,525	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 103,535
	-	-	-	-	-	-	-	18,359
	-	-	-	-	-	-	-	827,964
	-	-	-	-	-	-	-	14
<b>TOTAL LIABILITIES</b>	3,525	-	-	-	-	-	-	949,872

**LIABILITIES**  
 Accounts payable  
 Due to federal & state governments  
 Due to other funds  
 Unearned revenue

	79,861	-	29,730	141,108	-	30,791	8,200	486,878
	-	55,577	-	-	-	-	-	55,577
	-	-	-	-	-	-	-	(22,379)
<b>TOTAL FUND BALANCES</b>	79,861	55,577	29,730	141,108	-	30,791	8,200	520,076

**FUND BALANCES**  
 Restricted  
 Committed  
 Unassigned

\$	83,386	\$ 55,577	\$ 29,730	\$ 141,108	\$ -	\$ 30,791	\$ 8,200	\$ 1,469,948
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**TOTAL LIABILITIES AND FUND BALANCES**

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2015

CAPITAL PROJECT FUNDS

	School Facilities Fund	Rainone Renovations	Gym Capital Fund	Unobligated Capital Fund	DAM Renovations	Pezza Property Acquisition	Dams Escrow Fund	Capital Improvements	Fire Equipment
<b>ASSETS</b>									
Cash and cash equivalents	\$ 133,169	\$ -	\$ -	\$ -	\$ -	\$ 5,802	\$ 1,092,693	\$ -	\$ 368,199
Due from federal & state governments	-	-	-	-	-	-	-	-	-
Due from other funds	-	49,547	45,327	57,745	-	-	-	2,513	127,342
<b>TOTAL ASSETS</b>	<b>\$ 133,169</b>	<b>\$ 49,547</b>	<b>\$ 45,327</b>	<b>\$ 57,745</b>	<b>\$ 5,802</b>	<b>\$ 1,092,693</b>	<b>\$ 2,513</b>	<b>\$ 495,541</b>	

LIABILITIES AND FUND BALANCE

<b>LIABILITIES</b>	
Accounts payable	\$ -
Due to federal & state governments	-
Due to other funds	37,426.00
Unearned revenue	-
<b>TOTAL LIABILITIES</b>	<b>\$ 37,426</b>

FUND BALANCES

Restricted	133,169	12,121	45,327	57,745	5,802	835,485	2,513	-
Committed	-	-	-	-	-	-	-	495,541
Unassigned	-	-	-	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>133,169</b>	<b>12,121</b>	<b>45,327</b>	<b>57,745</b>	<b>5,802</b>	<b>835,485</b>	<b>2,513</b>	<b>495,541</b>

TOTAL LIABILITIES AND FUND BALANCES

<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 133,169</b>	<b>\$ 49,547</b>	<b>\$ 45,327</b>	<b>\$ 57,745</b>	<b>\$ 5,802</b>	<b>\$ 1,092,693</b>	<b>\$ 2,513</b>	<b>\$ 495,541</b>
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(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2015

CAPITAL PROJECT FUNDS

Capital Project Fund	Capital Lease 2011	Capital Lease 2014	Capital Project 2013 Series A	School Athletic Complex	School Classroom Initiative	Wireles	Total Capital Project Funds	Total Nonmajor Government Funds
\$ 1,071,773	\$ -	\$ 175,285	\$ 2,787,251	\$ 28	\$ -	\$ -	\$ 5,634,200	\$ 6,000,479
-	-	-	-	-	182,842	-	182,842	991,168
-	-	-	-	12,078	-	-	294,552	589,895
<b>\$ 1,071,773</b>	<b>\$ -</b>	<b>\$ 175,285</b>	<b>\$ 2,787,251</b>	<b>\$ 12,106</b>	<b>\$ 182,842</b>	<b>\$ -</b>	<b>\$ 6,111,594</b>	<b>\$ 7,581,542</b>

ASSETS

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

TOTAL ASSETS

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable  
 Due to federal & state governments  
 Due to other funds  
 Unearned revenue

TOTAL LIABILITIES

FUND BALANCES

Restricted  
 Committed  
 Unassigned

TOTAL FUND BALANCES

TOTAL LIABILITIES AND FUND BALANCES

\$ 62,530	\$ -	\$ 12,577	\$ 25,000	\$ 12,078	\$ -	\$ -	\$ 119,393	\$ 222,928
-	-	-	-	-	-	-	-	18,359
61,625.00	-	-	-	-	182,842.00	-	281,893	1,109,857
-	-	-	-	-	-	-	250,000	250,014
<b>124,155</b>	<b>-</b>	<b>12,577</b>	<b>25,000</b>	<b>12,078</b>	<b>182,842</b>	<b>-</b>	<b>651,286</b>	<b>1,601,158</b>
947,618	-	162,708	2,762,251	28	-	-	4,964,767	5,451,645
-	-	-	-	-	-	-	495,541	551,118
-	-	-	-	-	-	-	-	(22,379)
<b>947,618</b>	<b>-</b>	<b>162,708</b>	<b>2,762,251</b>	<b>28</b>	<b>-</b>	<b>-</b>	<b>5,460,308</b>	<b>5,980,384</b>
<b>\$ 1,071,773</b>	<b>\$ -</b>	<b>\$ 175,285</b>	<b>\$ 2,787,251</b>	<b>\$ 12,106</b>	<b>\$ 182,842</b>	<b>\$ -</b>	<b>\$ 6,111,594</b>	<b>\$ 7,581,542</b>

(CONCLUDED)

Combining Statement of Revenue, Expenditure, and Changes in Fund Balance  
 Nonmajor Government Funds  
 For the year ended June 30, 2015

SPECIAL REVENUE FUNDS											
	School Restricted Fund	Community Development Block Grant	Police Special Account	Memorial Park Recreation aids Restorati	Substance Abuse Prevention Grant	Blue Riptide Grant	BHDDH RI Partnership For Success	RI Statewide Planning	NRCS		
<b>REVENUES</b>											
Federal and state grants	\$ 1,989,601	\$ 90,342	\$ 11,336	\$ -	\$ 23,477	\$ 33,262	\$ 81,305	\$ -	\$ -		
Investment income	-	-	-	87	-	-	-	-	-		
Other	89,612	22,125	-	30,861	-	-	-	-	-		
<b>Total revenues</b>	<b>2,079,213</b>	<b>112,467</b>	<b>11,336</b>	<b>30,948</b>	<b>23,477</b>	<b>33,262</b>	<b>81,305</b>	<b>-</b>	<b>-</b>		
<b>EXPENDITURES</b>											
Current:											
Education	2,141,918	-	-	-	-	-	-	-	-		
Other expenses	-	100,241	8,800	18,182	23,477	33,262	81,305	-	-		
Capital outlays	-	-	-	-	-	-	-	-	-		
Bond issuance cost	-	-	-	-	-	-	-	-	-		
<b>Total expenditures</b>	<b>2,141,918</b>	<b>100,241</b>	<b>8,800</b>	<b>18,182</b>	<b>23,477</b>	<b>33,262</b>	<b>81,305</b>	<b>-</b>	<b>-</b>		
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(62,705)</b>	<b>12,226</b>	<b>2,536</b>	<b>12,766</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		
<b>Other financing sources (uses):</b>											
Issuance of bonds and lease purchase obligations	-	-	-	-	-	-	-	-	-		
Transfers in	-	-	-	-	-	-	-	-	-		
Transfers out	-	-	-	-	-	-	-	-	-		
<b>Total other financing sources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		
<b>Net change in fund balances</b>	<b>(62,705)</b>	<b>12,226</b>	<b>2,536</b>	<b>12,766</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		
<b>Fund balances (deficits) - July 1, 2014</b>	<b>131,106</b>	<b>3,076</b>	<b>60,501</b>	<b>11,414</b>	<b>-</b>	<b>3,889</b>	<b>-</b>	<b>-</b>	<b>-</b>		
<b>Fund balances (deficits) - June 30, 2015</b>	<b>\$ 68,401</b>	<b>\$ 15,302</b>	<b>\$ 63,037</b>	<b>\$ 24,180</b>	<b>\$ -</b>	<b>\$ 3,889</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		

(CONTINUED)

Combining Statement of Revenue, Expenditure, and Changes in Fund Balance  
 Nonmajor Government Funds  
 For the year ended June 30, 2015

SPECIAL REVENUE FUNDS										
	Historical Trust Fund	Fire Plan Review	Fire Prevention	Memorial Library Fund	State JAG Grant	Secure Our Schools	Champlin Grant	Total Special Revenue Funds		
<b>REVENUES</b>										
Federal and state grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,229,323		
Investment income	384	-	-	-	-	-	-	471		
Other	30,272	27,343	9,085	14,363	-	-	8,200	231,861		
<b>Total revenues</b>	<b>30,656</b>	<b>27,343</b>	<b>9,085</b>	<b>14,363</b>	<b>\$ -</b>	<b>\$ -</b>	<b>8,200</b>	<b>2,461,655</b>		
<b>EXPENDITURES</b>										
<b>Current:</b>										
Education	-	-	-	-	-	-	-	2,141,918		
Other expenses	55,509	189,369	3,970	275	-	-	-	514,390		
Capital outlays	-	-	-	-	-	-	-	-		
Bond issuance cost	-	-	-	-	-	-	-	-		
<b>Total expenditures</b>	<b>55,509</b>	<b>189,369</b>	<b>3,970</b>	<b>275</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,656,308</b>		
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(24,853)</b>	<b>(162,026)</b>	<b>5,115</b>	<b>14,088</b>	<b>-</b>	<b>-</b>	<b>8,200</b>	<b>(194,653)</b>		
<b>Other financing sources (uses):</b>										
Issuance of bonds and lease purchase obligations	-	-	-	-	-	-	-	-		
Transfers in	-	-	-	-	-	-	-	-		
Transfers out	-	-	-	-	-	-	-	-		
<b>Total other financing sources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		
<b>Net change in fund balances</b>	<b>(24,853)</b>	<b>(162,026)</b>	<b>5,115</b>	<b>14,088</b>	<b>-</b>	<b>-</b>	<b>8,200</b>	<b>(194,653)</b>		
<b>Fund balances (deficits) - July 1, 2014</b>	<b>104,714</b>	<b>217,603</b>	<b>24,615</b>	<b>127,020</b>	<b>-</b>	<b>30,791</b>	<b>-</b>	<b>714,729</b>		
<b>Fund balances (deficits) - June 30, 2015</b>	<b>\$ 79,861</b>	<b>\$ 55,577</b>	<b>\$ 29,730</b>	<b>\$ 141,108</b>	<b>\$ -</b>	<b>\$ 30,791</b>	<b>\$ 8,200</b>	<b>\$ 520,076</b>		

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

EXHIBIT 2 (CONTINUED)

Combining Statement of Revenue, Expenditure, and Changes in Fund Balance  
 Nonmajor Government Funds  
 For the year ended June 30, 2015

CAPITAL PROJECT FUNDS

	School Facilities Fund	Rainone Renovations	Gym Unobligated Capital Fund	DAM Renovations	Pezza Property Acquisition	Dams Escrow Fund	Capital Improvements	Fire Equipment
<b>REVENUES</b>								
Federal and state grants	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investment income	539	-	-	-	-	2,263	-	1,081
Other	-	-	-	-	40	611,061	-	324,706
<b>Total revenues</b>	<b>539</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 40</b>	<b>613,324</b>	<b>-</b>	<b>325,787</b>
<b>EXPENDITURES</b>								
<b>Current:</b>								
Education	-	-	-	-	-	-	-	-
Other expenses	-	-	-	-	-	23,493	-	280,559
Capital outlays	-	-	-	-	-	-	-	-
Bond issuance cost	-	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23,493</b>	<b>-</b>	<b>280,559</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>539</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>40</b>	<b>589,831</b>	<b>-</b>	<b>45,228</b>
<b>Other financing sources (uses):</b>								
Issuance of bonds and lease purchase obligations	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
<b>Total other financing sources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>539</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>40</b>	<b>589,831</b>	<b>-</b>	<b>45,228</b>
<b>Fund balances (deficits) - July 1, 2014</b>	<b>132,630</b>	<b>12,121</b>	<b>45,327</b>	<b>57,745</b>	<b>5,762</b>	<b>245,654</b>	<b>2,513</b>	<b>450,313</b>
<b>Fund balances (deficits) - June 30, 2015</b>	<b>\$ 133,169</b>	<b>\$ 12,121</b>	<b>\$ 45,327</b>	<b>\$ 57,745</b>	<b>\$ 5,802</b>	<b>\$ 835,485</b>	<b>\$ 2,513</b>	<b>\$ 495,541</b>

(CONTINUED)



TOWN OF JOHNSTON, RHODE ISLAND

EXHIBIT 2 (CONTINUED)

Combining Statement of Revenue, Expenditure, and Changes in Fund Balance  
 Nonmajor Government Funds  
 For the year ended June 30, 2015

CAPITAL PROJECT FUNDS

	Capital Project Fund	Capital Lease 2011	Capital Lease 2014	Capital Project 2013 Series A	School Athletic Complex	School Wireles Classroom Initiative	Total Capital Project Funds	Total Nonmajor Government Funds
<b>REVENUES</b>								
Federal and state grants	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,229,323
Investment income	4,033	2	45	13,867	4,824	-	26,654	27,125
Other	-	-	750,000	155,000	2,899	-	1,843,706	2,075,567
<b>Total revenues</b>	4,033	2	750,045	168,867	7,723	-	1,870,360	4,332,015
<b>EXPENDITURES</b>								
Current:								
Education	-	-	-	-	-	-	-	2,141,918
Other expenses	201,848	17,690	-	-	-	-	523,590	1,037,980
Capital outlays	1,112,984	-	587,337	1,386,603	2,235,964	-	5,322,888	5,322,888
Bond issuance cost	-	-	-	-	-	-	-	-
<b>Total expenditures</b>	1,314,832	17,690	587,337	1,386,603	2,235,964	-	5,846,478	8,502,786
<b>Excess (deficiency) of revenues over (under) expenditures</b>	(1,310,799)	(17,688)	162,708	(1,217,736)	(2,228,241)	-	(3,976,118)	(4,170,771)
<b>Other financing sources (uses):</b>								
Issuance of bonds and lease purchase obligations	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	70,249	-	70,249	70,249
Transfers out	(70,249)	-	-	-	-	-	(70,249)	(70,249)
<b>Total other financing sources</b>	(70,249)	-	-	-	70,249	-	-	-
<b>Net change in fund balances</b>	(1,381,048)	(17,688)	162,708	(1,217,736)	(2,157,992)	-	(3,976,118)	(4,170,771)
<b>Fund balances (deficits) - July 1, 2014</b>	2,328,666	17,688	-	3,979,987	2,158,020	-	9,436,426	10,151,155
<b>Fund balances (deficits) - June 30, 2015</b>	\$ 947,618	\$ -	\$ 162,708	\$ 2,762,251	\$ 28	\$ -	\$ 5,460,308	\$ 5,980,384

(CONCLUDED)

Combining Balance Sheet  
 School Restricted Funds  
 Reported as Nonmajor Governmental Funds  
 June 30, 2015

SPECIAL REVENUE FUNDS

Preschool IDEA Section 619	IDEA Part B	Title I	Race to the Top	Broadrock Energy	NE Daily	USDA FFV	Lifetouch Commission	Title II	Healthier US Schools	Parther Partner Donation	Aramark Scholarships	EDS Technology	PTO Donations
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11,411	321,248	333,655	6,136	-	-	11,376	-	46,498	-	-	-	-	-
-	-	1,000	1,000	-	3,728	-	4,455	-	2,000	18,615	-	10,583	-
\$ 11,411	\$ 321,248	\$ 333,655	\$ 7,136	\$ -	\$ 3,728	\$ 11,376	\$ 4,455	\$ 46,498	\$ 2,000	\$ 18,615	\$ -	\$ 10,583	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 300	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11,411	314,723	342,774	-	22,235	-	11,376	-	42,070	-	-	-	-	144
-	-	-	-	-	-	-	-	-	-	-	-	-	-
11,411	314,723	342,774	-	22,235	-	11,376	300	42,070	-	-	-	-	144
-	6,525	(9,119)	7,136	(22,235)	-	-	-	-	-	-	-	-	(144)
-	6,525	(9,119)	7,136	(22,235)	3,728	-	4,155	4,428	2,000	18,615	-	10,583	-
\$ 11,411	\$ 321,248	\$ 333,655	\$ 7,136	\$ -	\$ 3,728	\$ 11,376	\$ 4,455	\$ 46,498	\$ 2,000	\$ 18,615	\$ -	\$ 10,583	\$ -

ASSETS

Cash and cash equivalents  
 Intergovernmental receivable  
 Due from other funds  
**TOTAL ASSETS**

Liabilities:

Accounts payable  
 Due to other funds  
 Unearned revenue  
**Total liabilities**

Fund balances:

Unassigned  
 Restricted  
**Total fund balances**

TOTAL LIABILITIES AND FUND BALANCE

TOWN OF JOHNSTON

EXHIBIT 3 (CONTINUED)

Combining Balance Sheet  
 School Restricted Funds  
 Reported as Nonmajor Governmental Funds  
 June 30, 2015

SPECIAL REVENUE FUNDS

Title III	Target Grant	Verizon Foundation	RISCA	Scholarship America	RI Education Foundation	Walmart Grant	Donation & Misc Grant	General Assembly	Student Equity	Feinstein Elementary	Festival Fete Kindergarten	Full Day Kindergarten	School Restricted Funds	Total
Cash and cash equivalents	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental receivable	1,249	3,512	1,337	-	-	-	-	-	-	-	-	-	-	730,933
Due from other funds	-	-	-	-	-	-	-	-	-	-	-	-	-	83,124
<b>TOTAL ASSETS</b>	<b>\$ 1,249</b>	<b>\$ 3,512</b>	<b>\$ 1,337</b>	<b>\$ 3</b>	<b>\$ 3</b>	<b>\$ 150</b>	<b>\$ 12,498</b>	<b>\$ 2,719</b>	<b>\$ 7,683</b>	<b>\$ 12,734</b>	<b>\$ 8</b>	<b>\$ 700</b>	<b>\$ 814,057</b>	<b>\$ 814,057</b>
Liabilities:														
Accounts payable	-	-	-	-	-	-	-	-	-	-	-	-	-	300
Due to other funds	-	-	-	-	-	-	-	-	-	-	-	-	-	745,342
Unearned revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	14
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>745,656</b>
<b>Fund balances:</b>														
Unassigned	-	-	-	-	-	-	-	-	-	-	-	-	-	(22,379)
Restricted	1,249	3,512	1,337	3	3	150	12,498	2,719	7,683	12,720	8	700	90,780	
<b>Total fund balances</b>	<b>\$ 1,249</b>	<b>\$ 3,512</b>	<b>\$ 1,337</b>	<b>\$ 3</b>	<b>\$ 3</b>	<b>\$ 150</b>	<b>\$ 12,498</b>	<b>\$ 2,719</b>	<b>\$ 7,683</b>	<b>\$ 12,720</b>	<b>\$ 8</b>	<b>\$ 700</b>	<b>\$ 88,401</b>	<b>\$ 88,401</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 609</b>	<b>\$ 1,249</b>	<b>\$ 1,337</b>	<b>\$ 3</b>	<b>\$ 3</b>	<b>\$ 150</b>	<b>\$ 12,498</b>	<b>\$ 2,719</b>	<b>\$ 7,683</b>	<b>\$ 12,734</b>	<b>\$ 8</b>	<b>\$ 700</b>	<b>\$ 814,057</b>	<b>\$ 814,057</b>

TOWN OF JOHNSION

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 School Restricted Funds  
 Reported as Nonmajor Governmental Funds  
 For the year ended June 30, 2015

SPECIAL REVENUE FUNDS

	Preschool IDEA Section 619	IDEA Part B	Title I	Race to the Top	Broadrock Energy	NE Dairy	USDA FFV	Lifetouch Commission	Title II	Healthier US Schools	Partner Donation	Aramark Scholarships	EDS Technology	PTO Donations
Revenues:														
Federal and state grants	\$ 29,769	\$ 923,203	\$ 765,788	\$ 28,393	\$ 62,500	\$ -	\$ 30,729	\$ -	\$ 187,199	\$ -	\$ -	\$ 1,500	\$ 10,583	\$ 27
Other revenue	-	-	-	-	-	-	-	3,108	-	-	-	-	-	-
<b>Total revenues</b>	<b>\$ 29,769</b>	<b>\$ 923,203</b>	<b>\$ 765,788</b>	<b>\$ 28,393</b>	<b>\$ 62,500</b>	<b>\$ -</b>	<b>\$ 30,729</b>	<b>\$ 3,108</b>	<b>\$ 187,199</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,500</b>	<b>\$ 10,583</b>	<b>\$ 27</b>
Expenditures:														
Current:														
Salaries	\$ 4,447	\$ 564,322	\$ 602,890	\$ 5,136	\$ -	\$ -	\$ -	\$ -	\$ 108,935	\$ -	\$ -	\$ -	\$ -	\$ -
Employee benefits	5,390	268,446	122,918	-	-	-	-	-	30,481	-	-	-	-	-
Purchased services	19,932	33,211	5,363	16,121	-	8	30,729	588	19,574	-	-	1,500	-	-
Supplies and materials	-	50,699	43,736	-	145,176	-	-	146	23,781	-	-	-	-	-
Capital outlays	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>\$ 29,769</b>	<b>\$ 916,678</b>	<b>\$ 774,907</b>	<b>\$ 21,257</b>	<b>\$ 145,176</b>	<b>\$ 8</b>	<b>\$ 30,729</b>	<b>\$ 734</b>	<b>\$ 182,771</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,500</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net change in fund balances</b>	<b>-</b>	<b>\$ 6,525</b>	<b>\$ (9,119)</b>	<b>\$ 7,136</b>	<b>\$ (82,676)</b>	<b>\$ (8)</b>	<b>\$ -</b>	<b>\$ 2,374</b>	<b>\$ 4,428</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 10,583</b>	<b>\$ 27</b>
<b>Fund balances, July 1, 2014</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$ 60,441</b>	<b>\$ 3,736</b>	<b>-</b>	<b>\$ 1,781</b>	<b>-</b>	<b>\$ 2,000</b>	<b>\$ 18,615</b>	<b>-</b>	<b>-</b>	<b>\$ (171)</b>
<b>Fund balances, June 30, 2015</b>	<b>\$ -</b>	<b>\$ 6,525</b>	<b>\$ (9,119)</b>	<b>\$ 7,136</b>	<b>\$ (22,235)</b>	<b>\$ 3,728</b>	<b>\$ -</b>	<b>\$ 4,155</b>	<b>\$ 4,428</b>	<b>\$ 2,000</b>	<b>\$ 18,615</b>	<b>\$ -</b>	<b>\$ 10,583</b>	<b>\$ (144)</b>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 School Restricted Funds  
 Reported as Nonmajor Governmental Funds  
 For the year ended June 30, 2015

SPECIAL REVENUE FUNDS

	Target Grant	Verizon Foundation	RISCA	Scholarship America	RI Education Foundation	Walnut Grant	Donation & Misc Grant	Perkins Vocational	General Assembly	Student Equity	Feinstein Elementary	Festival Fete	Kindergarten	Full Day	School Restricted Funds	Total
Revenues:																
Federal and state grants	\$ -	\$ -	\$ 821	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,000	\$ 1,989,601	
Other revenue	681	-	-	-	-	-	-	-	-	-	11,240	-	-	-	89,612	
<b>Total revenues</b>	<b>\$ 13,672</b>	<b>\$ -</b>	<b>\$ 821</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 11,240</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 10,000</b>	<b>\$ 2,079,213</b>	
Expenditures:																
Current:																
Salaries	\$ 7,052	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,300	\$ 1,302,082	
Employee benefits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	427,235	
Purchased services	2,500	-	222	-	-	-	-	-	-	-	-	-	-	-	129,748	
Supplies and materials	4,120	-	-	-	-	-	-	-	-	-	15,195	-	-	-	282,853	
Capital outlays	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Total expenditures</b>	<b>\$ 13,672</b>	<b>\$ -</b>	<b>\$ 222</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 15,195</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 9,300</b>	<b>\$ 2,141,918</b>	
<b>Net change in fund balances</b>	<b>\$ -</b>	<b>\$ 681</b>	<b>\$ 599</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (3,955)</b>	<b>\$ -</b>	<b>\$ 700</b>	<b>\$ -</b>	<b>\$ (82,705)</b>	
<b>Fund balances, July 1, 2014</b>	<b>\$ -</b>	<b>\$ 568</b>	<b>\$ 3,512</b>	<b>\$ 738</b>	<b>\$ 3</b>	<b>\$ 150</b>	<b>\$ 12,498</b>	<b>\$ -</b>	<b>\$ 2,719</b>	<b>\$ 7,683</b>	<b>\$ 16,675</b>	<b>\$ 8</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 131,106</b>	
<b>Fund balances, June 30, 2015</b>	<b>\$ -</b>	<b>\$ 1,249</b>	<b>\$ 3,512</b>	<b>\$ 1,337</b>	<b>\$ 3</b>	<b>\$ 150</b>	<b>\$ 12,498</b>	<b>\$ -</b>	<b>\$ 2,719</b>	<b>\$ 7,683</b>	<b>\$ 12,720</b>	<b>\$ 8</b>	<b>\$ 700</b>	<b>\$ -</b>	<b>\$ 68,401</b>	

# *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, 2015:

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

TOWN OF JOHNSION

Combining Statement of Net Position  
Private Purpose Trust Funds  
June 30, 2015

	Daniel Eider Burial Fund	Manton Perpetual Care	Celina Ester Brook	Sara Ivans	Kelly Burial Grounds	Nicholas Smith	Kimball Burial Ground	Richardson Burial Ground	C.T. Tourtelot	Total Private Purpose Funds
<b>ASSETS</b>										
Cash and cash equivalents	\$ 875	\$ 3,930	\$ 3,427	\$ 1,403	\$ 3,730	\$ 1,842	\$ 4,683	\$ 1,391	\$ 1,707	\$ 22,988
Other receivable	-	-	-	-	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<u>875</u>	<u>3,930</u>	<u>3,427</u>	<u>1,403</u>	<u>3,730</u>	<u>1,842</u>	<u>4,683</u>	<u>1,391</u>	<u>1,707</u>	<u>22,988</u>
<b>NET POSITION</b>										
Held in trust for perpetual care	\$ 875	\$ 3,930	\$ 3,427	\$ 1,403	\$ 3,730	\$ 1,842	\$ 4,683	\$ 1,391	\$ 1,707	\$ 22,988

TOWN OF JOHNSTON

Combining Statement of Changes in Net Position  
Private Purpose Trust Funds  
For the year ended June 30, 2015

	Daniel Elder Burial Fund	Manton Perpetual Cafe	Celina Ester Brook	Sara Ivans	Kelly Burial Grounds	Nicholas Smith	Kimball Burial Ground	Richardson Burial Ground	C.T. Tourtillot	Private Purpose Funds	Total
REVENUES:											
Investment income	\$ -	\$ 1	\$ -	\$ -	\$ -	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1	\$ 6
EXPENDITURES:											
Bank fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
CHANGE IN NET POSITION											
NET POSITION- JULY 1, 2014	875	3,929	3,427	1,403	3,729	1,841	4,682	1,390	1,706	22,982	
NET POSITION- JUNE 30, 2015	\$ 875	\$ 3,930	\$ 3,427	\$ 1,403	\$ 3,730	\$ 1,842	\$ 4,683	\$ 1,391	\$ 1,707	\$ 22,988	



# *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:

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

**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.

TOWN OF JOHNSTON, RHODE ISLAND

**Statement of Changes in Assets and Liabilities**  
**Agency Funds**  
**Year ended June 30, 2015**

	Beginning Balance	Additions	Deductions	Ending Balance
<b><u>STUDENT ACTIVITY FUNDS</u></b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 190,191	\$ 190,938	\$ 191,313	\$ 189,816
<b>Total assets</b>	<b>\$ 190,191</b>	<b>\$ 190,938</b>	<b>\$ 191,313</b>	<b>\$ 189,816</b>
<b>Liabilities:</b>				
Due to student groups	\$ 190,191	\$ 190,938	\$ 191,313	\$ 189,816
<b><u>PERFORMANCE BONDS</u></b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 240,629	\$ 64	\$ -	\$ 240,693
Due to due from other funds	107,750	-	-	107,750
Other receivable	40	-	-	40
<b>Total assets</b>	<b>\$ 348,419</b>	<b>\$ 64</b>	<b>\$ -</b>	<b>\$ 348,483</b>
<b>Liabilities:</b>				
Deposits held in custody for others	\$ 348,419	\$ 64	\$ -	\$ 348,483
<b><u>Total - All Agency Funds</u></b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 430,820	\$ 191,002	\$ 191,313	\$ 430,509
Due to due from other funds	107,750	-	-	107,750
Other receivable	40	-	-	40
<b>Total assets</b>	<b>\$ 538,610</b>	<b>\$ 191,002</b>	<b>\$ 191,313</b>	<b>\$ 538,299</b>
<b>Liabilities:</b>				
Due to student groups	\$ 190,191	\$ 190,938	\$ 191,313	\$ 189,816
Deposits held in custody for others	348,419	64	-	348,483
<b>Total liabilities</b>	<b>\$ 538,610</b>	<b>\$ 191,002</b>	<b>\$ 191,313</b>	<b>\$ 538,299</b>

**EXHIBIT 8**

**TOWN OF JOHNSTON, RHODE ISLAND  
SCHEDULE OF PROPERTY TAXES RECEIVABLE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Year	Mill Rate	Property Taxes Receivable July 1, 2014	Current Year Assessment	Transfers Addendums (Net)	Abatements and Adjustments	Amount to be Collected	Collections Net of Refunds	Property Taxes Receivable June 30, 2015
2014		\$ 4,188,455	\$ 72,642,939	\$ 416,076	\$ 323,827	\$ 72,735,188	\$ 69,014,155	\$ 3,721,033
2013	\$28.75	1,532,271	48,343	112,687	4,124,111	2,502,525	1,621,586	
2012	\$24.75	689,415	1,797	39,250	1,494,818	567,876	926,942	
2011	\$24.75	518,230	16,432	14,502	691,345	101,926	589,419	
2010	\$23.81	432,309	1,703	7,146	512,787	39,595	473,192	
2009	\$19.49	277,864	(593)	134,408	297,901	5,714	292,187	
2008	\$18.91	266,842		101	277,170	2,695	274,475	
2007	\$17.84	239,910		1,529	265,313	6,880	258,433	
2006	\$17.41	242,278		924	238,986	1,833	237,153	
2005	\$16.99	264,870		1,607	240,671	1,826	238,845	
2004	\$16.40	30,868		1,481	263,389	906	262,483	
2003	\$26.30	28,270		(1,728)	32,622	-	32,622	
2002	\$25.10	18,976	26	(723)	28,993	286	28,707	
2001	\$23.79	14,422		(1,787)	20,763	41	20,722	
2000	\$27.06	13,435			12,473	46	12,427	
1999	\$27.06	8,563			14,422	-	14,422	
1998	\$25.89	3,342			13,435	-	13,435	
1997	\$20.90	3,555			8,563	-	8,563	
1996	\$20.90	2,520			3,342	-	3,342	
1995	\$20.90	7,123			3,555	-	3,555	
1994	\$34.64	3,545			2,520	-	2,520	
1993	\$32.90				7,123	-	7,123	
1992					3,545	-	3,545	
Subtotal		8,799,536	72,642,939	483,784	633,224	81,293,035	72,246,304	9,046,731
Less: estimated allowance for uncollectable accounts		(5,073,375)						(5,637,840)
<b>Net property taxes receivable</b>		\$ 3,726,161						\$ 3,408,891

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND  
 SCHEDULE OF PROPERTY TAXES RECEIVABLE  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Description of Property	Schedule of Net Assessed Property Value by Category Assessed December 31, 2013		Reconciliation of Current Year Property Tax Revenue	
	Valuations	Levy		
Real property	\$ 2,272,735,571	\$ 54,232,969	Collections net of refunds in 2015	\$ 72,246,304
Motor vehicles	255,765,290	8,970,557	Revenue received 60 days subsequent to fiscal year ending June 30, 2015	<u>1,385,361</u>
Tangible property	161,775,680	9,580,373	Subtotal	<u>73,631,665</u>
Wholesale and retail inventory	-		Prior year revenue received in current year (2014 60 day rule)	<u>(1,011,952)</u>
Total	2,690,276,541	72,783,899	<b>Current year property tax revenue</b>	<u>\$ 72,619,713</u>
Exemptions and adjustments	425,764,899			
<b>Net assessed value</b>	<u>\$ 2,264,511,642</u>	<u>\$ 72,783,899</u>		

(CONCLUDED)

***TOWN OF JOHNSTON, RHODE ISLAND***

***SINGLE AUDIT SECTION***

***TOWN OF JOHNSTON, RHODE ISLAND***

***SINGLE AUDIT SECTION***

**INDEPENDENT AUDITOR'S 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, Rhode Island

We have audited, 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, 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 (Town), as of and for the year fiscal ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated December 23, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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's internal control over financial reporting.. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of internal control over was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Town'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 as items **2015-001-** 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.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Town's financial statements are free from 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* and which are described in the accompanying schedule of findings and questioned costs.

### **Town of Johnston, Rhode Island's Response to Findings**

The Town's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Parmelee, Poirier & Associates, LLP  
December 23, 2015



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED  
BY OMB CIRCULAR A-133**

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

**Report on Compliance for Each Major Federal Program**

We have audited the compliance of the Town of Johnston (Town), 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's major federal programs for the year ended June 30, 2015. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Town's major federal programs based on our audit of the types of compliance requirements referred to above. 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'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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Town's compliance.

**Opinion on Each Major Federal Programs**

In our opinion, the Town complied, in all material respects, with the types of 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, 2015.

## **Report on Internal Control over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program 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 the Town's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Parmelee, Poirier & Associates, LLP  
December 23, 2015

**TOWN OF JOHNSTON, RHODE ISLAND**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2015**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Expenditures
<b>U.S. Department of Education</b>		
Pass through Rhode Island Department of Education:		
<i>IDEA Cluster:</i>		
IDEA Part B	84.027	\$ 923,203
IDEA Sec 619 - Preschool	84.173	29,769
<b>Total IDEA Cluster</b>		<u>952,972</u>
Title I	84.010	765,788
Title II	84.367	187,199
Title III	84.365	13,672
Perkins Vocational Education	84.048	-
Race To The Top - ARRA	84.395	455,511
<b>Total U.S. Department of Education</b>		<u>2,375,142</u>
<b>U.S. Department of Housing and Urban Development</b>		
Pass Through State Governor's Office of Housing, Energy & Intergovernmental Relations:		
Community Development Block Grant	14.228	<u>100,241</u>
<b>U.S. Department of Agriculture</b>		
Pass Through RI Department of Education:		
<i>School Lunch Cluster:</i>		
National School Lunch Program	10.555	528,291
National School Breakfast Program	10.553	103,867
Special Milk Program for Children	10.556	989
Summer Food Service Program for Children	10.559	4,393
<b>Total School Lunch Cluster</b>		<u>637,540</u>
Food Commodity	10.565	78,434
Fresh Fruit and Vegetable Program (FFVP)	10.582	30,729
<b>Total U.S. Department of Agriculture</b>		<u>746,703</u>
<b>U.S. Department of Transportation</b>		
Pass Through Rhode Island Department of Transportation:		
National Highway Safety Traffic Administration Discretionary Safety Grants	20.614	5,675
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	7,799
Occupant Protection Incentive Grants	20.602	16,392
State and Community Highway Safety	20.600	6,548
<b>Total U.S. Department of Transportation</b>		<u>36,414</u>
<b>U.S. Department of Homeland Security</b>		
Pass Through Rhode Island Emergency Management Agency		
Emergency Management Performance Grants	97.042	6,616
<b>Total U.S. Department of Homeland Security</b>		<u>6,616</u>
<b>U.S. Department of Justice</b>		
Pass Through Rhode Island Department of Public Safety		
Byrne Memorial Justice Assistance Grant	16.738	23,845
<b>Total U.S. Department of Justice</b>		<u>23,845</u>
<b>U.S. Department of Homeland Security</b>		
Assistance to Fire Fighter Grants		
	97.044	<u>79,776</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		<u>\$ 3,368,737</u>

SEE NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**TOWN OF JOHNSTON, RHODE ISLAND**  
**Notes to Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2015**

1. **General** - The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal programs of the Town of Johnston, Rhode Island. All federal awards received from federal agencies are included on the Schedule. 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*.
2. **Basis of Accounting** - The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting.
3. **Determination of Type A, Type B and Major Programs** - The determination of Type A and Type B federal programs was based upon the expenditures for all federal programs for the Town of Johnston. As such, the threshold for determining Type A vs. Type B programs is determined at the entity level. For the fiscal year-ended June 30, 2015, grants with expenditures exceeding \$300,000 were determined to be Type A programs and all other grants were considered Type B programs. For the fiscal year ended June 30, 2015, the following programs were considered a major program:

IDEA Cluster:	
IDEA Part B	CFDA #84.027
IDEA Sec 619 – Preschool	CFDA #84.173
Title I	CFDA #84.010
Race to The Top –ARRA	CFDA #84.395
School Lunch Cluster:	
National School Lunch Program	CFDA #10.555
National School Breakfast Program	CFDA #10.553
Special Milk Program for Children	CFDA #10.556
Summer Food Service Program for Children	CFDA #10.559

**TOWN OF JOHNSTON, RHODE ISLAND**  
**Schedule of Findings and Questioned Costs**  
**For The Fiscal Year Ended June 30, 2015**

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

**Financial Statements**

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

Material weakness (es) identified?

X yes    \_\_\_ no

Significant deficiency (ies) identified that are not considered to be material weaknesses?

\_\_\_ yes    X none reported

Noncompliance material to financial statements noted?

\_\_\_ yes    X no

**Federal Awards**

Internal control over major programs:

Material weakness (es) identified?

\_\_\_ yes    X no

Significant deficiency (ies) identified that are not considered to be material weakness (es)?

\_\_\_ yes    X none reported

Type of auditor's report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB circular A-133?

\_\_\_ yes    X no

**Identification of major programs:**

**CFDA Number(s)      Name of Federal Program or Cluster**

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 300,000

Qualified as low risk auditee:

\_\_\_ yes    X no

**TOWN OF JOHNSTON, RHODE ISLAND**  
**Schedule of Findings and Questioned Costs**  
**For The Fiscal Year Ended June 30, 2015**

**SECTION II – FINDINGS RELATING TO THE FINANCIAL STATEMENT AUDIT**

**Current Year Findings:**

**2015-001 Grant Agreements, Reports and Reconciliation:**

**Criteria:** The Town receives various grants which are reported as non-major funds in the Fund financial statements. The Town is required to maintain all grant agreements and related financial reports.

**Finding:** The Town does not have policies or procedures in place to identify new grants. During the audit, we noted the Town does not have a central location for maintaining grants. The lack of centralization may result in the Finance Department not being aware that a grant had been awarded, fail to have the documentation for unaware of the grant requirements or processing grant requisitions that may not comply with the provisions of the grant.

**Recommendation:** We suggest that all grants are approved prior to application, and that the Finance Department is made aware of all grant information, such as the CFDA number, award letters, contract services and agreements in order to properly account for the grant expenditure in their respective revenue fund. The centralized of grant administration will provide the Town with a better reporting system regarding grant expenditures and will also ensure compliance with grant provisions.

**Response:** Management will take the auditors' recommendation regarding the centralization of all Town grant's under consideration. Currently, at the operational level, all grants are managed by the respective Town Department Heads and Directors or their designees, as they should be. The process of grant review, grant acceptance, and grant communication between the departments and finance department regarding revenues and expenditures continues to be a priority of the Finance Department. In addition, the Finance Department will continue to work to verify the provisions of all grant agreements are being met.

**Prior Years Findings:**

**2014-001 - Long Term Debt-** During the 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. The Town does not maintain a general ledger or any accounting records to support outstanding balances of long-term debt obligations. Compensated absence schedules are maintained at various departments however, the Town's Finance Department does not maintain these schedules or have a policy or procedure for reviewing and approving the calculations on a periodic basis. During our audit we also noted instances where the time records included use of compensatory and other paid time off without adequate documentation to support the availability of that time. Failure to submit and maintain adequate time records may result in employees being compensated for time not worked or unqualified absences. **Status: Resolved**

*TOWN OF JOHNSTON, RHODE ISLAND  
Schedule of Findings and Questioned Costs  
For The Fiscal Year Ended June 30, 2015*

**2014-002 - Capital Assets**-The Town of Johnston does not have adequate policies or procedures in place for maintaining and updating the capital asset records in a timely manner, results in material adjustments of the carrying value of the capital assets reported by the Town at June 30, 2014. **Status: Resolved**

**2014-003 – Grant Agreements, Reports and Reconciliation** – 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. **Status: Repeated in current year finding 2015-001.**

***SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS***

**Current Year Findings:**

None noted

**Prior Year Findings:**

None noted