

TOWN OF JOHNSTON, RHODE ISLAND

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED
JUNE 30, 2013**

TOWN OF JOHNSTON, RHODE ISLAND

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TOWN OF JOHNSTON, RHODE ISLAND

FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

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(CONCLUDED)

TOWN OF JOHNSTON, RHODE ISLAND

**TOWN OFFICIALS
JUNE 30, 2013**

MAYOR

Joseph M. Polisena

TOWN COUNCIL

Robert V. Russo, Esq., President

Stephanie P. Manzi, Vice President

Anthony A. Verardo

David J. Santilli

Eileen Fuoco

SCHOOL COMMITTEE

Janice D. Mele, Chairperson

Robert A. Lafazia, Vice Chairperson

Lorraine C. Iafrate

Joseph W. Rotella

Susan M. Mansolillo

DEPARTMENT DIRECTORS

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

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

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TOWN OF JOHNSTON, RHODE ISLAND

FINANCIAL SECTION

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

REPORT OF INDEPENDENT AUDITORS

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Johnston, Rhode Island as of and for the year ended June 30, 2013, 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.

Auditors' 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 from 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 auditors' 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 also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Johnston, Rhode Island, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Funding Progress for Pension Plans, budgetary comparison information, and Schedule of Funding Progress for OPEB Plans on Pages 3–11, Page 68, Pages 69-80, and Page 81, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

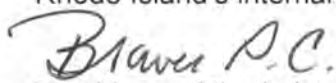
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Johnston, Rhode Island's basic financial statements. The combining and individual nonmajor fund financial statements, and other exhibits, are presented for purposes of additional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

The combining and individual nonmajor fund financial statements, other exhibits, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. 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 nonmajor fund financial statements, other exhibits, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The list of Town Officials has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2013, on our consideration of the Town of Johnston, Rhode Island's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Johnston, Rhode Island's internal control over financial reporting and compliance.


Blawie P.C.
Providence, Rhode Island
December 30, 2013

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, 2013.

Financial Highlights

- The liabilities of the Town of Johnston exceeded its assets and deferred outflows of resources as of June 30, 2013 by \$26,845,656. This represents a decrease in total net position of \$12,281,771 from June 30, 2012.
- As of June 30, 2013, the Town of Johnston's governmental activities reported total net position (deficit) of (\$40,247,489). The net position is comprised of \$27,334,298 net investment in capital assets and an unrestricted net position deficit of (\$67,581,787). Also included in this deficit is the negative change in net position, (\$12,591,480), for the fiscal year ended June 30, 2013 for governmental activities as shown in Exhibit A-2.
- As of June 30, 2013, the total fund balance of the Town's General Fund was \$9,134,418 versus \$7,467,531 last year. This June 30, 2013 fund balance includes non-spendable fund balance of \$512,710 and unassigned fund balance of \$8,621,708. The difference is an increase in the fund balance of \$1,666,887 for the fiscal year ended June 30, 2013.
- As of June 30, 2013, the total fund balance of the School Unrestricted Fund was \$3,413,349. The School Unrestricted fund balance at June 30, 2012 was \$1,807,997. The net change in fund balance in the School Unrestricted fund balance for 2013 was \$1,605,352.
- 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 "stabilized financial operations, reduced OPEB liabilities and plan to improve funding of its pensions plans". Additionally, in May 2013, the Town's bond rating with Standard & Poor's was upgraded from an "A-" to "A" 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."
- Despite the positive rating actions in 2013, 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.

Overview of the Financial Statements

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

During fiscal year ended June 30, 2011 the Town implemented Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which required the reclassification of fund balance reporting on the Town's financial position for governmental funds. Fiscal 2013 represents the Town's third year reporting under GASB 54.

Overview of the Financial Statements (Continued)

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 of 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 include only the activities of the Town of Johnston. The government-wide financial statements can be found on pages 12 and 13 of this report.

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

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

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

The Town of Johnston maintains 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 Balances for the General Fund, School Unrestricted Fund, and Capital Project 2013 Series A fund. Data from the remaining 54 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements later in this report. The basic governmental fund financial statements can be found on pages 14 through 17 of this report. Details of the combined governmental funds can be found on pages 82 through 91.

Overview of the Financial Statements (Continued)

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 18 through 21.

Fiduciary funds - are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town of Johnston's programs. The fiduciary funds maintained by the Town of Johnston include private-purpose trusts, pension trust fund, and agency funds. The basic fiduciary fund financial statements can be found on pages 22 and 23 of this report and are detailed on pages 92 through 94.

Notes to the financial statements - provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on pages 24 through 67 of this report.

Required Supplementary Information - in addition to the basic financial statements and accompanying notes, the financial statements include required supplementary information which presents a Schedule of Funding Progress for Pension Plan, budgetary comparison schedules for the General Fund and School Unrestricted Fund to demonstrate compliance, and Schedule of Funding Progress for OPEB Plan. The required supplementary information can be found on pages 68 through 81.

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 82 through 94. In addition, supplementary information also includes schedules of property taxes receivable which are included on pages 95 and 96.

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 \$26,845,656 at the close of 2013.

TOWN OF JOHNSTON, RHODE ISLAND

NET POSITION

As of June 30, (in 000's)

	Governmental Activities		Business Activities		Total	Total
	2013	2012 (as restated)	2013	2012 (as restated)	2013	2012 (as restated)
Current & other assets	\$ 33,066	\$ 24,068	\$ 6,240	\$ 6,299	\$ 39,306	\$ 30,367
Capital assets	51,527	53,743	11,922	11,871	63,449	65,614
Total Assets	84,593	77,811	18,162	18,170	102,755	95,981
Deferred outflows of resources	488	532	64	70	552	602
Current liabilities	10,995	11,310	452	2,270	11,447	13,580
Long-term liabilities	114,334	94,689	4,372	2,878	118,706	97,567
Total Liabilities	125,329	105,999	4,824	5,148	130,153	111,147
Net Position:						
Net investment in capital assets	27,334	32,888	9,195	8,961	36,529	41,849
Unrestricted	(67,582)	(60,544)	4,207	4,131	(63,375)	(56,413)
Total Net Position	\$(40,248)	\$(27,656)	\$13,402	\$13,092	\$(26,846)	\$ (14,564)

Government-wide Financial Analysis (Continued)

The general capital assets (e.g., land, buildings, building improvements, vehicles, equipment and infrastructure) of the Governmental Activities of the Town of Johnston less outstanding debt equal \$27,334,298. It should be noted that the investment in capital assets is reported net of related debt. Resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Additional portions of the Town of Johnston's net position are also subject to external restrictions on how they may be used.

The Town's net position decreased by (\$12,281,771) during the current fiscal year. Of this amount, governmental activities accounted for (\$12,591,480) of the decrease while business-type activities accounted for an increase of \$309,709. The most significant reason for the decrease in the governmental activities was the increase in OPEB liability for fiscal year ended June 30, 2013 of \$9,276,103 in accordance with GASB Statement Number 45 which was implemented by the Town effective July 1, 2008 (fiscal 2009). Details of the OPEB obligation can be found in Note 12 on Pages 58 through 60. The OPEB Liability increased from \$51,580,988 at June 30, 2012 to \$60,857,091 at June 30, 2013.

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 2013 represents the eleventh year reporting under GASB 34 and all comparative data is presented in this statement.

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

	Governmental Activities 2013	Governmental Activities 2012	Business- type Activities 2013	Business- type Activities 2012	Total 2013	Total 2012
Revenues:						
Program Revenues:						
Charges for Services, Fees & Licenses	\$ 5,883	\$ 4,867	\$ 2,717	\$ 2,598	\$ 8,600	\$ 7,465
Operating Grants and Contributions	15,399	14,887	15	561	15,414	15,448
Capital Grants and Contributions	218	1,876	18		236	1,876
General Revenues:						
Property taxes	69,360	70,132			69,360	70,132
Other taxes	4,078	4,270			4,078	4,270
Grants and aid not restricted	885	889			885	889
Unrestricted investment earnings	94	76			94	76
Miscellaneous	1,110	1,119			1,110	1,119
Transfers	0	229	0	(229)	0	0
Total Revenues	97,027	98,345	2,750	2,930	99,777	101,275
Expenses:						
Leg., Judicial, and General admin.	3,287	2,787			3,287	2,787
Financial administration	976	935			976	935
Assessors office	698	234			698	234
Public safety	40,127	40,611			40,127	40,611
Public works	7,737	7,369			7,737	7,369
Human resources	76	66			76	66
Miscellaneous	2,430	2,458			2,430	2,458
Planning and assessment board	156	102			156	102
Library	736	732			736	732
Education	52,149	54,065			52,149	54,065
Other	395	225			395	225
Interest on long-term debt	745	919			745	919
Debt issuance costs	107	110		45	107	155
Water fund			885	821	885	821
Sewer fund			567	572	567	572
School cafeteria fund			972	986	972	986
Summer school fund			15	11	15	11
Credit recovery fund			1	0	1	0
Total expenses	109,619	110,613	2,440	2,435	112,059	113,048
Increase (decrease) in net position	(12,592)	(12,268)	310	495	(12,282)	(11,773)
Net position beginning of year - restated	(27,656)	(15,388)	13,092	12,597	(14,564)	(2,791)
Net position end of year	\$(40,248)	\$(27,656)	\$13,402	\$13,092	\$(26,846)	\$(14,564)

Financial Analysis of the Government's Funds

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

Governmental funds - The focus of the Town of Johnston's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town of Johnston's financing requirements. In particular, the unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of June 30, 2013, the Town of Johnston's governmental funds (page 14) reported combined ending fund balances of \$18,824,555.

The General Fund is the chief operating fund of the Town of Johnston, excluding its school department. As of June 30, 2013, the total fund balance of the general fund was \$9,134,418 of which \$8,621,708 was unassigned. The Town's General Fund also has \$512,710 of non-spendable fund balance as of June 30, 2013.

The fund balance of the general fund increased by \$1,666,887 in fiscal year 2013 as reported on page 16 of the report. Actual revenues and other sources were more than budgeted revenues in the general fund by \$1,768,962 (see page 70). Increases in actual revenues versus budgeted revenues were realized in total tax revenues \$1,843,215, and in school miscellaneous revenues \$134,355. Expenditures and other financing uses were \$331,486 more than appropriated amounts (see page 79). The most significant departmental expenditures which exceeded budgeted expenditures were Legal \$385,895, Police \$745,295, Fire \$871,003 and Public Works \$274,299. Departmental expenditures which were less than budgeted amount were debt service \$2,169,253 (which includes fund balance restoration of \$1,760,212).

The School Unrestricted Fund is the principal operating fund of the school department. Revenues are derived principally from town appropriations and state aid supplemented by certain miscellaneous revenues, principally federal Medicaid reimbursements. Expenditures for education totaled \$49,086,157 including a state on-behalf payment to the teacher's pension fund of \$1,658,740 on behalf of the school department. The School Unrestricted Fund expenditures, net of the state pension contribution, accounted for approximately 51% 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 surplus (before transfers) of \$126,784, Sewer Fund experienced a surplus (before transfers) of \$160,216, School Cafeteria Fund experienced a surplus (before transfers) of \$19,059, Summer School Fund experienced a surplus (before transfers) of \$3,940, and the Credit Recovery Fund experienced a deficit (before transfers) of (\$290). The June 30, 2013 net position of the Water Fund is \$13,181,256, the June 30, 2013 net position of the Sewer Fund is \$165,564, the June 30, 2013 net position of the School Cafeteria Fund is \$44,453, the June 30, 2013 net position of the Summer School Fund is \$10,850, while the June 30, 2013 net position (deficit) of the Credit Recovery Fund is (\$290).

Financial Analysis of the Government's Funds (Continued)

General Fund Budgetary Highlights – In fiscal year ended June 30, 2013 the Town was able to run an operating surplus of \$1,666,887. The result of the major challenges have not stopped as additional cuts in state aid to the Town of Johnston and the Johnston School District have been forthcoming since fiscal 2008. The revenue cuts and the proposed revenue cuts in 2008 through 2013 have had a material compound effect of lost revenues not only in current fiscal year of 2013 but also going forward. Legacy costs such as pensions and healthcare continue to be a major challenge to the Town, and without the loss of state aid during this period, The Town and the School District could have achieved even more significant reductions in these long-term liabilities.

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, 2013, amounts to \$63,449,157 net of accumulated depreciation. This investment in capital assets includes land, buildings, building improvements, vehicles, equipment, infrastructure, and construction in progress. The net decrease in the Town of Johnston's investment in capital assets for the current fiscal year was approximately \$2,165,466 comprised of acquisitions of capital assets of \$1,118,491 (net of transfers and construction in progress placed in service in 2013) less current year depreciation expense of \$3,283,957.

Additional information on the Town of Johnston's capital assets can be found in Note 6 (pages 41 to 42) to the financial statements, which accompany this report.

Town of Johnston's

Capital Assets

(Net of depreciation) in 000's

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 8,670	\$ 8,582	\$ 40	\$ 40	\$ 8,710	\$ 8,622
Construction in progress	0	839	17		17	839
Buildings, improvements and land improvements	27,288	27,232			27,288	27,232
Vehicle and equipment	2,932	3,084	276	290	3,208	3,374
Water distributions			9,138	8,991	9,138	8,991
Infrastructure	12,637	14,006	2,451	2,550	15,088	16,556
Total	\$ 51,527	\$ 53,743	\$ 11,922	\$ 11,871	\$ 63,449	\$ 65,614

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

Capital Asset and Debt Administration (Continued)

Long-term debt - At the end of the current fiscal year, the Town of Johnston has total bonded debt outstanding of approximately \$25,817,000 entirely backed by the full faith and credit of the government. In addition, the Town had long-term notes payable commitments outstanding of \$35,336 and long-term lease commitments outstanding of \$1,432,799 against which the assets are pledged as collateral. State statutes limit the amount of general obligation debt a governmental entity may issue to three percent of its total equalized valuation. The current debt limitation for the Town of Johnston is approximately \$73,843,082 based on a net assessed value of \$2,461,436,052 at December 31, 2011, which significantly exceeds the Town of Johnston's current outstanding general obligation debt. It is important to note that this is the fifth 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 \$60,857,091 (for Governmental Activities) at June 30, 2013 an increase of \$9,276,103 from fiscal year ending June 30, 2012.

Town of Johnston's

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

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
General Obligation Bonds	\$ 23,245	\$ 19,905	\$ 2,572	\$ 2,754	\$ 25,817	\$ 22,659
Premium on Bonds	187	127			187	127
Notes Payable	35				35	
Capital Leases	1,213	1,592	220	272	1,433	1,864
Compensated Absences	8,000	8,244	37	36	8,037	8,280
Net Pension Obligation	24,630	17,472			24,630	17,472
Net OPEB Obligation	60,857	51,581	72	59	60,929	51,640
Claims & Judgments	35	43			35	43
Total long-term debt	\$ 118,202	\$ 98,964	\$ 2,901	\$ 3,121	\$121,103	\$102,085

Additional information on the Town of Johnston's long-term debt obligations can be found in Note 7 (pages 43 to 46) to the financial statements. In addition, details of the OPEB obligation can be found in Note 12, pages 58 through 60, and in required supplementary information page 81.

Economic Factors and Next Year's Budgets

- The Town has successfully implemented a Financial Recovery Plan to address inherited accumulative and structural deficits. The Financial Recovery Plan was approved by the Auditor General of the State of Rhode Island and the Rhode Island General Assembly. The School Unrestricted Fund now has a cumulative fund balance of \$3,413,349 at June 30, 2013. At June 30, 2006 the School Unrestricted Fund had a cumulative deficit of (\$4,973,674). The Financial Recovery Plan's goals and objectives for the Johnston School District have been achieved. However, continual financial and operational diligence is necessary in order to maintain both financial and operational stability for the Johnston School District. The appropriation for the Financial Recovery Plan is essential for 2013 and upcoming fiscal years in order to build a cumulative fund balance for the general fund at a minimal of 8% of the operating budget, as prescribed by the Financial Recovery Plan, and to combat any mid-year extraordinary cuts in revenue or increases in expenditures the Town is forced to endure unexpectedly, such as the mid-year cuts in state aid in fiscal years 2008 through 2013 as well as the potential cuts upcoming in 2014 and future years, as well as facing the challenges that are presented from the inherited legacy costs of pension and healthcare.

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

TOWN OF JOHNSTON, RHODE ISLAND

BASIC FINANCIAL STATEMENTS



TOWN OF JOHNSTON, RHODE ISLAND

Statement of Net Position
June 30, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 28,644,381	\$ 848,719	\$ 29,493,100
Accounts and other receivables, net	4,443,576	844,073	5,287,649
Due from federal and state governments	2,219,788	39,858	2,259,646
Inventory		14,931	14,931
Prepays	566,830		566,830
Internal balances	(2,808,013)	2,808,013	0
Total Current Assets	33,066,562	4,555,594	37,622,156
Noncurrent assets:			
Accounts and other receivables, net		1,683,637	1,683,637
Capital Assets, not being depreciated	8,669,715	57,386	8,727,101
Capital Assets, net of accumulated depreciation	42,857,122	11,864,934	54,722,056
Total Noncurrent Assets	51,526,837	13,605,957	65,132,794
TOTAL ASSETS	84,593,399	18,161,551	102,754,950
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred charge on refunding	487,491	64,487	551,978
LIABILITIES:			
Current Liabilities:			
Accounts payable	1,727,453	122,746	1,850,199
Accrued expenses	3,119,549		3,119,549
Unearned advanced taxes	1,695,925		1,695,925
Due to federal and state governments	346,065		346,065
Due to fiduciary funds	232,251		232,251
Unearned revenue - grants and assessments	5,371	116,741	122,112
Current portion of compensated absences	1,900,000	5,800	1,905,800
Current portion of capital lease obligations	388,929	53,239	442,168
Current portion of bonds and notes payable	1,571,050	153,653	1,724,703
Current portion of claims and judgments	8,000		8,000
Total Current Liabilities	10,994,593	452,179	11,446,772
Noncurrent Liabilities:			
Unearned revenue - assessments		1,683,637	1,683,637
Compensated absences	6,099,644	31,431	6,131,075
Net pension benefit obligation	24,630,000		24,630,000
Net OPEB obligation	60,857,091	72,009	60,929,100
Capital lease obligations	824,114	166,517	990,631
Bonds and notes payable	21,895,937	2,418,432	24,314,369
Claims and judgments	27,000		27,000
Total Noncurrent Liabilities	114,333,786	4,372,026	118,705,812
TOTAL LIABILITIES	125,328,379	4,824,205	130,152,584
NET POSITION:			
Net investment in capital assets	27,334,298	9,194,966	36,529,264
Unrestricted	(67,581,787)	4,206,867	(63,374,920)
TOTAL NET POSITION	\$ (40,247,489)	\$ 13,401,833	\$ (26,845,656)

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, 2013

Functions/Programs:	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services, Fees, and Licenses	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Legislative, judicial, and general administrative	\$ 3,287,132	\$ 259,174			\$ (3,027,958)		\$ (3,027,958)
Financial administration	976,191	27,329			(948,862)		(948,862)
Assessors office	697,435				(697,435)		(697,435)
Public safety	40,127,158	2,495,039	\$ 81,594		(37,550,525)		(37,550,525)
Public works	7,737,083	447,415	161,207	\$ 146,706	(6,981,755)		(6,981,755)
Human resources	76,062				(76,062)		(76,062)
Miscellaneous	2,430,400	891,415			(1,538,985)		(1,538,985)
Planning and assessment board	155,631	367,162			211,531		211,531
Library	735,959		111,963	16,195	(607,801)		(607,801)
Education	52,148,359	999,033	14,908,757		(36,240,569)		(36,240,569)
Other	394,945	396,205	136,024	55,000	192,284		192,284
Interest on long-term debt	745,001				(745,001)		(745,001)
Debt issuance costs	107,378				(107,378)		(107,378)
Total governmental activities	109,618,734	5,882,772	15,399,545	217,901	(88,118,516)		(88,118,516)
Business-type activities:							
Water fund	885,062	1,011,846				\$ 126,784	126,784
Sewer fund	567,326	694,910	15,246	17,386		160,216	160,216
School cafeteria fund	972,350	991,409				19,059	19,059
Summer school fund	14,660	18,600				3,940	3,940
Credit recovery fund	665	375				(290)	(290)
Total business-type activities	2,440,063	2,717,140	15,246	17,386	-	309,709	309,709
Total	\$ 112,058,797	\$ 8,599,912	\$ 15,414,791	\$ 235,287	(88,118,516)	309,709	(87,808,807)
General revenues:							
Property taxes					69,359,985		69,359,985
Other taxes					4,077,993		4,077,993
Grants and aid not restricted for a specific program					885,304		885,304
Unrestricted investment earnings					93,662		93,662
Miscellaneous					1,110,092		1,110,092
Total general revenues					75,527,036	-	75,527,036
Change in Net Position					(12,591,480)	309,709	(12,281,771)
Net Position - beginning, as restated					(27,656,009)	13,092,124	(14,563,885)
Net Position - ending					\$ (40,247,489)	\$ 13,401,833	\$ (26,845,656)

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

TOWN OF JOHNSTON, RHODE ISLAND

Balance Sheet
Governmental Funds
June 30, 2013

	General Fund	School Unrestricted Fund	Capital Project 2013 Series A	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and cash equivalents	\$ 20,216,490	\$ 858,200	\$ 4,981,084	\$ 620,934	\$ 26,676,708
Accounts and other receivables, net	4,443,576				4,443,576
Due from federal and state governments	1,488,840	136,538		594,410	2,219,788
Prepays	512,710	48,864			561,574
Due from other funds	232,399	4,960,403		715,892	5,908,694
TOTAL ASSETS	\$ 26,894,015	\$ 6,004,005	\$ 4,981,084	\$ 1,931,236	\$ 39,810,340
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:					
LIABILITIES:					
Accounts payable	\$ 417,670	\$ 371,666		\$ 6,067	\$ 795,403
Accrued expenses	2,140,696	795,787			2,936,483
Unearned advanced taxes	1,695,925				1,695,925
Due to federal & state governments	334,764			11,301	346,065
Due to other funds	10,390,250	1,423,203	\$ 15,750	597,043	12,426,246
Unearned revenue - grants, fees, and assessments	503,051			5,371	508,422
TOTAL LIABILITIES	15,482,356	2,590,656	15,750	619,782	18,708,544
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue - property taxes	2,277,241				2,277,241
FUND BALANCES:					
Non-spendable	512,710	48,864			561,574
Restricted			4,965,334	1,013,223	5,978,557
Committed		3,364,485		298,231	3,662,716
Unassigned	8,621,708				8,621,708
TOTAL FUND BALANCES	9,134,418	3,413,349	4,965,334	1,311,454	18,824,555
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 26,894,015	\$ 6,004,005	\$ 4,981,084	\$ 1,931,236	\$ 39,810,340

(Continued)

TOWN OF JOHNSTON, RHODE ISLAND

*Balance Sheet
Governmental Funds
June 30, 2013*

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

Total Fund Balances (B-1)	\$ 18,824,555
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and therefore are not reported in the funds.	51,526,837
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.	487,491
Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund statements.	(118,014,464)
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.	(187,301)
Unearned/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.	2,780,292
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.	4,518,167
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>(183,066)</u>
Total Net Position (A-1)	<u>\$ (40,247,489)</u>

(Concluded)

TOWN OF JOHNSTON, RHODE ISLAND

*Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2013*

	General Fund	School Unrestricted Fund	Capital Project 2013 Series A	Other Governmental Funds	Total Governmental Funds
REVENUES:					
Property taxes	\$ 70,367,621				\$ 70,367,621
Departmental fees and revenues	4,098,478				4,098,478
State and federal grants	5,046,252	\$ 10,934,607		\$ 2,840,941	18,821,800
Medicaid reimbursement		836,267			836,267
Investment income	92,033			1,628	93,661
State on behalf pension contributions		1,658,740			1,658,740
Other miscellaneous	1,870,120	93,088		230,092	2,193,300
TOTAL REVENUES	81,474,504	13,522,702	\$ -	3,072,661	98,069,867
EXPENDITURES:					
Current:					
Legislative, judicial, and general administrative	1,701,516				1,701,516
Financial administration	961,601				961,601
Assessors office	681,468				681,468
Public safety	26,350,607				26,350,607
Public works	6,096,215				6,096,215
Human resources	73,529				73,529
Miscellaneous	2,430,400				2,430,400
Planning and assessment review	161,531				161,531
Library	645,054				645,054
Education		48,913,447		2,362,996	51,276,443
Other	720,258		15,750	410,961	1,146,969
Debt Service:					
Principal	2,039,255				2,039,255
Interest	788,525				788,525
Bond issuance costs			107,378		107,378
Capital:					
Capital expenditures	412,232	172,710		230,132	815,074
TOTAL EXPENDITURES	43,062,191	49,086,157	123,128	3,004,089	95,275,565
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	38,412,313	(35,563,455)	(123,128)	68,572	2,794,302
OTHER FINANCING SOURCES (USES)					
Issuance of bonds, notes and lease purchase obligations		39,792	5,088,462		5,128,254
Transfers in	633,589	37,129,015		250,000	38,012,604
Transfers out	(37,379,015)			(233,589)	(37,612,604)
TOTAL OTHER FINANCING SOURCES (USES)	(36,745,426)	37,168,807	5,088,462	16,411	5,528,254
NET CHANGE IN FUND BALANCES	1,666,887	1,605,352	4,965,334	84,983	8,322,556
FUND BALANCE AT BEGINNING OF YEAR	7,467,531	1,807,997	-	1,226,471	10,501,999
FUND BALANCE AT END OF YEAR	\$ 9,134,418	\$ 3,413,349	\$ 4,965,334	\$ 1,311,454	\$ 18,824,555

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, 2013*

Net Change in Fund Balances - Total Governmental Funds (B-2):	\$ 8,322,556
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets (meeting the capitalization policy) is allocated over their estimated useful lives through reporting of depreciation expense. This represents the net affect of capital outlays reclassified to capital assets and depreciated for the Government-wide financial statements. Depreciation in excess of capital outlay.	(2,216,577)
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.	(5,128,254)
Governmental funds report principal repayments on debt obligations as an expenditure. However, the repayment of principal has no effect on the net position.	2,043,711
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.	(15,699)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds. Also, allowance for doubtful accounts is not reported in the governmental funds statement of revenues, expenditures, and changes in fund balances. The increase in the allowance provision is recorded against revenue in the Statement of Activities. Net unearned grants, fees, assessments revenue, and unavailable property tax revenue decreased from fiscal 2012.	(1,042,613)
Adjustment to the estimated net pension benefit obligation. The Governmental Fund reflects this activity when it will be paid with measurable and available resources. The increase from prior year balances is reflected in the statement of activities and changes in net position.	(7,158,000)
Adjustment to the estimated net OPEB obligation. The Governmental Fund reflects this activity when it will be paid with measurable and available resources. The increase from prior year balances is reflected in the statement of activities and changes in net position.	(9,276,103)
Adjustment to compensated absences and accrued claims and judgments. The governmental fund reflects this activity when it will be paid with measurable and available resources. The decrease from prior year balances is reflected in the statement of activities and changes in net position.	252,250
Excess of internal service funds' revenues over expenses, reported as governmental fund activities in the statement of activities and changes in net position.	1,612,343
Decrease in accrued interest on long-term debt obligations. The governmental fund reflects this activity when it will be paid with measurable and available resources. The change from prior year balances is reflected in the statement of activities and changes in net position.	14,906
Change in Net Position of Governmental Activities in the Statement of Activities (A-2)	\$ (12,591,480)

TOWN OF JOHNSTON, RHODE ISLAND

Statement of Net Position
Proprietary Funds
June 30, 2013

	Business-type Activities - Enterprise Funds					Governmental Activities	
	Water Control Fund	Sewer Fund	Cafeteria Fund	Summer School	Credit Recovery	Totals	Health Care Management Internal Service Fund
ASSETS:							
<i>Current Assets:</i>							
Cash and cash equivalents	\$ 377,453		\$ 471,266			\$ 848,719	\$ 1,967,673
Accounts and other receivables, net	310,869	\$ 528,262	4,942			844,073	
Intergovernmental receivables			39,858			39,858	
Prepaid expenses							5,256
Inventory			14,931			14,931	
Due from other funds	3,438,768			\$ 10,850		3,449,618	3,477,288
Total Current Assets	4,127,090	528,262	530,997	10,850	\$ -	5,197,199	5,450,217
<i>Non-current Assets:</i>							
Accounts and other receivables, net		1,683,637				1,683,637	
Capital Assets, not being depreciated	40,000	17,386				57,386	
Capital Assets, net of accumulated depreciation	9,137,623	2,682,876	44,435			11,864,934	
Total Noncurrent Assets	9,177,623	4,383,899	44,435	-	-	13,605,957	-
TOTAL ASSETS	13,304,713	4,912,161	575,432	10,850	-	18,803,156	5,450,217
DEFERRED OUTFLOWS OF RESOURCES:							
Deferred charge on refunding		64,487				64,487	
LIABILITIES:							
<i>Current Liabilities:</i>							
Accounts payable and accrued expenses	12,032	16,644	94,070			122,746	932,050
Due to other funds	2,185	202,221	436,909		290	641,605	
Unearned revenue - assessments		116,741				116,741	
Current portion of accrued compensated absences	5,800					5,800	
Current portion of capital lease obligation		53,239				53,239	
Current portion of bonds payable		153,653				153,653	
Total Current Liabilities	20,017	542,498	530,979	-	290	1,093,784	932,050
<i>Non-current Liabilities:</i>							
Unearned revenue - assessments		1,683,637				1,683,637	
Accrued compensated absences	31,431					31,431	
Net OPEB obligation	72,009					72,009	
Capital lease obligation		166,517				166,517	
Bonds payable		2,418,432				2,418,432	
Total Noncurrent Liabilities	103,440	4,268,586	-	-	-	4,372,026	-
TOTAL LIABILITIES	123,457	4,811,084	530,979	-	290	5,465,810	932,050
NET POSITION:							
Net investment in capital assets	9,177,623	(27,092)	44,435			9,194,966	
Unrestricted:							
Reserved for infrastructure replacement	321,398					321,398	
Reserved for repairs	35,355					35,355	
Reserve for water system	377,253					377,253	
Unreserved	3,269,627	192,656	18	10,850	(290)	3,472,861	** 4,518,167
TOTAL NET POSITION	\$ 13,181,256	\$ 165,564	\$ 44,453	\$ 10,850	\$ (290)	\$ 13,401,833	\$ 4,518,167

** - The unrestricted net position (\$4,518,167) in the Health Care Management Fund represent \$2,308,000 to be utilized for future claims of the School Department and \$2,210,167 to be utilized for future claims of the Town.

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

TOWN OF JOHNSTON, RHODE ISLAND

*Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2013*

	Business-type Activities-Enterprise Funds					Governmental Activities	
	Water Control Fund	Sewer Fund	Cafeteria Fund	Summer School	Credit Recovery	Totals	Health Care Management Internal Service Fund
OPERATING REVENUES:							
Charges for usage and service	\$ 1,010,325	\$ 694,910	\$ 415,339	\$ 18,600	\$ 375	\$ 2,139,549	\$ 15,872,056
Intergovernmental revenue			576,070			576,070	
Water System Revenue	1,521					1,521	
Total operating revenues	1,011,846	694,910	991,409	18,600	375	2,717,140	15,872,056
OPERATING EXPENSES:							
Salaries and benefits	64,839	283,250	4,993	14,660	665	368,407	
Contracts			962,494			962,494	
Repair and maintenance	31,202	72,029				103,231	
Utilities	37,386	9,736				47,122	
Office expense	2,716	4,275				6,991	
Purchased water and state surcharges	430,040					430,040	
Departmental expense	199,236	1,013				200,249	
Health care management						-	13,866,599
Other expenses		327				327	
Depreciation	119,643	127,800	4,863			252,306	
Total operating expenses	885,062	498,430	972,350	14,660	665	2,371,167	13,866,599
OPERATING INCOME (LOSS)	126,784	196,480	19,059	3,940	(290)	345,973	2,005,457
NONOPERATING REVENUES (EXPENSES):							
State and federal grants		32,632				32,632	
Investment income						-	6,886
Interest expense		(63,033)				(63,033)	
Amortization		(5,863)				(5,863)	
TOTAL NONOPERATING REVENUES (EXPENSES)	-	(36,264)	-	-	-	(36,264)	6,886
INCOME (LOSS) BEFORE TRANSFERS	126,784	160,216	19,059	3,940	(290)	309,709	2,012,343
Transfer Out						-	(400,000)
CHANGE IN NET POSITION	126,784	160,216	19,059	3,940	(290)	309,709	1,612,343
TOTAL NET POSITION - BEGINNING, as restated	13,054,472	5,348	25,394	6,910	-	13,092,124	2,905,824
TOTAL NET POSITION - ENDING	\$ 13,181,256	\$ 165,564	\$ 44,453	\$ 10,850	\$ (290)	\$ 13,401,833	\$ 4,518,167

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, 2013

	Business-type Activities - Enterprise Funds					Governmental	
	Water Control Fund	Sewer Fund	Cafeteria Fund	Summer School	Credit Recovery	Totals	Health Care Management Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES:							
Cash received for services provided	\$ 1,081,488	\$ 547,968	\$ 1,050,108	\$ 18,600	\$ 375	\$ 2,698,539	\$ 15,872,056
Cash paid to suppliers	(700,580)	(87,380)	(948,353)			(1,736,313)	
Cash paid to employees	(50,435)	(283,250)	(4,993)	(14,660)	(665)	(354,003)	
Cash paid for claims							(13,897,994)
Net cash provided by (used for) operating activities	330,473	177,338	96,762	3,940	(290)	608,223	1,974,062
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:							
Transfers (to) from other funds						-	(400,000)
(Increase) decrease in due from other funds	(62,957)			(3,940)		(66,897)	(1,337,261)
Increase (decrease) in due to other funds		106,282	317,783		290	424,355	
Net cash provided by (used for) noncapital financing activities	(62,957)	106,282	317,783	(3,940)	290	357,458	(1,737,261)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:							
Acquisition of capital assets	(265,995)	(17,386)	(20,036)			(303,417)	
Non-operating grants received		17,386				17,386	
Principal paid on long-term debt		(218,777)				(218,777)	
Interest paid on long-term debt		(64,843)				(64,843)	
Net cash used for capital and related financing activities	(265,995)	(283,620)	(20,036)	-	-	(569,651)	-
CASH FLOWS FROM INVESTING ACTIVITIES:							
Investment income							6,886
Net cash provided by investing activities	-	-	-	-	-	-	6,886
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,521	-	394,509	-	-	396,030	243,687
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	375,932	-	76,757	-	-	452,689	1,723,986
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 377,453	\$ -	\$ 471,266	\$ -	\$ -	\$ 848,719	\$ 1,967,673

(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, 2013*

	Business-type Activities - Enterprise Funds					Governmental Activities	
	Water Control Fund	Sewer Fund	Cafeteria Fund	Summer School	Credit Recovery	Totals	Health Care Management Internal Service Fund
<i>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</i>							
Operating income (loss)	\$ 126,784	\$ 196,480	\$ 19,059	\$ 3,940	\$ (290)	\$ 345,973	\$ 2,005,457
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:							
Depreciation	119,643	127,800	4,863			252,306	
Decrease in provision for doubtful accounts	(1,422)					(1,422)	
(Increase) decrease in accounts receivable	71,064	1,653,435	58,699			1,783,198	
(Increase) decrease in prepaid expenses							(5,256)
Increase (decrease) in accounts payable and accrued expenses			14,141			14,141	(26,139)
Increase (decrease) in unearned revenue		(1,800,377)				(1,800,377)	
Increase (decrease) in accrued compensated absences	835					835	
Increase (decrease) in net OPEB obligation	13,569					13,569	
<i>Net cash provided by (used for) operating activities</i>	\$ 330,473	\$ 177,338	\$ 96,762	\$ 3,940	\$ (290)	\$ 608,223	\$ 1,974,062

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, 2013*

	<u>Police and Fire Pension Trust Fund</u>	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
ASSETS:			
Cash and cash equivalents	\$ 494,676	\$ 22,982	\$ 416,672
Restricted cash	198,532		
Investments	36,632,099		
Prepaid expenses	631,793		
Funds held in escrow	824,332		
Due from governmental funds	124,501		107,750
TOTAL ASSETS	<u>38,905,933</u>	<u>22,982</u>	<u>524,422</u>
LIABILITIES:			
Accrued expenses	15,625		
Due to student groups			190,191
Deposits held in custody for others			334,231
Claims and judgments	1,022,864		
TOTAL LIABILITIES	<u>1,038,489</u>	<u>0</u>	<u>524,422</u>
NET POSITION:			
Held in trust for perpetual care		22,982	
Held in trust for pension benefits	37,867,444		
TOTAL NET POSITION	<u>\$ 37,867,444</u>	<u>\$ 22,982</u>	<u>\$ 0</u>

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, 2013

	<u>Police and Fire Pension Trust Fund</u>	<u>Private-Purpose Trust Funds</u>
Additions:		
Contributions:		
Employer	\$ 3,118,405	
Plan members	653,668	
Total contributions	<u>3,772,073</u>	<u>\$ -</u>
Investment income (expense)		
Net dividends, interest, and change in fair value	3,841,617	2
Net investment income (expense)	<u>3,841,617</u>	<u>2</u>
Total additions and changes in fair value	<u>7,613,690</u>	<u>2</u>
Deductions:		
Claims and contingencies	138,512	
Pension expenses	7,318,893	
Total deductions	<u>7,457,405</u>	<u>0</u>
Change in net position	156,285	2
Net position - beginning of year	<u>37,711,159</u>	<u>22,980</u>
Net position - end of year	<u>\$ 37,867,444</u>	<u>\$ 22,982</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, 2013

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Town complies with generally accepted accounting principles ("GAAP"). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

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

Reporting Entity

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

In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 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 financial 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 entities were considered for classification as component units for fiscal year 2013:

- 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 are omitted from these financial statements.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

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 nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

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

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

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

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

Special Revenue Funds

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

Capital Project Funds

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

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds (Continued)

Permanent Funds

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

Proprietary Funds

Proprietary Funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The Proprietary Funds include Enterprise and Internal Service Funds. The Town currently maintains five enterprise funds (Water Control Fund, Sewer Fund, School Cafeteria Fund, Summer School Fund, and Credit Recovery Fund) and four internal service funds (School Self Insured Active, School Self Insured Retired, Town Self Insured Active, and Town Self Insured Retired). The Town's 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

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

Private-Purpose Trust Funds

Private-Purpose trust funds are used to account for resources legally held in trust for use by parties outside of the Town, and cannot be used at the Town's discretion or to support the Town's general operations. The reporting entity has nine private-purpose trust funds (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.

Pension Trust Fund

Pension trust fund is used to account for resources held in trust for future pension obligations of the Town. The Town maintains one pension trust fund (Police and Fire Pension Trust Fund) at June 30, 2013.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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

Major and Non-Major Funds

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

<u>Fund</u>	<u>Brief Description</u>
Major:	
General Fund:	See above for description
Special Revenue Funds:	
School Unrestricted Fund	This fund is used to report all financial transactions of the Johnston School Department, which are not legally required to be accounted for separately.
Capital Project Funds:	
Capital Project 2013 Series A	This fund is used for various capital improvement projects of the Town of Johnston, financed through 2013 bond issuance.
Proprietary Funds:	
Water Control Fund	Accounts for the supply of public water to the Town of Johnston.
Sewer Fund	Accounts for sewer projects of the Town of Johnston.
School Cafeteria Fund	Accounts for the operation of the school breakfast and lunch program of the Johnston School Department. This fund did not meet the criteria for reporting as a major fund however, management elected to present the fund as a major fund.
Summer School Fund	Accounts for the operation of the summer school program of the Johnston School Department. This fund did not meet the criteria for reporting as a major fund however, management elected to present the fund as a major fund.
Credit Recovery Fund	Accounts for the operation of the after-school extra credit program of the Johnston School Department. This fund did not meet the criteria for reporting as a major fund however, management elected to present the fund as a major fund.
Non-Major:	
Special Revenue Funds:	The Town of Johnston currently maintains forty-four (44) 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 supplementary information.
Capital Project Funds:	The Town of Johnston currently maintains ten (10) Capital Project 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 supplementary information.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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

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 measurement focus as defined in item (b.) below and the accrual basis of accounting.

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

- (a) All governmental funds utilize a "current financial resources" measurement focus and the modified accrual basis of accounting. Only current financial assets, deferred outflows of resources liabilities, and deferred inflows 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 Town considers property taxes as available if they are collected within 60 days after year end. Grant revenue (for 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 utilizing the modified accrual method of accounting and as such 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 flows. All assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred 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.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, 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 of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

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

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

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

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Equity

Cash

Cash and cash equivalents are carried at cost. Cash equivalents include all highly liquid investments with an original maturity of three months or less when purchased. Substantially, all of the Town's cash and cash equivalents are held in public deposit institutions. Pursuant to Section 35-10-1 of the Rhode Island General Laws, as of October 1, 1991, public deposit institutions are required to insure accounts which hold public funds in excess of the \$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 the government 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 stated at fair value in accordance with GASB No. 31.

Accounts Receivable

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. The allowance for uncollectible accounts receivable amounted to \$7,849,878 at June 30, 2013. The allowance for uncollectible accounts includes \$7,069,480 for property taxes, \$168,387 for Municipal Court fees and traffic fines, \$557,907 for fire rescue services, \$47,760 for sewer (enterprise fund) assessment, and \$6,344 for water (enterprise fund) service fees. Major receivable balances for the governmental activities include property taxes (85% of balance). Business-type activities report service fees as its major receivables.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Equity (Continued)

Accounts Receivable (Continued)

In the fund financial statements, material receivables in governmental funds include revenue accruals such as property taxes, fire rescue services, municipal court fees and traffic fines, grants and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Property Taxes

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

Prepaid Items

Prepaid items are accounted for under the allocation method whereby a prepaid asset is established at the date of payment and subsequently amortized over the accounting periods expected to benefit from the initial payment. Prepaid items recorded in governmental fund types do not reflect current appropriated 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. (See Note 2 for budgetary reporting of encumbrances).

Property, Plant and Equipment

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

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Equity (Continued)

Property, Plant and Equipment (Continued)

Government-Wide Statements

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

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

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

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

Fund Financial Statements

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position 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/expenditure) until that later date. At June 30, 2013 the Town only had one item that qualified as a deferred outflow of resources: deferred charge on refunding reported in the government-wide statement of net position. The deferred charge on refunding totaling \$551,978 (\$487,491 for governmental activities and \$64,487 for business-type activities) is the unamortized balance of the difference between the carrying value of the refunded debt and the new debt. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position 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, 2013 the Town had only one item that qualified as a deferred inflow of resources in the governmental funds balance sheet. The unavailable tax revenue represents property taxes receivables which are assessed on December 31, 2011 and prior and are not collected within 60 days of June 30, 2013. Net unavailable property tax revenue included in the fund financial statements was \$2,277,241 at June 30, 2013. This amount is deferred and will be recognized as an inflow of resources in the year(s) in which the amounts become available.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

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

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Equity (Continued)

Interfund Transactions

Interfund activity within and among the funds of the Town have been classified and reported as follows:

- Reciprocal interfund activities:
 - Interfund loans are reported as interfund receivables in the lending fund and interfund payables in borrower funds.
 - Interfund services are reported as revenues in the seller fund and as expenditures or expenses in the purchasing fund.
- Non-reciprocal interfund activities:
 - Interfund transfers are reported in governmental funds as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers. In proprietary funds transfers are reported after nonoperating revenues and expenses.
 - Interfund reimbursements are repayments from the fund responsible for particular expenditures or expenses to other funds that initially paid for them. Reimbursements are not displayed separately within the financial statements.

Equity Classifications:

Government-Wide Statements

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

- (a) Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- (b) Restricted - Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- (c) Unrestricted - All other net positions that do not meet the definition of "restricted" or "net investment in capital assets".

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

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

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Equity (Continued)

Equity Classifications (Continued):

Fund Financial Statements

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

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

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

Application of Funds

Expenditures may be incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) amounts are available. Composition of the ending fund balance will be determined by applying the following: In those instances where restricted and unrestricted amounts are available, restricted amounts will be considered to have been spent first [as allowed and in compliance with stated and specified terms or requirements], followed by committed amounts, followed by assigned amounts, and then unassigned amounts.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Equity (Continued)

Compensated Absences

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

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reconciliation of Government-wide and Fund Financial Statements

The governmental fund Balance Sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide Statement of Net Position. One element of that reconciliation explains that "long-term liabilities are not due and payable in the current period and therefore are not reported in the fund statements." The details of this \$118,014,464 are as follows:

Bonds and notes payable and capital lease obligations	\$ 24,492,729
Net pension benefit obligation	24,630,000
Net OPEB obligation	60,857,091
Accrued claims and judgments	35,000
Compensated absences	<u>7,999,644</u>
Total	<u>\$118,014,464</u>

Another element of the reconciliation states that "unearned/unavailable revenues (net of an allowance for uncollectibles) are recorded in the fund statements, but are not deferred under the measurement focus employed in the Statement of Net Position". The details of this \$2,780,292 difference are as follows:

Unavailable property tax revenue (net of allowance \$7,069,480)	\$ 2,277,241
Unearned fire rescue fees (net of allowance \$557,907)	176,181
Unearned municipal court fees (net of allowance \$168,387)	<u>326,870</u>
Total	<u>\$ 2,780,292</u>

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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

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

The governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances includes reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide Statement of Activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives through reporting of depreciation expense." The details of the \$(2,216,577) are as follows:

Capital outlay expenditures reclassified to capital assets	\$ 815,074
Depreciation expense	<u>(3,031,651)</u>
Total	<u>\$(2,216,577)</u>

Another element of the reconciliation states that "the governmental funds report principal repayments on debt obligations as an expenditure." The details of the \$2,043,711 are as follows:

Principal payment of bonds and notes payable	\$1,664,831
Principal payment of capital lease obligations	<u>378,880</u>
Total	<u>\$2,043,711</u>

Another element of that reconciliation states that, "Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in governmental funds." Also, the allowance adjustment on these receivables affects the revenue recorded in the Statement of Activities. The details of this \$(1,042,613) are as follows:

Unavailable property tax revenue, net - ending	\$ 2,277,241
Unearned fire rescue fees, net – ending	176,181
Unearned municipal court fees, net – ending	326,870
Unavailable property tax revenue, net – beginning	(3,284,877)
Unearned fire rescue fees, net – beginning	(316,388)
Unearned municipal court fees, net – beginning	<u>(221,640)</u>
Total	<u>\$(1,042,613)</u>

Another element of the reconciliation relates to the Net Pension Benefit Obligations and states that "the governmental fund reflects this activity when it will be paid with measurable and available resources." The decrease in net position of \$(7,158,000) was comprised of the following:

Net pension benefit obligation – beginning of year	\$ 17,472,000
Net pension benefit obligation – end of year	<u>(24,630,000)</u>
Increase in net pension benefit obligation	<u>\$(7,158,000)</u>

Another element of the reconciliation relates to the Net OPEB Obligations and states that "the governmental fund reflects this activity when it will be paid with measurable and available resources." The decrease in net position of \$(9,276,103) was comprised of the following:

Net OPEB obligation – beginning of year	\$ 51,580,988
Net OPEB obligation – end of year	<u>(60,857,091)</u>
Increase in net OPEB obligation	<u>\$(9,276,103)</u>

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Standards

During the fiscal year ended June 30, 2013 the Town implemented the following governmental accounting standards:

- ✓ GASB Statement No. 60 – Accounting and Financial Reporting for Service Concession Arrangement.
- ✓ GASB Statement No. 61 – The Financial Reporting entity: Omnibus an amendment of GASB Statements No. 14 and No. 34.
- ✓ GASB Statement No. 62 – Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.
- ✓ GASB Statement No. 63 – Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.
- ✓ GASB Statement No. 65 – Items Previously Reported as Assets and Liabilities.
- ✓ GASB Statement No. 66 – Technical Corrections – 2012 – an Amendment of GASB Statement No. 10 and No. 62.

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

- ✓ GASB Statement No. 67 – Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25, effective for the fiscal year ending June 30, 2014.
- ✓ GASB Statement No. 68 – Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27, effective for the fiscal year ending June 30, 2015.
- ✓ GASB Statement No. 69 – Government Combinations and Disposals of Government Operations, effective for the fiscal year ending June 30, 2015.
- ✓ GASB Statement No. 70 – Accounting and Financial Reporting for Nonexchange Financial Guarantees, effective for the fiscal year ending June 30, 2014.
- ✓ GASB Statement No. 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment to GASB Statement No. 68, effective for the fiscal year ending June 30, 2015.

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

2. BUDGETARY PROCESS

(a) Adoption

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

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

2. BUDGETARY PROCESS (Continued)

(b) General Fund

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

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

REVENUES

Total General Fund revenues and other financing sources, from Exhibit B-2...	\$82,108,093
Adjustments:	
School State Aid budgeted in General Fund.....	10,932,159
Federal Education Jobs budgeted in General Fund	2,448
School Medicaid reimbursement budgeted in General Fund.....	836,267
School's miscellaneous income budgeted in General Fund	93,088
DPW revenue segregated for GAAP purposes, netted against expenditures for budgetary basis	(10,800)
Transfer to non-major fund, segregated as other financing uses for GAAP purposes, netted against revenue for budgetary basis.....	(250,000)
Inclusion of revenue (net of transfer out) of Police Detail Fund with the General Fund, for GAAP purposes, not part of budget	(889,759)
Inclusion of revenue of Fire Dept. Detail Fund with the General Fund, for GAAP purposes, not part of budget.....	(52,370)
Total budgetary basis revenues and other financing sources from RSI-2....	<u>\$92,769,126</u>

EXPENDITURES

Total General Fund expenditures and other financing uses, from Exhibit B-2..	\$80,441,206
Adjustments:	
School State Aid budgeted in General Fund.....	10,932,159
Federal Education Jobs budgeted in General Fund	2,448
School Medicaid reimbursement budgeted in General Fund.....	836,267
School's miscellaneous income budgeted in General Fund	93,088
DPW revenue segregated for GAAP purposes, netted against expenditures for budgetary basis	(10,800)
Transfer to non-major fund, segregated as other financing uses for GAAP purposes, netted against revenue for budgetary basis.....	(250,000)
Inclusion of expenditures of Police Detail Fund with the General Fund, for GAAP purposes, not part of budget.....	(698,338)
Inclusion of expenditures of Fire Dept. Detail Funds with the General Fund, for GAAP purposes, not part of budget.....	(14,380)
Total budgetary basis expenditures and other financing uses, from RSI-2..	<u>\$91,331,650</u>

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

2. BUDGETARY PROCESS (Continued)

(c) Special Revenue Funds

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

Encumbrances for fiscal year 2013 were \$312,622 as compared to \$17,771 at June 30, 2012. Only the revenues and expenditures of special revenue funds which have legally adopted annual budgeted appropriations are included in the Required Supplementary Information. The Unrestricted School Fund is the only Special Revenue Fund which legally adopts an annual budget.

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

REVENUES

Total School Unrestricted revenues and other financing sources, from Exhibit B-2	\$50,691,509
Adjustments:	
Proceeds from notes payable not budgeted	(39,792)
State on behalf pension contribution not budgeted	<u>(1,658,740)</u>
Total budgetary basis revenues and other financing sources from RSI - 3	<u>\$48,992,977</u>

EXPENDITURES

Total School Unrestricted expenditures and other financing uses, from Exhibit B-2	\$49,086,157
Adjustments:	
Capital outlays financed with notes payable not budgeted	(39,792)
Prior year encumbrances	(17,771)
Current year encumbrances	312,622
State on behalf pension contribution not budgeted	<u>(1,658,740)</u>
Total budgetary basis expenditures and other financing uses, from RSI - 3	<u>\$47,682,476</u>

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

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

3. CASH AND INVESTMENTS

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

Deposits

The carrying amount of the Town's cash and cash equivalents at June 30, 2013 was \$30,427,430 (including Fiduciary Funds, but excluding restricted cash and funds held in escrow) while the bank balance was \$31,205,579. Of the bank balance, \$446,538 was covered by federal depository insurance and \$30,759,041 was uninsured. The Town has entered into collateralization agreements with various financial institutions and as a result, \$30,048,162 of the uninsured balance at June 30, 2013 was collateralized by securities held by the financial institutions and/or third parties in the name of the Town. The remaining uninsured balance of \$710,879 was held in money market accounts/funds. These money market funds were held in the name of the Town of Johnston and included US Treasury Funds and Government Obligation Tax Managed Funds.

Restricted Cash and Funds Held in Escrow

Restricted cash of \$198,532 reported in the Fiduciary Funds at June 30, 2013 represents three years' worth of post-judgment statutory interest (at a rate of 12% per year) on the \$824,332 held in escrow (at June 30, 2013) by the Rhode Island Superior Court (resulting from litigation between certain police retirees and the Town) to be used to repay the plaintiffs should the Town lose the case currently on appeal.

Funds held in escrow of \$824,332 reported in the Fiduciary Funds at June 30, 2013 represents cash held on deposit with the Rhode Island Superior Court as a result of litigation between certain police retirees and the Town. These funds will be held in the Superior Court's Registry until the case is resolved.

Investments

At June 30, 2013 the Town's investments totaled \$36,632,099 (including those held in Fiduciary Funds) and consisted of the following:

	<u>Fair Value</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Rating</u>
Mutual Funds	\$ 36,453,186	N/A	N/A	N/A
Single premium deferred annuities	<u>178,913</u>	N/A	N/A	N/A
Total investments	<u>\$ 36,632,099</u>			

Interest Rate Risk

As noted above, majority (99%) of the Town's investments are held in mutual funds which do not bear specified interest rates. The rate of return on these investments is dependent on the operating results of the entities included in the portfolio of the mutual funds as well as overall economic conditions.

Concentration of Credit Risk

At June 30, 2013 the Town had a diversified portfolio and was not deemed to be concentrated in any one investment category. The mutual fund investments are maintained in a wide-variety of fund types/classifications enabling the Town to minimize its risk.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

3. CASH AND INVESTMENTS (Continued)

Custodial Credit Risk

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

4. RECEIVABLES

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

Unpaid property taxes at June 30, 2013, 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 2013 were based on an assessed value of approximately \$2,461,436,000 at December 31, 2011 and amounted to approximately \$68,325,000. Total collections through June 30, 2013, on the 2012 tax levy, amounted to approximately \$64,285,000, which represents approximately 94% of the net tax levy. Total collections including 60-day receipts (applicable to the 2012 tax levy) amounted to approximately \$65,004,000, which represents approximately 95% of net tax levy.

The Town recognizes property tax revenues in accordance with Section P70, "Property Taxes" of the Codification of Governmental Accounting and Financial Reporting Standards on the Fund statements. Unpaid property taxes (\$10,460,319) as of June 30, 2013 are recorded as a receivable, net of an allowance for uncollectible property taxes of \$7,069,480. Those property taxes receivable, which were not collected within the 60 days immediately following June 30, 2013, are recorded as unavailable revenue, net of the allowance of \$7,069,480 and amounted to \$2,277,241 at June 30, 2013. Property taxes recognized as revenue for the fiscal year ended June 30, 2013 (due to their collection within the 60 days immediately following June 30, 2013) amounted to \$1,113,598.

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

Receivables at June 30, 2013 consisted of the following:

	<u>General</u>	<u>Business-type Activities</u>	<u>Total</u>
Receivables:			
2012 tax year	\$3,782,215		\$3,782,215
2011 and prior years	6,678,104		6,678,104
Accounts	<u>1,779,031</u>	<u>\$2,581,814</u>	<u>4,360,845</u>
Gross receivables	12,239,350	2,581,814	14,821,164
Less: allowance for uncollectibles	<u>(7,795,774)</u>	<u>(54,104)</u>	<u>(7,849,878)</u>
Total receivables	<u>\$4,443,576</u>	<u>\$2,527,710</u>	<u>\$6,971,286</u>

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

5. **INTERGOVERNMENTAL RECEIVABLE**

Amounts due from the Federal Government and the State of Rhode Island consisted of the following at June 30, 2013:

General Fund:	
Rhode Island Solid Waste Management Corporation	\$1,023,942
State of Rhode Island – Public service corporate tax	360,253
State of Rhode Island – Miscellaneous grants and fees	<u>104,645</u>
Total General Fund	<u>1,488,840</u>
 School Unrestricted Fund:	
Medicaid	132,538
State of Rhode Island – Department of Education	<u>4,000</u>
Total School Unrestricted Fund	<u>136,538</u>
 Other Governmental Funds:	
State of Rhode Island:	
School Restricted Grant Funds	585,327
Community Development Block Grant (CDBG)	<u>9,083</u>
Total Other Governmental Funds	<u>594,410</u>
 Business-type Activities:	
Cafeteria Fund:	
State of Rhode Island	<u>39,858</u>
 Total intergovernmental receivables	 <u>\$2,259,646</u>

6. **CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2013 was as follows:

	Balances <u>7/1/12</u>	Additions & <u>Transfers</u>	Retirements & <u>Transfers</u>	Balances <u>6/30/13</u>
Governmental Activity:				
Nondepreciable assets:				
Land	\$ 8,582,043	\$87,672		\$ 8,669,715
Construction in progress	839,438		\$(839,438)	0
Depreciable assets:				
Buildings, building improvements, and land improvements	42,766,839	1,039,639	0	43,806,478
Vehicles and equipment	9,568,930	471,538	(18,000)	10,022,468
Infrastructure	<u>54,741,606</u>	<u>55,663</u>	<u>0</u>	<u>54,797,269</u>
Total cost	<u>116,498,856</u>	<u>1,654,512</u>	<u>(857,438)</u>	<u>117,295,930</u>

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

6. CAPITAL ASSETS (Continued)

	<u>Balances</u> <u>7/1/12</u>	<u>Additions &</u> <u>Transfers</u>	<u>Retirements &</u> <u>Transfers</u>	<u>Balances</u> <u>6/30/13</u>
Governmental Activity:				
Accumulated Depreciation:				
Buildings and improvements.....	(15,535,155)	(983,363)	0	(16,518,518)
Vehicles and equipment.....	(6,484,642)	(623,618)	18,000	(7,090,260)
Infrastructure.....	(40,735,645)	(1,424,670)	0	(42,160,315)
Total accumulated depreciation..	<u>(62,755,442)</u>	<u>(3,031,651)</u>	<u>18,000</u>	<u>(65,769,093)</u>
Net capital assets.....	<u>\$53,743,414</u>	<u>\$(1,377,139)</u>	<u>\$(839,438)</u>	<u>\$51,526,837</u>
Business-Type Activities:				
Nondepreciable assets:				
Land.....	\$ 40,000	\$ 0	\$ 0	\$ 40,000
Construction in progress.....	0	17,386	0	17,386
Depreciable assets:				
Infrastructure.....	2,806,244	0	0	2,806,244
Motor vehicles.....	309,377	0	0	309,377
Machinery and equipment.....	172,390	20,036	0	192,426
Water distribution.....	11,705,384	265,995	0	11,971,379
Total cost.....	<u>15,033,395</u>	<u>303,417</u>	<u>0</u>	<u>15,336,812</u>
Accumulated Depreciation:				
Infrastructure.....	(256,709)	(98,610)	0	(355,319)
Motor vehicles.....	(56,736)	(27,190)	0	(83,926)
Machinery and equipment.....	(134,628)	(6,863)	0	(141,491)
Water distributions.....	(2,714,113)	(119,643)	0	(2,833,756)
Total accumulated depreciation..	<u>(3,162,186)</u>	<u>(252,306)</u>	<u>0</u>	<u>(3,414,492)</u>
Net capital assets.....	<u>\$11,871,209</u>	<u>\$ 51,111</u>	<u>\$ (0)</u>	<u>\$11,922,320</u>

Depreciation expense for the year ended June 30, 2013 was charged to the following functions/programs of the Town:

Governmental Activities:	
Education.....	\$ 670,318
Public safety.....	570,774
Public works.....	1,578,400
Library.....	101,679
Other.....	110,480
Total.....	<u>\$3,031,651</u>
Business-Type Activities:	
Water fund.....	\$ 119,643
Sewer Fund.....	127,800
School cafeteria fund.....	4,863
Total.....	<u>\$ 252,306</u>

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

7. *LONG-TERM DEBT*

(a) *General*

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

The current three percent debt limit of the Town is approximately \$73,843,082, based on the net assessed valuation at December 31, 2011 of \$2,461,436,052. The entire \$23,244,350 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, 2013**

7. LONG-TERM DEBT (Continued)

(b) At June 30, 2013 the Town's long-term debt outstanding and activity consisted of the following:

Description	Date of Issue	Maturity Date	Amount of Issue	Interest Rate	Balance June 30, 2012	Transfers in & Additions	Transfers out & Retirements	Balance June 30, 2013	Due within one year
Governmental Activities:									
General obligation bonds:									
2001 General Obligation Refunding Bond	11/1/2001	7/15/2012	\$ 2,910,000	2.15%-4.125%	\$ 295,000		\$ 295,000	\$ -	\$ -
2005 General Obligation Bond	6/1/2005	6/1/2025	6,325,000	4%-4.75%	4,745,000		285,000	4,460,000	295,000
2007 General Obligation Bond - Senior Center	9/13/2007	9/1/2019	2,277,000	5.05%	1,665,000		175,000	1,490,000	185,000
2009 General Obligation Bond	9/9/2009	9/1/2029	4,430,000	3%-7%	4,210,000		160,000	4,050,000	165,000
2010 General Obligation Refunding Bond	6/29/2010	8/15/2018	3,120,000	2%-4%	2,765,000		365,000	2,400,000	370,000
2012 General Obligation Refunding Bond (**)	5/29/2012	6/1/2024	6,224,725	2.85%	6,224,725		380,375	5,844,350	393,800
2013 General Obligation Bond	6/12/2013	6/1/2033	5,000,000	2%-4%	-	\$ 5,000,000		5,000,000	155,000
Premiums on bonds					127,457	88,462	28,618	187,301	-
Total bonds outstanding			\$ 30,286,725		20,032,182	5,088,462	1,688,993	23,431,651	1,563,800
Note payable obligations:									
Note payable obligation	9/30/2012	10/14/2017	\$ 21,000	6.99%	-	21,000	2,346	18,654	3,820
Note payable obligation	10/16/2012	10/30/2017	18,792	6.74%	-	18,792	2,110	16,682	3,430
Total note payable obligations			\$ 39,792		-	39,792	4,456	35,336	7,250
Capital lease obligations:									
Capital lease obligation	10/21/2005	11/2/2013	\$ 360,000	3.73%	100,115		49,141	50,974	50,974
Capital lease obligation	1/25/2010	1/25/2015	591,000	3.30%	333,708		107,645	226,063	111,197
Capital lease obligation (**)	7/7/2011	7/7/2016	1,158,100	2.10%	1,158,100		222,094	936,006	226,758
Total capital lease obligations			\$ 2,109,100		1,591,923	-	378,880	1,213,043	388,929
Compensated absences and severance estimate					8,243,894	1,683,774	1,928,024	7,999,644	1,900,000
Net pension benefit obligation					17,472,000	7,158,000		24,630,000	-
Net OPEB obligation					51,580,988	9,276,103		60,857,091	-
Claims and judgments					43,000		8,000	35,000	8,000
Governmental activities long-term liabilities					\$ 98,963,987	\$ 23,246,131	\$ 4,008,353	\$ 118,201,765	\$ 3,867,979
Business-Type Activities:									
General obligation bonds:									
RI Clean Water Bond - Sewer Project	10/6/2009	9/1/2029	\$ 2,500,000	0.79%-3.08%	\$ 1,552,000		\$ 101,000	\$ 1,451,000	\$ 70,000
RI Clean Water Bond	4/25/2002	9/1/2022	750,000	0.661%	471,689		36,254	435,435	37,453
2012 General Obligation Refunding Bond (**)	5/29/2012	6/1/2024	730,275	2.85%	730,275		44,625	685,650	46,200
Total bonds outstanding			\$ 3,980,275		2,753,964	-	181,879	2,572,085	153,653
Capital lease obligations:									
Capital lease obligation (**)	7/7/2011	7/7/2016	\$ 271,900	2.10%	271,900		52,144	219,756	53,239
Total capital lease obligations			\$ 271,900		271,900	-	52,144	219,756	53,239
Compensated absences and severance estimate					36,396	6,607	5,772	37,231	5,800
Net OPEB obligation					58,440	13,569		72,009	
Business-type activities long-term liabilities					\$ 3,120,700	\$ 20,176	\$ 239,795	\$ 2,901,081	\$ 212,692

(**) 2012 General Obligation Refunding bond and 2011 Capital lease obligation balance and activity is allocated between Governmental activities and Business-Type activities.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

7. **LONG-TERM DEBT (Continued)**

(c) **Debt Service Requirements**

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

Governmental Activities

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 1,959,979	\$ 880,941	\$ 2,840,920
2015	2,142,451	822,899	2,965,350
2016	2,086,423	752,687	2,839,110
2017	2,145,400	679,323	2,824,723
2018	1,962,201	601,631	2,563,832
2019 – 2023	8,088,725	2,006,511	10,095,236
2024 – 2028	4,187,550	748,146	4,935,696
2029 – 2033	1,920,000	170,250	2,090,250
Total	<u>\$24,492,729</u>	<u>\$6,662,388</u>	<u>\$31,155,117</u>

Business-Type Activities

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 206,892	\$ 54,860	\$ 261,752
2015	219,747	51,361	271,108
2016	223,742	47,426	271,168
2017	232,803	43,284	276,087
2018	178,555	38,932	217,487
2019 – 2023	971,652	141,936	1,113,588
2024 – 2028	547,450	54,676	602,126
2029 – 2030	211,000	4,973	215,973
Total	<u>\$2,791,841</u>	<u>\$ 437,448</u>	<u>\$3,229,289</u>

(d) **Authorized But Unissued Debt**

At June 30, 2013, the Town has a total of \$13,325,000 in authorized, unissued debt in accordance with RIGL 45-12-2, which consists of the following authorizations:

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

(e) **Advanced Refundings and Defeased Debt**

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

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

7. **LONG-TERM DEBT (Continued)**

(e) **Advanced Refundings and Defeased Debt (Continued)**

As of June 30, 2013, the in-substance defeased bonds outstanding were \$5,885,000 and were excluded from the accompanying financial statements.

(f) **Compensated Absences**

Vested sick leave, accumulated vacation pay, and severance based on years of employment for Governmental Fund Types are paid upon retirement, termination, or death of qualified employees. Payment of these accrued benefits is made from the Town's General Fund. Vested sick leave, severance, and accumulated vacation pay for Governmental Fund Type employees at June 30, 2013 amounted to \$7,999,644 of which \$2,491,945 and \$5,507,699 is related to School and Town employees, respectively.

(g) **Schedule of long-term debt by purpose at June 30, 2013 is as follows:**

<u>Governmental activities:</u>	<u>Amount</u>	<u>Percent</u>
School, public improvement, and public safety bonds and notes payable.....	\$ 23,466,987	20%
Town equipment and vehicle leases.....	1,213,043	1
Police and fire net pension benefit obligation.....	24,630,000	21
Net OPEB obligations.....	60,857,091	51
Claims and judgments – Town.....	35,000	0
Compensated absences and severance.....	7,999,644	7
Total Governmental activities.....	\$118,201,765	100%
 <u>Business-type activities:</u>		
Sewer projects bonds.....	\$ 2,572,085	89%
Sewer vehicle lease.....	219,756	8
Net OPEB obligations.....	72,009	2
Compensated absences and severance.....	37,231	1
Total Business-type activities.....	\$ 2,901,081	100%

8. **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 operation of Fire Station #4. The terms of the agreement require a one-time payment of ten (\$10) dollars. The license agreement expiring on January 31, 2029 includes an option to renew for an additional 20-year term.

In September 2009, the Town entered into a 48-month lease agreement for certain office equipment. The lease requires a base monthly rental charge of \$334. Lease expense incurred under the terms of this agreement was approximately \$4,000 for the fiscal year ended June 30, 2013.

In February 2010, the Town entered into a 60-month lease agreement for certain office equipment. The lease requires a monthly rental charge of \$1,257. Lease expense incurred under the terms of this agreement was approximately \$15,100 for the fiscal year ended June 30, 2013.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

8. OPERATING LEASES (Continued)

On August 18, 2010, 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 \$7,726. Lease expense incurred under the terms of this agreement was approximately \$92,700 for the fiscal year ended June 30, 2013.

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 the parking of school buses and for the storage of school equipment. The terms of the agreement require annual rent of one (\$1) dollar.

The Town currently leases two vehicles under a 2-year lease agreement, which has been classified as an operating lease. The initial lease expired in January 2013, at which time the Town entered into a new two-year lease agreement with an annual rental charge of \$7,800, plus annual maintenance fees. Lease expense incurred under the terms of these agreements was approximately \$8,900 for the fiscal year ended June 30, 2013.

In July 2012, the Town entered into 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 \$6,900 for the fiscal year ended June 30, 2013.

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 \$7,200 for the fiscal year ended June 30, 2013.

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>	
2014	\$ 130,358
2015	119,508
2016	21,826
2017	14,100
2018	7,200
Total	<u>\$ 292,992</u>

9. INTERFUND BALANCES AND TRANSFERS

Interfund balances represent short-term advances from one fund (primarily the General Fund) to another fund. The advances may represent balances resulting from operating advances or reimbursement for expenditures paid by one fund on behalf of another fund. The composition of interfund balances at June 30, 2013 is as follows:

	Due From <u>Other Funds</u>	Due to <u>Other Funds</u>
Governmental Funds:		
General Fund	\$ 232,399	\$ 10,390,250
School Unrestricted Fund	4,960,403	1,423,203
Capital Project 2013 Series A	0	15,750
All non-major funds	715,892	597,043
Total governmental funds	<u>5,908,694</u>	<u>12,426,246</u>

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

9. INTERFUND BALANCES AND TRANSFERS (Continued)

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
Proprietary Funds:		
Water Fund	3,438,768	2,185
Sewer Fund	0	202,221
Cafeteria Fund	0	436,909
Summer School Fund	10,850	0
Credit Recovery Fund	0	290
Internal Service Fund	3,477,288	0
Total proprietary funds	<u>6,926,906</u>	<u>641,605</u>
Fiduciary Funds:		
Pension Trust Funds	124,501	0
Agency Funds	107,750	0
Total fiduciary funds	<u>232,251</u>	<u>0</u>
TOTAL ALL FUNDS	<u>\$13,067,851</u>	<u>\$13,067,851</u>

The composition of interfund transfers for the year ended June 30, 2013 is as follows:

<u>Transfer Out</u>	<u>General Fund</u>	<u>School Unrestricted Fund</u>	<u>Non-major Governmental Funds</u>	<u>Total Transfer Out</u>
General Fund	\$ 0	\$37,129,015	\$ 250,000	\$37,379,015
Non-major Governmental Funds	233,589	0	0	233,589
Proprietary Funds	400,000	0	0	400,000
Total transfer in	<u>\$ 633,589</u>	<u>\$37,129,015</u>	<u>\$ 250,000</u>	<u>\$38,012,604</u>

10. DEFINED BENEFIT PENSION PLANS

(a) General Municipal Employees' Pension Plan

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.

Effective July 1, 2012, the State administered retirement system was modified to include both defined benefit and defined contribution plan components. General employees participate in a hybrid plan that combines both a defined benefit plan and a defined contribution plan. Police and fire employees participate only in the defined benefit plan unless they do not participate in Social Security in which case they also participate in the defined contribution plan.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

10. **DEFINED BENEFIT PENSION PLANS (Continued)**

(a) **General Municipal Employees' Pension Plan (Continued)**

Plan Description

All full-time Town and non-certified School Department general employees participate in MERS, an agent multiple-employer defined benefit plan administered by the Employees' Retirement System of Rhode Island (the "System"). The plan provides retirement, death and disability benefits and an optional cost of living adjustment (COLA) as outlined in Chapter 45-21 and Chapter 45-21.2 of the Rhode Island General Laws (RIGL). The benefits may be amended by the Rhode Island General Assembly.

Service credits accrued at June 30, 2012 are protected under the Rhode Island Retirement Security Act. Beginning July 1, 2012, members receive a benefit accrual of 1.0% per year. Effective July 1, 2012 the retirement age mirrors the Social Security Normal Retirement Age not to exceed age 67. Benefits are based on the five-year average compensation multiplied by the accumulated service credit percentage. Joint and survivor retirement benefit options are available.

Pursuant to the Rhode Island Retirement Security Act, 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%, 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. COLA will be delayed until the later of age 55 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.

Plan Funding Policy

The funding policy is outlined in RIGL sections 45-21-41, 45-21-42, and 45-21-52 (which can be amended by the Rhode Island General Assembly).

Effective July 1, 2012 general employees are required by State Statute to contribute 1 percent of their annual earnings. The Town has opted for the optional cost-of-living provisions under plan C and accordingly, general employees (including noncertified school employees) are required to contribute an additional 1% of the annual earnings resulting in a total contribution of 2% by the employee.

The Town is required to contribute at an actuarially determined rate expressed as a percentage of total compensation paid to the active membership. The rate for the fiscal year ended June 30, 2013 was 12.96%

Annual Pension Cost

The Town's annual pension cost of approximately \$1,026,000 for MERS (\$549,000 on behalf of Town employees and \$477,000 on behalf of School employees) was equal to the Town's required and actual contributions for the year ended June 30, 2013.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

10. DEFINED BENEFIT PENSION PLANS (Continued)

(a) General Municipal Employees' Pension Plan (Continued)

Annual Pension Cost (Continued)

Three-Year Trend Information – General MERS

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2013	\$1,026,000	100%	\$ 0
6/30/2012	\$1,021,000	100%	\$ 0
6/30/2011	\$ 753,000	100%	\$ 0

The required contribution for fiscal 2013 was determined as part of the actuarial valuation performed as of June 30, 2010. The most recent valuation of the plans within the system was performed as of June 30, 2012. The actuarial methods and assumptions used in those valuations are summarized in the following table.

Summary of Actuarial Assumptions Used in the MERS June 30, 2010 and June 30, 2012 Valuations	
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	25 years as of June 30, 2010 23 years as of June 30, 2012
Asset Valuation Method	5 Year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return	7.50%
Projected Salary Increases	<u>General Employees</u> 4.00% to 8.00%
	<u>Police & Fire Employees</u> 4.25% to 14.25%
Inflation	2.75%
Cost of Living Adjustments are 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 later of Social Security eligibility age or 3 years after retirement. For MERS Police and Fire, COLA is delayed until the later of age 55 or 3 years after retirement. A 2% COLA is assumed after July 1, 2012.	

General Municipal Employees
Participant Information (**June 30, 2012**) 245 Active; 201 Retired

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

10. DEFINED BENEFIT PENSION PLANS (Continued)

(a) General Municipal Employees' Pension Plan (Continued)

Funded Status and Funding Progress

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Listed below are the details of the funding progress of the General Municipal Employees' Pension Plan with a valuation date of June 30, 2012 which is the most recent report available from the State who administers this plan.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 2012	\$28,915,706	\$38,710,838	\$(9,795,132)	74.7%	\$7,981,662	-122.7%

The System issues an annual financial report that includes financial statements and required supplementary information for all of the plans it administers. The reports can be obtained at www.ersri.org.

(b) Municipal Police Officers and Firefighters Pension Plan

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.

Plan Description

All full-time police officers hired on or after July 1, 2010 and full-time firefighters hired after July 1, 1999 participate in the MERS, an agent multiple-employer defined benefit plan administered by the Employees' Retirement System of Rhode Island (the "System"). The plan provides retirement, death and disability benefits and an optional cost of living adjustment (COLA) as outlined in Chapter 45-21 and Chapter 45-21.2 of the Rhode Island General Laws (RIGL). The benefits may be amended by the Rhode Island General Assembly.

Effective July 1, 2012 the benefit accrual for all plans is 2.0% per year based on the five-year average compensation, exclusive of overtime. Retirement age is 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 who were at least 45 years old, had 10 or more years of contributing service and were eligible to retire prior to age 52 under the law in effect on June 30, 2012, may retire at age 52. 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 is calculated based on how close the member is to the eligibility date that is prescribed in the Rhode Island Retirement Security Act. Joint and survivor retirement benefit options are available.

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

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TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

10. DEFINED BENEFIT PENSION PLANS (Continued)

(b) Municipal Police Officers and Firefighters Pension Plan (Continued)

Plan Funding Policy

The funding policy is outlined in RIGL sections 45-21-41, 45-21-42, 45-21-52, and 45-21.2-14 (which can be amended by the Rhode Island General Assembly).

Active police and fire members must contribute 7% of his/her compensation.

The Town is required to contribute at an actuarially determined rate expressed as a percentage of total compensation paid to the active membership. The rates for the fiscal year ended June 30, 2013 were 7% and 7.35%, for police and fire personnel, respectively.

Annual Pension Cost

The Town's annual pension cost of approximately \$23,700 and \$213,000 for MERS police and fire personnel, respectively, was equal to the Town's required and actual contributions for the year ended June 30, 2013.

Three-Year Trend Information – Police Officers MERS Plan

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2013	\$23,700	100%	\$ 0
6/30/2012	\$ 7,500	100%	\$ 0
6/30/2011	\$ 2,100	100%	\$ 0

Municipal Police Employees
Participant Information (June 30, 2012) 5 Active; 0 Retired

Three-Year Trend Information – Firefighters MERS Plan

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2013	\$213,000	100%	\$ 0
6/30/2012	\$239,000	100%	\$ 0
6/30/2011	\$212,000	100%	\$ 0

Municipal Fire Employees
Participant Information (June 30, 2012) 46 Active; 2 Retired

The required contribution for fiscal 2013 was determined as part of the actuarial valuation performed as of June 30, 2010. The most recent valuation of the plans within the system was performed as of June 30, 2012. The actuarial methods and assumptions used in those valuations for the police and fire plans are summarized and presented in the table on Page 50.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

10. DEFINED BENEFIT PENSION PLANS (Continued)

(b) Municipal Police Officers and Firefighters Pension Plan (Continued)

Funded Status and Funding Progress

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Listed below are the details of the funding progress of the Police and Fire Employees' Pension Plan with a valuation date of June 30, 2012 which is the most recent report available from the State who administers this plan.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
Police Officers Plan June 30, 2012	\$18,961	\$44,009	\$(25,048)	43.1%	\$207,441	-12.1%
Firefighters Plan June 30, 2012	\$3,563,110	\$3,800,520	\$(237,410)	93.8%	\$2,640,103	-9.0%

The System issues an annual financial report that includes financial statements and required supplementary information for all of the plans it administers. The reports can be obtained at www.ersri.org.

Notes to the Schedule of Funding Progress

Changes affecting the June 30, 2012 actuarial valuation:

The assumptions for the Municipal Employees' Retirement System are consistent with the 2011 valuation, with the exception of certain assumption changes that resulted from the enactment of the Rhode Island Retirement Security Act of 2011. The marriage assumption was modified to reflect the expected percentage of members that will be eligible for survivor benefits upon their death, the incidence of disability was lowered to incorporate a continued trend of significantly fewer incidents of disability than anticipated by the current assumption, and the missing data assumption was updated to incorporate an assumption for missing beneficiary data.

The method used to determine the actuarial value of assets is the five-year smoothed market method. A small adjustment was made to the method used to smooth investment gains and losses to allow gains and losses to offset each other immediately. This modification will reduce future volatility in the actuarial value of assets while ensuring that the actuarial value always trends directly towards the market value of assets.

Changes affecting the June 30, 2011 actuarial valuation:

The retirement rates were modified to be consistent with the retirement eligibility changes instituted by the Rhode Island Retirement Security Act of 2011. Members that were assumed to retire prior to the Act, but before the earliest allowable age under the Act, are assumed to retire once eligible.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

10. **DEFINED BENEFIT PENSION PLANS (Continued)**

(c) **Teachers' Pension Plan = Employees' Retirement System (ERS)**

Effective July 1, 2012, the State administered retirement system which covers local teachers and certain municipal employees was modified to include both defined benefit and defined contribution plan components.

Plan Description

All full-time teachers, principals, school nurses and certain other school officials (including the superintendent) in the Johnston School Department must participate in ERS, a cost-sharing multiple-employer defined benefit plan administered by the Employees' Retirement System of Rhode Island (the "System"). The plan provides retirement, death and disability benefits (as well as annual cost of living allowances if certain conditions have been met) as outlined in Chapters 36-10 and 16-16 of the Rhode Island General Laws (RIGL). The benefits may be amended by the Rhode Island General Assembly.

Funding Policy

The funding policy is outlined in RIGL sections 16-16-22 and 36-10-2 (which can be amended by the Rhode Island General Assembly). Active plan members must contribute 3.75% of his/her compensation. The Johnston School Department and the State are collectively required to contribute at an actuarially determined rate expressed as a percentage of total compensation paid to the active membership. The employer contribution is split and paid 40% by the State and 60% by the school district with the exception of teachers who work in federally funded programs where 100% is paid by the school district and reimbursed by the federal government. For fiscal 2013, the total employer rate was 19.29% (7.88% State share and 11.41% local share). The State share of the employer contribution rate includes the total cost of prior contribution deferrals which was .28% for fiscal 2013.

The plan provides a survivor benefit to public school teachers in lieu of Social Security as outlined in sections 16-16-25 through 16-16-38 of the Rhode Island General Laws (RIGL). Spouse, parents, family or children's benefits are payable upon death of a member. In lieu of a survivor benefit, members may opt to receive a lump sum return of their contributions plus interest upon retirement. The benefits may be amended by the Rhode Island 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 school district. These contributions are in addition to the contributions required for regular pension benefits.

The Johnston School Department contributed approximately \$2,435,300, \$2,816,400 and \$2,374,100 during the fiscal years 2013, 2012 and 2011, respectively, equal to 100% of the actuarially required contributions for those respective years. For financial reporting purposes, the State's share of contributions are reflected as on-behalf-payments and are included as both revenue and expenditures in the accompanying financial statements. The on-behalf contributions for the defined benefit plan for the fiscal year ended June 30, 2013 amounted to approximately \$1,578,700.

The System issues an annual financial report that includes financial statements and required supplementary information for all of the plans it administers. The reports can be obtained at www.ersri.org.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

10. DEFINED BENEFIT PENSION PLANS (Continued)

(d) Police and Fire Pension Trust (Fiduciary Fund)

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

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 employees' annual salary, holiday pay, longevity 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.

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 to 30+ years	65.0% to 70.0%

The firefighter pay-as-you-go plan provides retirement benefits as well as death and disability benefits. All members of the fire department hired before July 1, 1999 are eligible to participate. Participants in the plan are eligible to retire after 20 years of service. Benefits are equal to 50% of the final average of the employee's three highest consecutive years of compensation based on base salary, longevity, holiday, clothing allowance, maintenance allowance, severance pay, etc. Employees shall be able to accrue an additional 2 ½% in benefits for each year of service credited over 20 years up to a maximum of 30 years for a benefit of 75% of 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.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

10. **DEFINED BENEFIT PENSION PLANS (Continued)**

(d) **Police and Fire Pension Trust (Fiduciary Fund) (Continued)**

At June 30, 2013, approximately 94 active employees (59 police officers and 35 firefighters) and 175 retirees (95 police officers and 80 firefighters) were enrolled in the police and firefighter pay-as-you-go pension plan. For the year ended June 30, 2013, contributions to the pension trust fund were approximately \$3,772,000, which consisted of approximately \$654,000 from the employees (\$347,000 from police officers and \$307,000 from firefighters) and \$3,118,000 from the Town (\$1,614,000 for police officers and \$1,504,000 for firefighters). The Town's payroll for police officers and firefighters covered under this plan was approximately \$8,519,000 (\$4,872,000 for police officers and \$3,647,000 for firefighters) and the Town's total payroll for the year ended June 30, 2013 was approximately \$54,621,000.

The Town's annual pension cost (APC) and net pension benefit obligation (NPO) for the police and fire pension trust for the year ended June 30, 2013 was as follows:

Annual required contribution (ARC).....	\$ 9,926,000
Interest on net pension obligation.....	1,388,000
Adjustment to ARC.....	<u>(1,038,000)</u>
Annual pension cost.....	10,276,000
Town contributions made.....	<u>3,118,000</u>
Increase in net pension obligation.....	7,158,000
Net pension benefit obligation, June 30, 2012.....	<u>17,472,000</u>
Net pension benefit obligation, June 30, 2013.....	<u>\$24,630,000</u>

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Town Contribution</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2013	\$3,118,000	\$10,276,000	30%	\$24,630,000
6/30/2012	\$2,927,000	\$9,135,000	32%	\$17,472,000
6/30/2011 **	\$3,786,000	\$9,276,000	41%	\$11,264,000

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

The actuarial methods and assumptions utilized for the valuation of the police and fire pension trust fund (fiduciary) as of a valuation date of July 1, 2012 were as follows (unaudited):

Actuarial cost method.....	Entry age normal cost
Amortization method.....	Level dollar
Remaining amortization period.....	24 years remaining as of July 1, 2012
Asset valuation method.....	Market Value
Investment rate of return.....	7.5% annual
Inflation rate.....	2.75%
Projected salary increases.....	4.0% annually
Payroll growth.....	3.25%
Plan Membership.....	Total – 276 (Police – 160; Fire – 116)

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

10. **DEFINED BENEFIT PENSION PLANS (Continued)**

(d) **Police and Fire Pension Trust (Fiduciary Fund) (Continued)**

Funded Status of Plan

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

Actuarial value of assets - \$37,711,159
Actuarial accrued liability - \$147,156,819
Unfunded actuarial accrued liability (UAAL) - \$109,445,660
Funded Ratio - 25.63%
Annual covered payroll - \$9,174,463
UAAL as percentage of payroll - 1,192.94%

11. **DEFINED CONTRIBUTION PLAN**

Plan Description

General municipal, certified school, and noncertified school employees participating in the defined benefit plans (of the System), as described above, also participate in a defined contribution plan of the Employees' Retirement System as 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 and the Employees' Retirement System of Rhode Island (the System). Employees may choose among various investment options available to plan participants.

Employee contributions are immediately vested while employer contributions are vested after three years of contributory service. 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.

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

Plan Funding Policy

The funding policy is outlined in RIGL chapter 36-10.3 (which can be amended by the Rhode Island General Assembly). Active plan members must contribute 5% (7% for certified teachers) of his/her compensation and the Town (including the School Department) is required to contribute 1% (3% for certified teachers). The plan members and Town (including the School Department) contributed approximately \$1,859,000 and \$624,000, respectively, during the fiscal year ended June 30, 2013. The employer contribution of \$624,000 consisted of \$42,000 for general municipal employees, \$38,000 for noncertified school employees, and \$544,000 for certified teachers.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

11. **DEFINED CONTRIBUTION PLAN (Continued)**

Plan Funding Policy (Continued)

Although the Town (School Department) is required to contribute 3% towards the plan for certified teachers, the School Department receives reimbursement from the State of Rhode Island for .4% of 1% of the required contributions. For financial reporting purposes, the State's share of the contribution is reflected as on-behalf payments and is included as both revenue and expenditures in the accompanying financial statements. The on-behalf contributions for the defined contribution plan for the fiscal year ended June 30, 2013 amounted to approximately \$80,000.

The System issues an annual financial report that includes financial statements and required supplementary information for all of the plans it administers. The reports can be obtained at www.ersri.org.

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

In addition to the pension benefits described in Notes 10 and 11, the Town provides post employment health care benefits and life insurance in accordance with certain union contracts. These benefits are currently recognized on a pay-as-you go basis. A description of these OPEB benefits, by employee group, is described below:

Eligibility: Town general employees are eligible for benefits after 10 years of service and age 58, or 26 years of service at any age. For Laborers' Local 808, only employees hired prior to April 19, 2012 are eligible for retiree health benefits. Firefighters are eligible at 20 years of service. Police officers are eligible after 18 years of service. However, officers who retire after 18 years of service (early retirement) will receive benefits that were in existence on July 1, 2012, whereas those who retire after 20 years of service will receive benefits in existence on July 1, 2010. School Department Certified employees are eligible at 20 years of service. Retirees electing spousal coverage are required to pay full incremental spousal cost. No spousal coverage is available once the retiree reached Medicare eligibility. School Department Non-Certified employees are eligible at 15 years of service and age 58, or 25 years of service at any age. However, if hired after September 1, 1999 the employee must have at least 20 years of service and have attained age 60 or 25 years of 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 years ending June 30, 2012 and 2013*. This report dated November 8, 2013 (as revised) can be obtained by contacting the Town's Finance Department.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

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

Funding Policy

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

The ARC for Governmental activities for the fiscal year ended June 30, 2013 was \$14,713,780 and represents \$3,332,787 and \$11,380,993, for School and Town personnel, respectively. The ACR for Business-type activities for the fiscal year ended June 30, 2013 was \$13,851.

The current year expenditures for these post-retirement benefits are recognized on a pay-as-you-go basis, as the monthly costs for the benefits become due. During the year ended June 30, 2013, expenditures of approximately \$5,189,700 were recognized for post-retirement benefits. Of this amount approximately \$3,285,500 was paid for 306 Town retirees, and \$1,904,200 was paid for 264 School retirees. Current year expenditures represent approximately 35.2% of the ARC.

As noted above the Town did not comply with the funding requirements for the fiscal year ended June 30, 2013 which were determined by the actuarial valuation report with a valuation date of July 1, 2012. As a result, the government-wide financial statements include a long-term liability of \$60,929,100 and an expense for this Net OPEB Obligation (NOO) of \$9,289,672.

The NOO at June 30, 2013 was calculated as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Annual Required Contribution	\$14,713,780	\$13,851
Interest on existing NOO	1,805,335	2,045
Adjustment to ARC	<u>(2,053,320)</u>	<u>(2,327)</u>
Annual OPEB cost	14,465,795	13,569
Contribution made during fiscal 2013	<u>(5,189,692)</u>	<u>0</u>
Net increase in NOO	9,276,103	13,569
NOO at June 30, 2012	<u>51,580,988</u>	<u>58,440</u>
<i>NOO at June 30, 2013</i>	<u>\$60,857,091</u>	<u>\$72,009</u>

Trend Information – Governmental Activities

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Contribution Made</u>	<u>% of OPEB Contributed</u>	<u>Net OPEB Obligation</u>
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
6/30/2011	\$17,199,510	\$5,755,376	33.5%	\$39,681,891

Trend Information – Business-Type Activities

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Contribution Made</u>	<u>% of OPEB Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2013	\$13,569	\$0	0%	\$72,009
6/30/2012	\$10,523	\$0	0%	\$58,440
6/30/2011	\$10,537	\$0	0%	\$47,917

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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

Funded Status of Plan:

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

Governmental Activities:

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

Business-Type Activities:

- Actuarial value of assets - \$0
- Actuarial accrued liability (AAL) - \$187,136
- Unfunded actuarial accrued liability (UAAL) - \$187,136
- Funded ratio – 0.00%
- Annual covered payroll – N/A
- UAAL as percent of payroll – N/A

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

Actuarial Assumptions:

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

Number of Participants:

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

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

13. FUND BALANCES (DEFICITS)

(a) Fund Balances

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

At June 30, 2013 Non-Spendable Fund Balance consisted of the following:

General Fund:	
Prepays	\$ 512,710
School Unrestricted Fund:	
Prepays	48,864
Total Non-spendable fund balance	<u>\$ 561,574</u>

At June 30, 2013 Restricted Fund Balance consisted of the following:

Capital Project 2013 Series A:	
Capital Improvement Projects	\$4,965,334
Other Governmental Funds:	
Special Revenue Funds:	
Education	177,147
Community Development	3,076
Law Enforcement	100,730
Parks and Recreation	6,533
Natural Resources Conservation	73
Historical Records Preservation	226,042
Fire Prevention and Education	22,974
Library Renovations	129,175
Capital Project Funds:	
School Renovations	132,094
Parks and Recreation	17,021
Capital Lease Reserve	33,491
Other Capital projects	164,867
Total Restricted fund balance	<u>\$5,978,557</u>

At June 30, 2013 Committed Fund Balance consisted of the following:

School Unrestricted Fund:	
Committed for Education	\$3,364,485
Other Governmental Funds:	
Fire Department Expenses	48,231
Fire Equipment and Apparatus	250,000
Total Committed fund balance	<u>\$3,662,716</u>

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

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

13. **FUND BALANCES (DEFICITS) (Continued)**

(b) **Fund Deficits**

The following individual funds incurred operating deficits for the year ended June 30, 2013, as follows:

Non-major Governmental Funds:

Special Revenue Funds:

ARRA EECBG	\$ 3,200
Historical Trust Fund	12,397
Fire Plan Review	160,335
Fire Prevention	145
Memorial Library Fund	1,178
Champlin Grant	3,698

Capital Project Funds:

Soccer Field	666
Capital Improvements	8,434
Capital Lease 2011	<u>50,926</u>

**Total deficits non-major governmental activities for
the year ended June 30, 2013** \$ 240,979

Proprietary Fund:

Credit Recovery	<u>\$ 290</u>
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The following fund had a cumulative deficit as of June 30, 2013:

Proprietary Fund:

Credit Recovery	<u>\$ 290</u>
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The cumulative fund deficit of the proprietary fund is expected to be reduced with future earnings from operations.

14. **RISK MANAGEMENT and HEALTHCARE MANAGEMENT FUND**

Healthcare

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

The Town currently maintains stop loss insurance to protect the taxpayers from catastrophic loss resulting from excessive health insurance claims. At June 30, 2013 the stop loss insurance contract covered all claims exceeding \$225,000 per individual on an annual basis. In addition, specific stop loss maximum for the Town for the year is maintained at approximately \$1,775,000.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

14. **RISK MANAGEMENT and HEALTHCARE MANAGEMENT FUND (Continued)**

Healthcare (Continued)

The Town's Finance Department oversees the self-insured program for all Town employees and claims payment services are provided by Blue Cross and Blue Shield of Rhode Island and Delta Dental of Rhode Island (Plan Administration). All funds of the Town make payments to the Healthcare Management Fund (an Internal Service Fund) based on actual claims or based on estimated working rates. Billings from the Healthcare Management Fund to other Town funds for the fiscal year ended June 30, 2013 were approximately \$13,867,000 which represented approximately \$6,336,000 and \$7,531,000 for Town and School Department personnel, respectively. At June 30, 2013 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, 2013 as follows:

	<u>2013</u>	<u>2012</u>
IBNR at beginning of year.....	\$ 473,063	\$ 565,067
Claims incurred during the year.....	13,866,599	14,241,637
Claims paid during the year.....	<u>(13,751,244)</u>	<u>(14,333,641)</u>
IBNR at June 30.....	<u>\$ 588,418</u>	<u>\$ 473,063</u>

Unemployment

The Town is self-insured for unemployment benefits.

Other Insurance

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

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

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

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

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

15. OTHER AGREEMENTS

- A. In March 1996, the Town entered into an agreement with the Rhode Island Solid Waste Management Corporation (the "Corporation"). The agreement shall remain in effect for as long as the Corporation, its successor or 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. Town received \$3,150,000 in April 1996 as settlement of all disputed amounts owed to the Town by the Corporation from the beginning of time up to the effective date of the agreement.
 2. Annual payments shall be made to the Town in the amount of \$1,500,000 plus 3 1/2% of the Corporation's gross revenue. However, the annual payment must not be less than \$1,500,000 nor greater than 10% of the Corporation's gross revenue.
 3. The annual payments are due on a quarterly basis beginning July 1, 1996. If the Corporation fails to make a payment within thirty (30) days after the due date, interest shall accrue from the expiration of the due date at the rate of six percent (6%) per annum.
 4. For the contract year beginning April 1, 2001, and every five (5) years thereafter, the base payment in effect for the previous five (5) years shall be increased ten percent (10%).
 5. Total revenue recognized under this agreement and recorded in the General Fund for the year ended June 30, 2013 was approximately \$3,348,000. In addition to the \$3.35 million the Town also recognized revenue for Tipping Fees of approximately \$295,000 during the fiscal year ended June 30, 2013.
- B. In May 1999, the Town entered into an agreement with Reliant Energy Hope, L.P. ("Hope"). On June 26, 2002 this agreement was transferred to Rhode Island State Energy Statutory Trust 2000 (a Connecticut Statutory Trust) ("the Trust"). Therefore, the agreement is now held between the Town of Johnston and the Trust.

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

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

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

15. OTHER AGREEMENTS (Continued)

The terms of the agreement are as follows:

1. An initial payment of \$950,000 was remitted as a project impact fee, (received in fiscal 2000).
2. On the first anniversary of the Host Community Impact Fee Initial Payment Date, the sum of \$1,000,000 (received in fiscal 2001).
3. On the second anniversary of the Host Community Impact Fee Initial Payment Date, the sum of \$1,000,000 (received in fiscal 2002).
4. If the Trust decides to discontinue the development of the facility prior to the commencement of the operational period this agreement shall terminate upon receipt by the Town of notice of such termination for the Trust.
5. Total revenue received under this agreement and recorded as tax revenue in the General Fund was \$2,500,000 for the year ended June 30, 2013.

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

2014.....	\$ 2,500,000
2015.....	2,500,000
2016.....	<u>2,500,000</u>
Total.....	<u>\$ 7,500,000</u>

16. COMMITMENTS, CONTINGENCIES AND LITIGATION

In July 2012, the School has contracted to have bus service provided for students through August 25, 2015, with an option to renew the contract for up to an additional two years. Estimated costs to be incurred over the remaining 2-year life of this contract are approximately \$4,048,000.

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, 2013, 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 cost of these claims. At June 30, 2013, 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 amounts, if any, to be immaterial.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

16. **COMMITMENTS, CONTINGENCIES AND LITIGATION (Continued)**

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

In March 2003, the Town received a commitment from the Rhode Island Clean Water Finance Agency (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 System Loan Program. The Program provides for the Town to make loans to property owners of the Town for the repair or replacement of failed or failing septic systems. The individual loans to be made to property owners shall be underwritten by the Town with the assistance of the Rhode Island Housing (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 another commitment from RICWFA to finance the Town's Community Septic System Loan Program. The loan agreement provides the Town with an additional \$250,000 non-restoring line-of-credit, with the same terms and purpose as the loan received in 2003 (as described above). As of June 30, 2013, the outstanding balance for both of these loans was approximately \$63,500 while the total amount available under this program (for both loans) was approximately \$203,300.

In October 2006, the Town reached an agreement with a former employee for payments of retirement compensation. Under the terms of the agreement, the Town will make a monthly payment of approximately \$700 for the remainder of the employee's life. The Town estimated the original present value of this long-term liability to be approximately \$82,000. The present value of this obligation at June 30, 2013 was approximately \$35,000. The liability has been recorded in the Government-Wide Statements at June 30, 2013. The liability is not recorded in the Fund Statements as it is not expected to be paid with current measurable and available resources.

The Town was named as a defendant in a case involving the pension obligation to three retirees. During fiscal 2012 the Town was unsuccessful in its defense but has appealed the verdict to the Rhode Island Supreme Court. As of the date of these financial statements the estimated obligation resulting from this case, including interest in accordance with the initial judgment, was estimated to be \$1,022,864. This potential obligation has been reported as a liability in the Police and Fire Pension Trust Fund (a Fiduciary Fund) as of June 30, 2013. 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, 2013, the Town has established a letter of credit for the potential interest owed on the judgment and deposited funds equal to that letter of credit into separate restricted cash accounts. In addition, the initial judgment of approximately \$824,000 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.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

17. CASH FLOW

During the year ended June 30, 2013 the Town received a federal award for principal forgiveness totaling \$15,246 to be applied towards fiscal 2013 principal due to Rhode Island Clean Water Finance Agency. This amount is excluded from principal repayments and non-operating grant income in the Statement of Cash Flows of the Business-Type Activities.

18. RESTATEMENT

The net position of the Government-wide Financial Statements has been restated as of June 30, 2012 to reflect the implementation of GASB Statement #65 – *Items Previously Reported as Assets and Liabilities*. Implementation of this new Standard resulted in the removal of bond issuance costs as an asset from the Statement of Net Position (formerly the Statement of Net Assets). Under GASB Statement #65 bond issuance costs (excluding bond insurance costs) are to be recorded as an expense in the year the costs are incurred rather than amortizing those costs over the life of the bond obligation. As a result, the unamortized bond issuance costs as of June 30, 2012 totaling \$154,925 (\$109,674 for Governmental Activities and \$45,251 for Business-Type Activities) have been retroactively removed from the opening net position balance. The following reflects the effect of implementation of GASB Statement #65:

Governmental Activities:	
Net Position, June 30, 2012 as originally stated.....	\$(27,546,335)
Less write-off of bond issuance costs, net.....	<u>(109,674)</u>
Net Position, June 30, 2012 as restated	<u>\$(27,656,009)</u>
Business-Type Activities:	
Net Position, June 30, 2012 as originally stated.....	\$13,137,375
Less write-off of bond issuance costs, net.....	<u>(45,251)</u>
Net Position, June 30, 2012 as restated	<u>\$13,092,124</u>
Total Net Position – Government-wide Statement of Net Position:	
Net Position, June 30, 2012 as originally stated.....	\$(14,408,960)
Less write-off of bond issuance costs, net.....	<u>(154,925)</u>
Net Position, June 30, 2012 as restated	<u>\$(14,563,885)</u>

19. SUBSEQUENT EVENT

In September 2013, the Town entered into a 5-year capital lease agreement in the amount of \$425,000 for acquisition of various vehicles and equipment.

(CONCLUDED)

TOWN OF JOHNSTON, RHODE ISLAND

REQUIRED SUPPLEMENTARY INFORMATION



TOWN OF JOHNSTON, RHODE ISLAND

Required Supplementary Information
Schedule of Funding Progress for Pension Plans
June 30, 2013
UNAUDITED

	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Funding Excess (Deficit)	Funded Ratio	Covered Payroll	Funding Excess (Deficit) as A percentage of Covered Payroll	
General municipal employees								
pension plan.....	6/30/2007	\$ 28,777,664	\$ 33,643,759	\$ (4,866,095)	85.5%	\$ 9,037,436	-53.8%	
	6/30/2008	\$ 31,206,540	\$ 35,051,692	\$ (3,845,152)	89.0%	\$ 8,570,160	-44.9%	
	6/30/2009	\$ 30,947,972	\$ 37,747,077	\$ (6,799,105)	82.0%	\$ 8,196,113	-83.0%	
	6/30/2010	\$ 30,121,202	\$ 42,727,053	\$ (12,605,851)	70.5%	\$ 7,969,367	-158.2%	
	6/30/2011	\$ 29,021,500	\$ 38,697,933	\$ (9,676,433)	75.0%	\$ 7,939,575	-121.9%	
	6/30/2012	\$ 28,915,706	\$ 38,710,838	\$ (9,795,132)	74.7%	\$ 7,981,662	-122.7%	
Post July 1, 1999 Fire employees								
pension plan.....	6/30/2007	\$ 1,312,361	\$ 1,299,565	\$ 12,796	101.0%	\$ 1,565,638	0.8%	
	6/30/2008	\$ 1,711,089	\$ 1,599,225	\$ 111,864	107.0%	\$ 1,663,174	6.7%	
	6/30/2009	\$ 1,941,048	\$ 1,944,014	\$ (2,966)	99.8%	\$ 2,316,237	-0.1%	
	6/30/2010	\$ 2,503,749	\$ 3,216,936	\$ (713,187)	77.8%	\$ 2,448,888	-29.1%	
	6/30/2011	\$ 3,014,261	\$ 3,204,349	\$ (190,088)	94.1%	\$ 2,585,106	-7.4%	
	6/30/2012	\$ 3,563,110	\$ 3,800,520	\$ (237,410)	93.8%	\$ 2,640,103	-9.0%	
Post July 1, 2010 Police employees								
pension plan.....	6/30/2011		Information not available - Plan commenced July 1, 2010					
	6/30/2012	\$ 18,961	\$ 44,009	\$ (25,048)	43.1%	\$ 207,441	-12.1%	

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

Police and Fire Pension Trust...	7/1/2003	\$ 17,050,023	\$ 73,168,512	\$ (56,118,489)	23.30%	\$ 8,389,700	-668.90%
	7/1/2005	\$ 25,004,776	\$ 81,246,155	\$ (56,241,379)	30.78%	\$ 8,146,112	-690.41%
	7/1/2007	\$ 36,178,993	\$ 99,721,956	\$ (63,542,963)	36.28%	\$ 9,403,858	-675.71%
A	7/1/2009	\$ 31,674,743	\$ 119,055,714	\$ (87,380,971)	26.60%	\$ 8,591,340	-1017.08%
	7/1/2011	\$ 41,809,149	\$ 131,841,687	\$ (90,032,538)	31.71%	\$ 8,703,460	-1034.45%
	7/1/2012	\$ 37,711,159	\$ 147,156,819	\$ (109,445,660)	25.63%	\$ 9,174,463	-1192.94%

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

A - 7/1/2009 valuation reflects restated AAL & UAAL results due to COLA adjustment for Police pension, and adjustment to covered payroll for Fire pension.

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, 2013
UNAUDITED**

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Tax revenues:				
Current year	\$ 64,394,406	\$ 64,394,406	\$ 65,003,989	\$ 609,583
1st preceding year	1,730,000	1,730,000	2,214,861	484,861
2nd preceding year	0	0	575,433	575,433
All other preceding years	0	0	131,694	131,694
Abatements	(100,000)	(100,000)	(58,356)	41,644
Power plant tax treaty	2,500,000	2,500,000	2,500,000	0
Total revenues	68,524,406	68,524,406	70,367,621	1,843,215
Departmental fees and revenue:				
Business licenses and registration	70,000	70,000	64,175	(5,825)
Non business licenses and fees	150,000	150,000	102,331	(47,669)
Infrastructure fees	15,000	15,000	27,010	12,010
Inspection fees:				
Mechanical	30,000	30,000	0	(30,000)
Plumbing	30,000	30,000	51,492	21,492
Building	265,000	265,000	214,870	(50,130)
Electrical	95,000	95,000	55,583	(39,417)
Engineering fees	7,000	7,000	6,455	(545)
Public works	1,000	1,000	210	(790)
DPW - release and discharge of liens	20,000	20,000	55,956	35,956
Zoning board	60,000	60,000	62,300	2,300
Planning board fees	75,000	75,000	55,430	(19,570)
Tax collector's fees	50,000	50,000	27,329	(22,671)
Investment and interest income	75,000	75,000	92,033	17,033
Municipal court fees	500,000	500,000	249,048	(250,952)
Entertainment licenses	2,500	2,500	1,700	(800)
Marriage, death, and birth certificates	25,000	25,000	28,668	3,668
Stamps	225,000	225,000	160,496	(64,504)
Advertising	15,000	15,000	14,150	(850)
Recording/probate land evidence	260,000	260,000	282,490	22,490
Probate fees	40,000	40,000	29,242	(10,758)
Police fees	25,000	25,000	697	(24,303)
VIN number checks	18,000	18,000	30,750	12,750
Fire department revenues	1,000	1,000	279	(721)
Fire plan review fees	125,000	125,000	128,014	3,014
Annual PILOT Ridgewood/RIRRC	100,000	100,000	72,050	(27,950)
Tipping fees	275,000	275,000	295,326	20,326
Cell phone towers	185,000	185,000	185,682	682
Interest and penalties on property tax	475,000	475,000	891,415	416,415
Rescue services reimbursement	950,000	950,000	846,322	(103,678)
Housing authority	30,000	30,000	34,008	4,008
Total departmental fees and revenue	4,194,500	4,194,500	4,065,511	(128,989)

(Continued)

TOWN OF JOHNSTON, RHODE ISLAND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND - BUDGETARY BASISFOR THE YEAR ENDED JUNE 30, 2013
UNAUDITED

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
State and federal aid grants:				
State aid - school	10,639,989	10,916,882	10,932,159	15,277
Federal education jobs	0	0	2,448	2,448
School housing aid	400,000	400,000	387,140	(12,860)
Motor vehicle phase out	382,377	382,377	369,557	(12,820)
Solid waste in lieu of taxes	3,299,712	3,299,712	3,348,183	48,471
Public service corporation tax	323,804	323,804	360,253	36,449
Meal and beverage tax distribution	455,520	455,520	464,156	8,636
Library aid	111,963	111,963	111,963	0
Grant revenue	0	0	5,000	5,000
Total state and federal aid grants	15,613,365	15,890,258	15,980,859	90,601
Miscellaneous	1,246,000	1,246,000	1,142,191	(103,809)
School miscellaneous	795,000	795,000	929,355	134,355
Total revenues before other financing sources	90,373,271	90,650,164	92,485,537	1,835,373
Other financing sources:				
Transfer from other funds	350,000	350,000	283,589	(66,411)
Total other financing sources	350,000	350,000	283,589	(66,411)
Total revenues and other financing sources	90,723,271	91,000,164	92,769,126	1,768,962

(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, 2013
UNAUDITED

	Originally Adopted Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Legislative, judicial and general administrative:				
Town Council:				
Salaries	32,700	32,700	32,700	0
FICA	2,685	2,685	2,685	0
Health insurance	9,481	9,481	9,481	0
Retirement town's share	964	964	1,075	(111)
Department	100	100	0	100
Telephone	2,500	2,500	1,841	659
Office	100	100	0	100
Town Sargent salary	2,400	2,400	2,400	0
Claims	2,000	2,000	0	2,000
Contingency	4,000	4,000	2,667	1,333
Total Town Council	56,930	56,930	52,849	4,081
Mayor:				
Mayor's salary	75,000	75,000	75,000	0
Chief of Staff salary	32,500	32,500	32,500	0
Full time salaries	45,500	45,500	45,500	0
FICA	11,705	11,705	11,540	165
Health insurance	18,959	18,959	18,959	0
Life insurance	144	144	202	(58)
Retirement town's share	6,352	6,352	6,455	(103)
Office	3,500	3,500	1,710	1,790
Equipment lease	2,295	2,295	2,420	(125)
Telephone	500	500	574	(74)
Department expense	3,000	3,000	9,109	(6,109)
Total Mayor	199,455	199,455	203,969	(4,514)
Courts:				
Probate court	7,500	7,500	7,500	0
FICA	574	574	574	0
Health Insurance	21,584	21,584	21,584	0
Life Insurance	0	0	67	(67)
Department	100	100	0	100
Total Courts	29,758	29,758	29,725	33
Canvassers:				
Board salaries	6,000	6,000	6,000	0
Full time salaries	74,344	74,344	71,412	2,932
FICA	6,146	6,146	5,842	304
Health Insurance	20,141	20,141	20,141	0
Life Insurance	144	144	134	10
Retirement town's share	10,378	10,378	9,840	538
Office	2,000	2,000	2,848	(848)
Department expense	500	500	60	440
Equipment lease	831	831	889	(58)
Election expense	50,000	50,000	32,428	17,572
Total Canvassers	170,484	170,484	149,594	20,890
Legal:				
Salaries	52,000	52,000	52,000	0
Health insurance	18,960	18,960	18,960	0
Life insurance	0	0	67	(67)
FICA	3,978	3,978	3,978	0
Hourly billings	400,000	400,000	715,296	(315,296)
Contingency judgments	100,000	100,000	83,728	16,272
Legal services	30,000	30,000	116,808	(86,808)
Office	500	500	496	4
Total Legal	605,438	605,438	991,333	(385,895)

(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, 2013
UNAUDITED

	Originally Adopted Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Legislative, judicial and general administrative (continued):				
Town Clerk:				
Salaries	148,635	148,635	148,026	609
FICA	11,371	11,371	11,106	265
Health insurance	45,066	45,066	45,066	0
Life insurance	288	288	202	86
Retirement town's share	20,017	20,017	20,336	(319)
Stenographer	15,000	15,000	11,278	3,722
Department expense	1,500	1,500	1,113	387
Office	2,700	2,700	3,712	(1,012)
Equipment lease	1,900	1,900	2,035	(135)
Operating	24,000	24,000	14,843	9,157
Total town clerk	270,477	270,477	257,717	12,760
Zoning Board:				
Board salaries	8,800	8,800	8,800	0
FICA	673	673	693	(20)
Life insurance	0	0	67	(67)
Stenographer	5,100	5,100	5,680	(580)
Department	600	600	1,089	(489)
Total zoning board	15,173	15,173	16,329	(1,156)
Total legislative, judicial, and general administrative	1,347,715	1,347,715	1,701,516	(353,801)
Financial Administration:				
Finance:				
Salaries	482,208	482,208	490,318	(8,110)
FICA	36,889	36,889	36,270	619
Health insurance	139,866	139,866	139,867	(1)
Life insurance	720	720	672	48
Retirement town's share	67,316	67,316	69,088	(1,772)
Office	5,000	5,000	5,114	(114)
Audit	42,000	42,000	54,680	(12,680)
Consulting fee	83,200	83,200	82,990	210
Department expense	16,626	16,626	9,962	6,664
Dues, publications, and subscriptions	1,000	1,000	1,085	(85)
Payroll processing	33,000	33,000	31,424	1,576
Training	2,000	2,000	1,433	567
Fiscal advisor	2,500	2,500	0	2,500
Computer service contracts	9,400	9,400	6,498	2,902
Postage	10,000	10,000	7,839	2,161
Bank and bond fees	7,500	7,500	4,429	3,071
Telephone	7,500	7,500	12,507	(5,007)
Tax collection fees	10,000	10,000	6,539	3,461
Equipment lease purchase	435	435	886	(451)
Total financial administration	957,160	957,160	961,601	(4,441)
Assessor:				
Full-time salaries	126,894	126,894	125,436	1,458
Part time & overtime salaries	6,350	6,350	3,585	2,765
FICA	10,193	10,193	9,603	590
Health insurance	45,067	45,067	45,067	0
Life insurance	216	216	202	14
Retirement town's share	17,714	17,714	17,797	(83)
Processing tax roll	25,000	25,000	32,335	(7,335)
Computer service contracts	13,200	13,200	32,963	(19,763)
Consulting fee	0	0	14,400	(14,400)
Equipment service contract	1,100	1,100	1,781	(681)
Office	5,800	5,800	5,178	622
Department expense	1,500	1,500	1,309	191
Dues, publications, and subscriptions	250	250	50	200
Full real estate tax valuation	409,800	409,800	391,762	18,038
Equipment lease	1,500	1,500	0	1,500
Total assessor	664,584	664,584	681,468	(16,884)

(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, 2013
UNAUDITED

	Originally Adopted Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Public safety:				
Police Department:				
Salaries	4,368,364	4,368,364	4,333,854	34,510
Overtime salaries	650,000	650,000	639,251	10,749
JARE overtime salaries	125,000	125,000	104,490	20,510
Civilian overtime salaries	30,000	30,000	30,821	(821)
Part time salaries	63,516	63,516	70,156	(6,640)
Holiday salaries	217,567	217,567	224,725	(7,158)
Training and college	50,000	50,000	45,447	4,553
Training and accreditation	2,500	2,500	2,089	411
FICA	436,738	436,738	544,259	(107,521)
Health insurance	1,277,680	1,277,680	1,277,680	0
Life insurance	12,311	12,311	15,392	(3,081)
Severance pay	150,000	150,000	628,478	(478,478)
Longevity	277,390	277,390	270,090	7,300
Gasoline	150,000	150,000	156,352	(6,352)
Arms and ammunition	12,000	12,000	11,957	43
Clothing and maintenance	124,250	124,250	122,000	2,250
Firearm allowance	35,500	35,500	34,000	1,500
Police pension	989,611	989,611	989,611	0
Bureau of criminal investigation Office	15,000	15,000	21,566	(6,566)
Police chief department expense	16,000	16,000	14,250	1,750
Retirement	3,000	3,000	3,000	0
Retiree health insurance	683,955	683,955	681,985	1,970
Retiree life insurance	1,105,788	1,105,788	1,105,788	0
Dues and publications	11,052	11,052	9,974	1,078
Radio maintenance	2,000	2,000	1,892	108
Vehicle repair deductible	6,500	6,500	2,437	4,063
Equipment rental	11,000	11,000	6,929	4,071
Computer service contracts	4,853	4,853	4,847	6
Equipment maintenance	25,000	25,000	26,718	(1,718)
Explorer	6,000	6,000	7,327	(1,327)
Utilities	9,000	9,000	7,852	1,148
Telephone	47,500	47,500	51,030	(3,530)
Rent	45,000	45,000	58,309	(13,309)
Department expense	1,800	1,800	1,800	0
Recruits expense	19,500	19,500	19,264	236
Animal control	22,000	22,000	20,254	1,746
Grant matching funds	10,000	10,000	5,929	4,071
Capital purchases	14,150	14,150	23,236	(9,086)
Injured on duty TPA	60,000	60,000	256,897	(196,897)
Information technology	4,000	4,000	4,000	0
SWAT Team (Special Response Team)	2,500	2,500	5,398	(2,898)
Military surplus	1,000	1,000	1,391	(391)
Total police department	3,000	3,000	4,595	(1,595)
	11,102,025	11,102,025	11,847,320	(745,295)
Municipal Court:				
Full time salaries	145,208	145,208	137,344	7,864
FICA	11,108	11,108	10,366	742
Health insurance	75,840	75,840	75,840	0
Life insurance	216	216	202	14
Retirement town's share	19,224	19,224	15,970	3,254
Utilities	12,000	12,000	5,205	6,795
Office	1,950	1,950	1,648	302
Rent	0	0	0	0
Building maintenance	1,280	1,280	1,234	46
Telephone	1,200	1,200	1,872	(672)
Service contracts	7,500	7,500	5,763	1,737
Department	3,970	3,970	3,900	70
Equipment lease	479	479	581	(102)
Total municipal court	279,975	279,975	259,925	20,050

(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, 2013
UNAUDITED

	Originally Adopted Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Public safety (continued):				
Fire department:				
Department salaries	4,849,174	4,849,174	4,458,331	390,843
Part-time salaries	10,500	10,500	6,923	3,577
Call-back and overtime salaries	1,752,000	1,752,000	3,286,080	(1,534,080)
Longevity	558,545	558,545	545,756	12,789
Holiday salaries	283,239	283,239	249,985	33,254
Unused sick day bonus	18,000	18,000	20,251	(2,251)
FICA	585,585	585,585	631,125	(45,540)
Health insurance	1,568,411	1,568,411	1,568,411	0
Life insurance	13,725	13,725	13,615	110
Severance pay	150,000	150,000	0	150,000
Radio maintenance	20,000	20,000	31,787	(11,787)
Fire prevention	5,000	5,000	4,512	488
Sanitary supplies	8,000	8,000	15,412	(7,412)
Clothing and allowance	162,000	162,000	153,100	8,900
Fire alarm	10,000	10,000	10,880	(880)
First aid and ambulance service	70,000	70,000	66,993	3,007
Gasoline	90,000	90,000	77,475	12,525
Office	8,050	8,050	8,787	(737)
Haz-Mat stipend	70,200	70,200	63,964	6,236
Fire pension	1,057,310	1,057,310	1,057,310	0
SCBA operations	9,000	9,000	14,001	(5,001)
Utilities	95,000	95,000	96,062	(1,062)
Telephone	30,000	30,000	60,510	(30,510)
Rent	1,800	1,800	1,800	0
Hydrants	156,000	156,000	158,927	(2,927)
Hazardous materials	8,000	8,000	7,451	549
Fire chief department expense	4,280	4,280	3,338	942
Retirement	799,497	799,497	651,846	147,651
Retiree health insurance	971,949	971,949	971,949	0
Training and college	30,000	30,000	46,382	(16,382)
Equipment rental	1,400	1,400	1,450	(50)
Department expense	5,000	5,000	6,139	(1,139)
Building maintenance	7,000	7,000	9,907	(2,907)
Fire fighter equipment and supplies	50,800	50,800	53,600	(2,800)
Injured on duty TPA	5,200	5,200	5,200	0
Grant matching funds	25,000	25,000	0	25,000
Capital purchases	0	0	44,296	(44,296)
Recruits expense	85,000	85,000	37,528	47,472
Vehicle repairs	70,000	70,000	93,625	(23,625)
Physical exam	20,000	20,000	960	19,040
Total fire department	13,664,665	13,664,665	14,535,668	(871,003)
Emergency Management:				
Salaries	5,000	5,000	10,000	(5,000)
FICA	383	383	765	(382)
Total emergency management	5,383	5,383	10,765	(5,382)
Total public safety	25,052,048	25,052,048	26,653,678	(1,601,630)

(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, 2013
UNAUDITED

	Originally Adopted Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Public works department:				
Streets and highways:				
Salaries	678,530	678,530	596,955	81,575
Overtime	60,000	60,000	74,635	(14,635)
FICA	56,497	56,497	53,523	2,974
Health insurance	215,852	215,852	215,852	0
Life insurance	1,044	1,044	1,073	(29)
Severance pay	0	0	9,654	(9,654)
Retirement town's share	93,327	93,327	87,788	5,539
Snow removal	125,000	125,000	136,475	(11,475)
Drainage	5,000	5,000	1,954	3,046
Street lighting	500,000	500,000	621,037	(121,037)
Street and traffic control	20,000	20,000	9,252	10,748
Street and highway materials	60,000	60,000	59,862	138
Equipment maintenance	2,500	2,500	494	2,006
Total streets and highways	1,817,750	1,817,750	1,868,554	(50,804)
Building maintenance:				
Salaries	129,680	129,680	93,032	36,648
Part-time salaries	7,800	7,800	28,079	(20,279)
Overtime	7,100	7,100	7,876	(776)
FICA	10,464	10,464	11,672	(1,208)
Health insurance	45,066	45,066	45,066	0
Life insurance	216	216	336	(120)
Retirement town's share	18,103	18,103	15,522	2,581
Building supplies	40,500	40,500	53,565	(13,065)
Department expense	500	500	520	(20)
Severance pay	0	0	25,175	(25,175)
Total building maintenance	259,429	259,429	280,843	(21,414)
Public Works Administration:				
Salaries	220,905	220,905	192,154	28,751
Overtime	500	500	6,709	(6,209)
FICA	16,937	16,937	18,236	(1,299)
Health insurance	75,840	75,840	75,840	0
Life insurance	360	360	336	24
Retirement town's share	30,838	30,838	34,035	(3,197)
Bidding and advertising	600	600	418	182
Garbage collections	1,330,000	1,330,000	1,330,000	0
Recycling bins	6,000	6,000	769	5,231
Safety equipment	7,000	7,000	2,895	4,105
Tree removal	16,000	16,000	17,728	(1,728)
Gasoline	95,000	95,000	107,488	(12,488)
Equipment lease	6,200	6,200	10,089	(3,889)
Telephone	14,600	14,600	21,392	(6,792)
Utilities	34,100	34,100	35,254	(1,154)
Office expense	6,700	6,700	6,352	348
Department	4,000	4,000	3,063	937
Uniforms	8,000	8,000	6,725	1,275
Capital purchases	0	0	89,350	(89,350)
Total public works administration	1,873,580	1,873,580	1,958,833	(85,253)
Sewer Department:				
Salaries	86,950	86,950	82,922	4,028
FICA	6,652	6,652	6,211	441
Health insurance	37,920	37,920	37,920	0
Life insurance	144	144	67	77
Retirement town's share	12,138	12,138	10,799	1,339
Department	6,500	6,500	1,500	5,000
Dues, publications and subscriptions	3,000	3,000	0	3,000
Total sewer department	153,304	153,304	139,419	13,885

(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, 2013
UNAUDITED

	Originally Adopted Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Public works department (Continued):				
Waste water management:				
Part time salaries	8,925	8,925	5,170	3,755
FICA	1,234	1,234	899	335
Postage	750	750	337	413
Bidding and advertising	200	200	106	94
Board salaries	7,200	7,200	6,583	617
Total waste water management	18,309	18,309	13,095	5,214
Fleet maintenance:				
Salaries	182,194	182,194	165,420	16,774
Overtime salaries	10,000	10,000	23,221	(13,221)
FICA	14,703	14,703	14,212	491
Health insurance	52,214	52,214	52,214	0
Life insurance	288	288	269	19
Retirement town's share	25,225	25,225	23,316	1,909
Vehicle repair - Police	45,000	45,000	47,627	(2,627)
Vehicle repair - Highway	55,000	55,000	114,148	(59,148)
Vehicle repair - Inspectors	1,000	1,000	0	1,000
Department expense	1,000	1,000	30	970
Total fleet maintenance	386,624	386,624	440,457	(53,833)
Inspector's fees:				
Salaries	30,538	30,538	31,245	(707)
Overtime	300	300	1,340	(1,040)
Plumbing inspector's salary	14,683	14,683	14,324	359
Building inspector's salary	12,000	12,000	10,440	1,560
Electrical inspector's salary	14,683	14,683	15,928	(1,245)
Mechanical inspector	7,342	7,342	11,988	(4,646)
Building official	60,000	60,000	63,462	(3,462)
FICA	15,648	15,648	16,023	(375)
Health Insurance	26,106	26,106	26,106	0
Life Insurance	504	504	202	302
Retirement town's share	21,713	21,713	22,769	(1,056)
Dues, publications and subscriptions	150	150	70	80
Office	3,500	3,500	2,553	947
Code enforcement inspector	65,000	65,000	65,000	0
Department expense	3,000	3,000	1,387	1,613
Total inspector's office	275,167	275,167	282,837	(7,670)

(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, 2013
UNAUDITED

	Originally Adopted Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Public works department (Continued):				
Parks and recreation:				
Park salaries	478,830	478,830	480,630	(1,800)
Recreation salaries	129,448	129,448	130,551	(1,103)
Overtime salaries	5,000	5,000	18,478	(13,478)
Part time salaries	25,808	25,808	34,500	(8,692)
FICA	48,890	48,890	49,913	(1,023)
Health insurance	239,478	239,478	239,478	0
Life insurance	1,044	1,044	1,008	36
Retirement town's share	84,916	84,916	86,167	(1,251)
Equipment maintenance	4,000	4,000	3,927	73
Park maintenance	25,000	25,000	40,661	(15,661)
Vehicle repairs	6,500	6,500	6,309	191
Equipment lease	1,000	1,000	1,339	(339)
Recreation supplies	500	500	500	0
Utilities	43,000	43,000	51,256	(8,256)
Gasoline	18,000	18,000	21,504	(3,504)
Telephone	10,000	10,000	13,330	(3,330)
Uniforms	3,000	3,000	2,963	37
Office	1,700	1,700	1,040	660
Office fire expense	0	0	16,545	(16,545)
Day camp	1,000	1,000	1,551	(551)
Raione gym parking rental	5,000	5,000	5,000	0
Department	4,000	4,000	3,888	112
Severance pay	0	0	0	0
Total parks and recreation	1,136,114	1,136,114	1,210,538	(74,424)
Total public works	5,920,277	5,920,277	6,194,576	(274,299)
Municipal land trust:				
Employee benefits	551	551	511	40
Board salaries	7,200	7,200	7,029	171
Total municipal land trust	7,751	7,751	7,540	211
Human resources:				
General Public Assistance:				
Salaries	2,400	2,400	2,400	0
FICA	184	184	184	0
Department	50	50	0	50
Food stamps and holidays	1,000	1,000	0	1,000
Total general public assistance	3,634	3,634	2,584	1,050
Personnel:				
Full time salaries	35,260	35,260	42,785	(7,525)
FICA	2,698	2,698	3,194	(496)
Health insurance	18,959	18,959	18,959	0
Life insurance	72	72	67	5
Retirement town's share	4,922	4,922	4,998	(76)
Office	500	500	147	353
Department expense	600	600	795	(195)
Total personnel	63,011	63,011	70,945	(7,934)
Total human resources	66,645	66,645	73,529	(6,884)

(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, 2013
UNAUDITED

	Originally Adopted Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Miscellaneous appropriations:				
General liability insurance	521,000	521,000	594,597	(73,597)
Workers compensation insurance	215,000	215,000	147,888	67,112
FICA	14,512	14,512	13,957	555
Health insurance retirees	798,362	798,362	798,362	0
Declination - health & dental insurance	183,400	183,400	202,560	(19,160)
Retirement town's share	9,604	9,604	9,604	0
Unemployment compensation	5,000	5,000	32,828	(27,828)
Stop - loss health insurance	250,000	250,000	250,000	0
Dues, publications, and subscriptions	3,000	3,000	60	2,940
Sealer of weights and measures	6,000	6,000	6,000	0
Tree warden	600	600	0	600
Contingency	2,500	2,500	1,474	1,026
Human needs program	5,000	5,000	4,875	125
Rent	3,800	3,800	3,800	0
Police / fire pension actuarial	20,000	20,000	91,900	(71,900)
Tri-Town	30,000	30,000	30,000	0
Utilities	19,000	19,000	17,280	1,720
Johnston Senior Citizen Center, Inc.	221,411	221,411	212,055	9,356
Total miscellaneous appropriations	2,308,189	2,308,189	2,417,240	(109,051)
Planning and Assessment Board:				
Planning Board:				
Full time salaries	104,190	104,190	93,021	11,169
Part time salaries	15,765	15,765	12,700	3,065
Overtime	500	500	484	16
Board salaries	7,200	7,200	7,200	0
FICA	7,319	7,319	9,490	(2,171)
Health insurance	11,755	11,755	11,755	0
Life insurance	72	72	67	5
Retirement town's share	14,768	14,768	14,751	17
Stenographer	6,000	6,000	4,842	1,158
Department expense	600	600	432	168
Office	1,700	1,700	1,623	77
Bidding and advertising	2,000	2,000	987	1,013
Dues, publications and subscriptions	1,855	1,855	1,434	421
Total planning board	173,724	173,724	158,786	14,938
Assessment Board:				
Board salaries	2,550	2,550	2,550	0
FICA	195	195	195	0
Total assessment board	2,745	2,745	2,745	0
Total planning and assessment board	176,469	176,469	161,531	14,938

(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, 2013
UNAUDITED

	Originally Adopted Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Library:				
Full time salaries	266,679	266,679	262,073	4,606
Part time salaries	122,056	122,056	106,887	15,169
Overtime	0	0	1,311	(1,311)
Severance	0	0	15,128	(15,128)
FICA	29,004	29,004	28,916	88
Health insurance	104,427	104,427	104,427	0
Life insurance	792	792	470	322
Retirement town's share	37,228	37,228	37,218	10
Books and media	20,000	20,000	20,774	(774)
Dues and publications	300	300	315	(15)
Bidding and advertising	250	250	93	157
Computer service contracts	26,500	26,500	26,459	41
Auto expense	500	500	314	186
Conferences	200	200	0	200
Sanitary supplies	1,000	1,000	600	400
Printing	500	500	227	273
Training	500	500	500	0
Utilities	22,000	22,000	24,194	(2,194)
Telephone	2,000	2,000	1,388	612
Building maintenance	6,000	6,000	5,066	934
Office	4,800	4,800	5,483	(683)
Department expense	3,500	3,500	3,211	289
Total library	648,236	648,236	645,054	3,182
Debt service:				
Bond interest expense	961,410	961,410	749,458	211,952
Master lease interest expense	47,995	47,995	39,067	8,928
Bonded debt payments	1,802,009	1,802,009	1,660,375	141,634
Master lease principal payments	438,567	438,567	392,040	46,527
Fund balance restoration	1,760,212	1,760,212	0	1,760,212
Total debt service	5,010,193	5,010,193	2,840,940	2,169,253
Total expenditures before other financing uses:	42,159,267	42,159,267	42,338,673	(179,406)
Other budgeted financing uses:				
Transfer to School - Town appropriation	37,129,015	37,129,015	37,129,015	0
Transfer to School - State aid and miscellaneous receipts	11,434,989	11,711,882	11,861,514	(149,632)
Transfer to School - Federal Education Jobs	0	0	2,448	(2,448)
Total other budgeted financing uses	48,564,004	48,840,897	48,992,977	(152,080)
Total expenditures and other budgeted financing uses	90,723,271	91,000,164	91,331,650	(331,486)
Net change in fund balance	\$ -	\$ -	1,437,476	\$ 1,437,476
<i>Inclusion of net income of Police Detail Fund with the General Fund, for GAAP purposes, not part of budget</i>			191,421	
<i>Inclusion of net income of Fire Dept Detail Fund with the General Fund, for GAAP purposes, not part of budget</i>			37,990	
Net Change in Fund Balances - GAAP Basis (Exhibit B-2)			\$ 1,666,887	

(CONCLUDED)

TOWN OF JOHNSTON, RHODE ISLAND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL - BUDGETARY BASIS
 SCHOOL UNRESTRICTED FUND
 YEAR ENDED JUNE 30, 2013
 UNAUDITED

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Expenditures:				
Salaries	\$ 25,291,825	\$ 25,291,825	\$ 25,203,914	\$ 87,911
Employee benefits	12,546,363	12,546,363	11,863,607	682,756
Purchased services	9,361,903	9,352,529	9,039,183	313,346
Supplies and materials	1,640,806	1,650,180	1,025,125	625,055
Other	-	-	23,266	(23,266)
Capital outlay	-	-	527,381	(527,381)
Total expenditures	48,840,897	48,840,897	47,682,476	1,158,421
Excess (deficiency) of revenues over (under) expenditures	(48,840,897)	(48,840,897)	(47,682,476)	1,158,421
Other financing sources (uses):				
Transfer from Town of Johnston General Fund	37,129,015	37,129,015	37,129,015	-
Transfer from Town General Fund - State Aid	10,916,882	10,916,882	10,932,159	15,277
Transfer from Town General Fund - Federal Education Jobs	-	-	2,448	2,448
Transfer from Town General Fund - Medicaid & Other	795,000	795,000	929,355	134,355
Total other financing sources (uses)	48,840,897	48,840,897	48,992,977	152,080
 NET CHANGE IN FUND BALANCES	 \$ -	 \$ -	 1,310,501	 \$ 1,310,501
 Less fiscal 2012 encumbrances considered expenditures for GAAP			 (17,771)	
Add back fiscal 2013 encumbrances not considered expenditures for GAAP			 312,622	
Net Change in Fund Balances - GAAP Basis (Exhibit B-2)			 \$ 1,605,352	

TOWN OF JOHNSTON, RHODE ISLAND

Required Supplementary Information
Schedule of Funding Progress for OPEB Plans
Pay-As-You-Go Assumptions
June 30, 2013
UNAUDITED

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

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

TOWN OF JOHNSTON, RHODE ISLAND

OTHER SUPPLEMENTARY INFORMATION



TOWN OF JOHNSTON, RHODE ISLAND

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The following funds are considered Special Revenue Funds at June 30, 2013:

**School Restricted Funds	Historical Trust Fund
Community Development Block Grant	Fire Plan Review
Police Special Account	Fire Prevention
Memorial Park Recreation Fields	Memorial Library Fund
Restoration	State JAG Grant
Substance Abuse Prevention Grant	Secure Our Schools
Blue Riptide Grant	FEMA Category C Small Projects
ARRA EECBG	FEMA Category C Large Projects
RI Statewide Planning	Champlin Grant
NRCS	

**School Restricted Funds are comprised of the following:

Preschool IDEA Section 619	Title III
IDEA Part B	Target Grant
Title I	Verizon Foundation
Race to the Top	RISCA
Broadrock Energy	Scholarship America
NE Dairy	RI Education Foundation
USDA FFV	Walmart Grant
Lifetouch Commission	Donation & Miscellaneous Grant
Title II	Perkins Vocational
Healthier U.S. Schools	General Assembly
McAdams Foundation	Champlin MS
Panther Partner Donation	Feinstein Elementary
Aramark Scholarships	Festival Fete
PTO Donations	

TOWN OF JOHNSTON, RHODE ISLAND

NONMAJOR GOVERNMENTAL FUNDS (Continued)

CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Funding sources include debt proceeds, intergovernmental sources, third party contributions and General Fund operating transfers. The following funds are considered Capital Project Funds at June 30, 2013:

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

Soccer Field
Capital Improvements
Fire Equipment
Capital Project Fund
Capital Lease 2011

TOWN OF JOHNSTON, RHODE ISLAND

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2013

SPECIAL REVENUE FUNDS

	School Restricted Fund	Community Development Block Grant	Police Special Account	Memorial Park Recreation Fields Restoration	Substance Abuse Prevention Grant	Blue Riptide Grant	ARRA EECBG	RI Statewide Planning	NRCS	Historical Trust Fund
ASSETS										
Cash and cash equivalents	\$ 468	\$ 13,456	\$ 74,512	\$ 8,449						\$ 223,053
Due from federal & state governments	585,327	9,083								
Due from other funds	177,109					\$ 3,889	\$ 52		\$ 931	2,989
TOTAL ASSETS	\$ 762,904	\$ 22,539	\$ 74,512	\$ 8,449	\$ -	\$ 3,889	\$ 52	\$ -	\$ 931	\$ 226,042
LIABILITIES AND FUND BALANCE										
LIABILITIES										
Accounts payable	\$ 882	\$ 3,259		\$ 1,491						
Due to federal & state governments			\$ 11,301							
Due to other funds	584,800	11,818		425						
Unearned revenue	75	4,386						\$ 910		
TOTAL LIABILITIES	585,757	19,463	11,301	1,916	\$ -	\$ -	\$ -	\$ -	910	\$ -
FUND BALANCES										
Restricted	177,147	3,076	63,211	6,533	-	3,889	52	-	21	226,042
Committed										
TOTAL FUND BALANCES	177,147	3,076	63,211	6,533	-	3,889	52	-	21	226,042
TOTAL LIABILITIES AND FUND BALANCES	\$ 762,904	\$ 22,539	\$ 74,512	\$ 8,449	\$ -	\$ 3,889	\$ 52	\$ -	\$ 931	\$ 226,042

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013

SPECIAL REVENUE FUNDS

	Fire Plan Review	Fire Prevention	Memorial Library Fund	State JAG Grant	Secure Our Schools	FEMA Category C Small Projects	FEMA Category C Large Projects	Champlin Grant	Total Special Revenue Fund
ASSETS									
Cash and cash equivalents			\$ 118,288					\$ 11,322	\$ 449,548
Due from federal & state governments									594,410
Due from other funds	\$ 48,231	\$ 22,974		\$ 2,839	\$ 30,791				289,805
TOTAL ASSETS	\$ 48,231	\$ 22,974	\$ 118,288	\$ 2,839	\$ 30,791	\$ -	\$ -	\$ 11,322	\$ 1,333,763
LIABILITIES AND FUND BALANCE									
LIABILITIES									
Accounts payable			\$ 435						\$ 6,067
Due to federal & state governments									11,301
Due to other funds									597,043
Unearned revenue									5,371
TOTAL LIABILITIES	\$ -	\$ -	435	\$ -	\$ -	\$ -	\$ -	\$ -	619,782
FUND BALANCES									
Restricted		22,974	117,853	2,839	30,791	-	-	11,322	665,750
Committed	48,231								48,231
TOTAL FUND BALANCES	48,231	22,974	117,853	2,839	30,791	-	-	11,322	713,981
TOTAL LIABILITIES AND FUND BALANCES	\$ 48,231	\$ 22,974	\$ 118,288	\$ 2,839	\$ 30,791	\$ -	\$ -	\$ 11,322	\$ 1,333,763

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013

CAPITAL PROJECT FUNDS

	School Facilities Fund	Rainone Gym Renovations	Unobligated Capital Fund	DAM Renovations	Pezza Property Acquisition	Soccer Field	Capital Improvements	Fire Equipment	Capital Project Fund	Capital Lease 2011	Total Capital Project Funds	Total Nonmajor Government Funds
ASSETS												
Cash and cash equivalents	\$ 132,094				\$ 5,801					\$ 33,491	\$ 171,386	\$ 620,934
Due from federal & state governments											-	594,410
Due from other funds		\$ 17,021	\$ 45,327	\$ 57,745		\$ 5,994	\$ 250,000	\$ 50,000			426,087	715,892
TOTAL ASSETS	\$ 132,094	\$ 17,021	\$ 45,327	\$ 57,745	\$ 5,801	\$ -	\$ 5,994	\$ 250,000	\$ 50,000	\$ 33,491	\$ 597,473	\$ 1,931,236
LIABILITIES AND FUND BALANCE												
LIABILITIES												
Accounts payable											\$ -	\$ 6,067
Due to federal & state governments											-	11,301
Due to other funds											-	597,043
Unearned revenue											-	5,371
TOTAL LIABILITIES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	619,782
FUND BALANCES												
Restricted	132,094	17,021	45,327	57,745	5,801	-	5,994		50,000	33,491	347,473	1,013,223
Committed								250,000			250,000	298,231
TOTAL FUND BALANCES	132,094	17,021	45,327	57,745	5,801	-	5,994	250,000	50,000	33,491	597,473	1,311,454
TOTAL LIABILITIES AND FUND BALANCES	\$ 132,094	\$ 17,021	\$ 45,327	\$ 57,745	\$ 5,801	\$ -	\$ 5,994	\$ 250,000	\$ 50,000	\$ 33,491	\$ 597,473	\$ 1,931,236

(CONCLUDED)

TOWN OF JOHNSTON, RHODE ISLAND

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the year ended June 30, 2013

	SPECIAL REVENUE FUNDS									
	School Restricted Fund	Community Development Block Grant	Police Special Account	Memorial Park Recreation Fields Restoration	Substance Abuse Prevention Grant	Blue Riptide Grant	ARRA EECBG	RI Statewide Planning	NRCS	Historical Trust Fund
REVENUES										
Federal and state grants	\$ 2,315,410	\$ 131,024			\$ 30,777	\$ 50,817		\$ 47,416	\$ 146,706	
Investment income				\$ 39						\$ 1,035
Other	69,678		\$ 5,775	19,745						35,877
Total revenues	2,385,088	131,024	5,775	19,784	30,777	50,817	\$ -	47,416	146,706	36,912
EXPENDITURES										
Current:										
Education	2,362,996									
Other expenses		131,024	3,856	18,366	30,777	50,817	3,200	47,416		49,309
Capital outlays									146,706	
Total expenditures	2,362,996	131,024	3,856	18,366	30,777	50,817	3,200	47,416	146,706	49,309
Excess (deficiency) of revenues over (under) expenditures	22,092	-	1,919	1,418	-	-	(3,200)	-	-	(12,397)
Other financing sources (uses):										
Transfers in										
Transfers out										
Total other financing sources	-	-	-	-	-	-	-	-	-	-
Net change in fund balances	22,092	-	1,919	1,418	-	-	(3,200)	-	-	(12,397)
Fund balances (deficits) - July 1, 2012	155,055	3,076	61,292	5,115	-	3,889	3,252	-	21	238,439
Fund balances (deficits) - June 30, 2013	\$ 177,147	\$ 3,076	\$ 63,211	\$ 6,533	\$ -	\$ 3,889	\$ 52	\$ -	\$ 21	\$ 226,042

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the year ended June 30, 2013

SPECIAL REVENUE FUNDS

	Fire Plan Review	Fire Prevention	Memorial Library Fund	State JAG Grant	Secure Our Schools	FEMA Category C Small Projects	FEMA Category C Large Projects	Champlin Grant	Total Special Revenue Funds
REVENUES									
Federal and state grants						\$ 91,355	\$ 22,436		\$ 2,835,941
Investment income								\$ 52	1,126
Other	\$ 24,352	\$ 8,425	\$ 16,195						180,047
Total revenues	24,352	8,425	16,195	\$ -	\$ -	91,355	22,436	52	3,017,114
EXPENDITURES									
Current:									
Education									2,362,996
Other expenses	1,963	8,570	4,373					3,750	353,421
Capital outlays	57,724		13,000			5,202			222,632
Total expenditures	59,687	8,570	17,373	-	-	5,202	-	3,750	2,939,049
Excess (deficiency) of revenues over (under) expenditures	(35,335)	(145)	(1,178)	-	-	86,153	22,436	(3,698)	78,065
Other financing sources (uses):									
Transfers in									-
Transfers out	(125,000)					(86,153)	(22,436)		(233,589)
Total other financing sources	(125,000)	-	-	-	-	(86,153)	(22,436)	-	(233,589)
Net change in fund balances	(160,335)	(145)	(1,178)	-	-	-	-	(3,698)	(155,524)
Fund balances (deficits) - July 1, 2012	208,566	23,119	119,031	2,839	30,791	-	-	15,020	869,505
Fund balances (deficits) - June 30, 2013	\$ 48,231	\$ 22,974	\$ 117,853	\$ 2,839	\$ 30,791	\$ -	\$ -	\$ 11,322	\$ 713,981

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the year ended June 30, 2013

	CAPITAL PROJECT FUNDS											
	School Facilities Fund	Rainone Gym Renovations	Unobligated Capital Fund	DAM Renovations	Pezza Property Acquisition	Soccer Field	Capital Improvements	Fire Equipment	Capital Project Fund	Capital Lease 2011	Total Capital Project Funds	Total Nonmajor Government Funds
REVENUES												
Federal and state grants							\$ 5,000				\$ 5,000	\$ 2,840,941
Investment income	\$ 488									\$ 14	502	1,628
Other	44				\$ 1			\$ 50,000			50,045	230,092
Total revenues	532	\$ -	\$ -	\$ -	1	\$ -	5,000	\$ -	50,000	14	55,547	3,072,661
EXPENDITURES												
Current:												
Education												2,362,996
Other expenses						666	5,934			50,940	57,540	410,961
Capital outlays							7,500				7,500	230,132
Total expenditures	-	-	-	-	-	666	13,434	-	-	50,940	65,040	3,004,089
Excess (deficiency) of revenues over (under) expenditures	532	-	-	-	1	(666)	(8,434)	-	50,000	(50,926)	(9,493)	68,572
Other financing sources (uses):												
Transfers in								250,000			250,000	250,000
Transfers out												(233,589)
Total other financing sources	-	-	-	-	-	-	-	250,000	-	-	250,000	16,411
Net change in fund balances	532	-	-	-	1	(666)	(8,434)	250,000	50,000	(50,926)	240,507	84,983
Fund balances (deficits) - July 1, 2012	131,562	17,021	45,327	57,745	5,800	666	14,428	-	-	84,417	356,966	1,226,471
Fund balances (deficits) - June 30, 2013	\$ 132,094	\$ 17,021	\$ 45,327	\$ 57,745	\$ 5,801	\$ -	\$ 5,994	\$ 250,000	\$ 50,000	\$ 33,491	\$ 597,473	\$ 1,311,454

TOWN OF JOHNSTON

EXHIBIT 3

Combining Balance Sheet
School Restricted Funds
Reported as Nonmajor Governmental Funds
June 30, 2013

		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	McAdams Foundation	Panther Partner Donation	Aramark Scholarships	PTO Donations
ASSETS															
Cash and cash equivalents															
Intergovernmental receivable	\$	7,921	326,810	166,199	34,356			3,202		38,719					
Due from other funds						101,069	1,945		1,562		2,000		18,615		12,328
TOTAL ASSETS	\$	7,921	326,810	166,199	34,356	101,069	1,945	3,202	1,562	38,719	2,000	-	18,615	-	12,328
Liabilities:															
Accounts payable			444		438										
Due to other funds	\$	7,921	326,366	166,199	33,918			3,202		38,719					
Unearned revenue															
Total liabilities		7,921	326,810	166,199	34,356	-	-	3,202	-	38,719	-	-	-	-	-
Fund balances:															
Restricted		-	-	-	-	101,069	1,945	-	1,562	-	2,000	-	18,615	-	12,328
Total fund balances		-	-	-	-	101,069	1,945	-	1,562	-	2,000	-	18,615	-	12,328
TOTAL LIABILITIES AND FUND BALANCE	\$	7,921	326,810	166,199	34,356	101,069	1,945	3,202	1,562	38,719	2,000	-	18,615	-	12,328

Combining Balance Sheet
 School Restricted Funds
 Reported as Nonmajor Governmental Funds
 June 30, 2013

SPECIAL REVENUE FUNDS																												
ASSETS	Title III	Target Grant	Verizon Foundation	RISCA	Scholarship America	RI Education Foundation	Walmart Grant	Donation & Misc Grant	Perkins Vocational	General Assembly	Champlin MS	Feinstein Elementary	Festival Fete	Total School Restricted Funds														
Cash and cash equivalents											\$ 468			\$ 468														
Intergovernmental receivable									\$ 8,120					585,327														
Due from other funds	\$	165	\$	3,512	\$	689	\$	3	\$	150	\$	150	\$	10,598	\$	2,719	\$	21,596	\$	8	\$	177,109						
TOTAL ASSETS	\$	-	\$	165	\$	3,512	\$	689	\$	3	\$	150	\$	150	\$	10,598	\$	8,120	\$	2,719	\$	468	\$	21,596	\$	8	\$	177,109
TOTAL ASSETS	\$	-	\$	165	\$	3,512	\$	689	\$	3	\$	150	\$	150	\$	10,598	\$	8,120	\$	2,719	\$	468	\$	21,596	\$	8	\$	762,904
Liabilities:																												
Accounts payable														\$ 882														
Due to other funds									\$ 8,120		\$ 355			584,800														
Unearned revenue											61	\$ 14		75														
Total liabilities	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	8,120	\$	-	\$	416	\$	14	\$	-	\$	585,757
Fund balances:																												
Restricted	-	165	3,512	689	3	150	150	10,598		2,719	52	21,582	8	177,147														
Total fund balances	-	165	3,512	689	3	150	150	10,598	0	2,719	52	21,582	8	177,147														
TOTAL LIABILITIES AND FUND BALANCE	\$	-	\$	165	\$	3,512	\$	689	\$	3	\$	150	\$	150	\$	10,598	\$	8,120	\$	2,719	\$	468	\$	21,596	\$	8	\$	762,904

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 School Restricted Funds
 Reported as Nonmajor Governmental Funds
 For the year ended June 30, 2013

	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	McAdams Foundation	Panther Partner Donation	Aramark Scholarships	PTO Donations
Revenues:														
Federal and state grants	\$ 33,790	\$ 1,090,755	\$ 636,483	\$ 263,008			\$ 49,582		\$ 179,176	\$ 2,000				
Other revenue						\$ 880		\$ 1,428			\$ 1,000	\$ 23,582	\$ 1,500	\$ 26,400
Total revenues	33,790	1,090,755	636,483	263,008	\$ --	880	49,582	1,428	179,176	2,000	1,000	23,582	1,500	26,400
Expenditures:														
Current:														
Salaries	19,621	683,396	469,787	70,300					102,910					
Employee benefits	9,994	326,836	148,046	2,173					22,806					
Purchased services	4,175	40,541	187,010			880	49,582	170	8,706				1,500	
Supplies and materials		39,982	18,650	3,525	22,404			1,064	44,754		1,000	4,967		14,072
Total expenditures	33,790	1,090,755	636,483	263,008	22,404	880	49,582	1,234	179,176	-	1,000	4,967	1,500	14,072
Net change in fund balances	-	-	--	-	(22,404)	-	--	194	-	2,000	-	18,615	-	12,328
Fund balances, July 1, 2012	-	-	--	-	123,473	1,945	--	1,368	-	-	--	-	-	-
Fund balances, June 30, 2013	\$ --	\$ -	\$ --	\$ -	\$ 101,069	\$ 1,945	\$ --	\$ 1,562	\$ -	\$ 2,000	\$ -	\$ 18,615	\$ -	\$ 12,328

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 School Restricted Funds
 Reported as Nonmajor Governmental Funds
 For the year ended June 30, 2013

SPECIAL REVENUE FUNDS

	Title III	Target Grant	Verizon Foundation	RISCA	Scholarship America	RI Education Foundation	Walmart Grant	Donation & Misc Grant	Perkins Vocational	General Assembly	Champlin MS	Feinstein Elementary	Festival Fete	Total School Restricted Funds
Revenues:														
Federal and state grants	\$ 35,795			\$ 214					\$ 22,607	\$ 2,000				\$ 2,315,410
Other revenue		\$ 404						\$ 6,884				\$ 7,000	\$ 600	69,678
Total revenues	35,795	404	\$ -	214	\$ -	\$ -	\$ -	6,884	22,607	\$ 2,000	\$ -	7,000	600	2,385,088
Expenditures:														
Current:														
Salaries	75								22,274					1,368,363
Employee benefits	6								207					510,068
Purchased services		350		107				547				899		294,467
Supplies and materials	35,714							500			315	2,559	592	190,098
Total expenditures	35,795	350	-	107	-	-	-	1,047	22,481	-	315	3,458	592	2,362,996
Net change in fund balances	-	54	-	107	-	-	-	5,837	126	2,000	(315)	3,542	8	22,092
Fund balances, July 1, 2012	-	111	3,512	582	3	150	150	4,761	(126)	719	367	18,040	-	155,055
Fund balances, June 30, 2013	\$ -	\$ 165	\$ 3,512	\$ 689	\$ 3	\$ 150	\$ 150	\$ 10,598	\$ -	\$ 2,719	\$ 52	\$ 21,582	\$ 8	\$ 177,147

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, 2013:

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

TOWN OF JOHNSTON

*Combining Statement of Net Position
Private Purpose Trust Funds
June 30, 2013*

	Daniel Elder <u>Burial Fund</u>	Manton Perpetual <u>Care</u>	Celina Ester <u>Brook</u>	Sara Irons	Kelly Burial <u>Grounds</u>	Nicholas Smith	Kimball Burial <u>Ground</u>	Richardson <u>Burial Ground</u>	C.T. <u>Tourtillot</u>	Total Private Purpose <u>Funds</u>
ASSETS										
Cash and cash equivalents	\$ 875	\$ 3,929	\$ 3,427	\$ 1,403	\$ 3,729	\$ 1,841	\$ 4,682	\$ 1,390	\$ 1,706	\$ 22,982
	<hr/>									
NET POSITION										
Held in trust for perpetual care	\$ 875	\$ 3,929	\$ 3,427	\$ 1,403	\$ 3,729	\$ 1,841	\$ 4,682	\$ 1,390	\$ 1,706	\$ 22,982
	<hr/>									

TOWN OF JOHNSTON

Combining Statement of Changes in Net Position
Private Purpose Trust Funds
For the year ended June 30, 2013

	Daniel Elder Burial Fund	Manton Perpetual Care	Celina Ester Brook	Sara Irons	Kelly Burial Grounds	Nicholas Smith	Kimball Burial Ground	Richardson Burial Ground	C.T. Tourtellot	Total Private Purpose Funds
REVENUES:										
Investment income	\$ -	\$ -	\$ -	\$ -	\$ 1	\$ -	\$ 1	\$ -	\$ -	\$ 2
EXPENDITURES:										
Bank fees										0
INCREASE IN NET POSITION	0	0	0	0	1	0	1	0	0	2
NET POSITION- JULY 1, 2012	875	3,929	3,427	1,403	3,728	1,841	4,681	1,390	1,706	22,980
NET POSITION- JUNE 30, 2013	\$ 875	\$ 3,929	\$ 3,427	\$ 1,403	\$ 3,729	\$ 1,841	\$ 4,682	\$ 1,390	\$ 1,706	\$ 22,982

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, 2013

	Beginning Balance	Additions	Deductions	Ending Balance
<u>STUDENT ACTIVITY FUNDS</u>				
Assets:				
Cash and cash equivalents	\$ 190,194	\$ 141,777	\$ 141,780	\$ 190,191
Total assets	\$ 190,194	\$ 141,777	\$ 141,780	\$ 190,191
Liabilities:				
Due to student groups	\$ 190,194	\$ 141,777	\$ 141,780	\$ 190,191
<u>PERFORMANCE BONDS</u>				
Assets:				
Cash and cash equivalents	\$ 226,459	\$ 63	\$ 41	\$ 226,481
Due from governmental funds	107,750			107,750
Total assets	\$ 334,209	\$ 63	\$ 41	\$ 334,231
Liabilities:				
Deposits held in custody for others	\$ 334,209	\$ 63	\$ 41	\$ 334,231
<u>Total - All Agency Funds</u>				
Assets:				
Cash and cash equivalents	\$ 416,653	\$ 141,840	\$ 141,821	\$ 416,672
Due from governmental funds	107,750	-	-	107,750
Total assets	\$ 524,403	\$ 141,840	\$ 141,821	\$ 524,422
Liabilities:				
Due to student groups	\$ 190,194	\$ 141,777	\$ 141,780	\$ 190,191
Deposits held in custody for others	334,209	63	41	334,231
Total liabilities	\$ 524,403	\$ 141,840	\$ 141,821	\$ 524,422

TOWN OF JOHNSTON, RHODE ISLAND

OTHER EXHIBITS



**TOWN OF JOHNSTON, RHODE ISLAND
SCHEDULE OF PROPERTY TAXES RECEIVABLE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Year	Mill Rate	Property Taxes Receivable July 1, 2012	Current Year Assessment	Transfers Addendums (Net)	Abatements and Adjustments	Amount to be Collected	Collections Net of Refunds	Property Taxes Receivable June 30, 2013
2012	\$24.75		\$ 68,325,207	\$ 14,700	\$ 272,900	\$ 68,067,007	\$ 64,284,793	\$ 3,782,214
2011	\$24.75	\$ 4,197,455		123,621	152,021	4,169,055	2,725,454	1,443,601
2010	\$23.81	1,434,540		2,702	60,947	1,376,295	612,821	763,474
2009	\$19.49	351,779		1,137	61,378	291,538	40,261	251,277
2008	\$18.91	297,589			4,071	293,518	5,690	287,828
2007	\$17.84	278,131			3,134	274,997	4,330	270,667
2006	\$17.41	245,052			3,563	241,489	(633)	242,122
2005	\$16.99	247,073			1,674	245,399	517	244,882
2004	\$16.40	270,230		(61)	351	269,818	2,136	267,682
2003	\$26.30	475,450		(624)	53	474,773	863	473,910
2002	\$25.10	498,064			243	497,821	2,181	495,640
2001	\$23.79	378,856			236	378,620	449	378,171
2000	\$27.06	384,007			938	383,069	265	382,804
1999	\$27.06	358,226			1,640	356,586		356,586
1998	\$25.89	333,341			1,989	331,352	33	331,319
1997	\$20.90	91,041				91,041		91,041
1996	\$20.90	93,531				93,531		93,531
1995	\$20.90	114,019				114,019		114,019
1994	\$20.90	90,656				90,656		90,656
1993	\$34.64	95,350				95,350		95,350
1992	\$32.90	3,545				3,545		3,545
Subtotal		10,237,935	\$ 68,325,207	\$ 141,475	\$ 565,138	\$ 78,139,479	\$ 67,679,160	10,460,319
Less: estimated allowance for uncollectable accounts		(6,027,921)						(7,069,480)
Net property taxes receivable		<u>\$ 4,210,014</u>						<u>\$ 3,390,839</u>

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND
 SCHEDULE OF PROPERTY TAXES RECEIVABLE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Schedule of Net Assessed Property Value by Category			Reconciliation of Current Year Property Tax Revenue	
Description of Property	Assessed December 31, 2011			
	Valuations	Levy		
Real property	\$ 2,564,347,892	\$ 52,865,817	Collections net of refunds in 2013	\$ 67,679,160
Motor vehicles	252,314,953	8,901,477	Revenue received 60 days subsequent to fiscal year ending June 30, 2013	1,113,598
Tangible property	110,737,760	6,557,913	Subtotal	68,792,758
Total	2,927,400,605	68,325,207	Prior year revenue received in current year (2012 60 day rule)	(925,137)
Exemptions and adjustments	465,964,553		Current year property tax revenue	\$ 67,867,621
Net assessed value	\$ 2,461,436,052	\$ 68,325,207		

(CONCLUDED)

TOWN OF JOHNSTON, RHODE ISLAND

SINGLE AUDIT SECTION

This section contains information regarding federal grant activity for the year ended June 30, 2013, which was audited in accordance with generally accepted auditing standards and "Government Auditing Standards" issued by the Comptroller General of the United States and under the guidelines of the Single Audit Act of 1984 as amended by the Single Audit Act Amendments of 1996 and the United States Office of Management and Budget's Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations."

TOWN OF JOHNSTON, RHODE ISLAND

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013**

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
U.S. Department of Education		
Pass through Rhode Island Department of Education:		
Title I	84.010A	\$ 636,483
Title II	84.367A	179,176
Title III	84.365A	35,795
IDEA Part B	84.027A	1,090,755
IDEA Sec 619 - Preschool	84.173A	33,790
Perkins Vocational Education	84.048A	22,481
Education Jobs - ARRA	84.410	2,448
Race To The Top - ARRA	84.395A	263,008
Total U.S. Department of Education		<u>2,263,936</u>
U.S. Department of Housing and Urban Development		
Pass Through State Governor's Office of Housing, Energy & Intergovernmental Relations:		
Community Development Block Grant	14.228	<u>131,024</u>
U.S. Department of Homeland Security		
Pass Through from Rhode Island Emergency Management Agency:		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	<u>113,791</u>
U.S. Department of Agriculture		
Pass Through Natural Resources Conservation Service (NRCS):		
Watershed Protection and Flood Prevention Program	10.904	146,706
Pass Through RI Department of Education:		
National School Lunch Program	10.555	576,070
Food Commodity	10.556	58,371
Fresh Fruit and Vegetable Program (FFVP)	10.582	49,582
Total U.S. Department of Agriculture		<u>830,729</u>
U.S. Department of Transportation		
Pass through Rhode Island Department of Administration:		
Highway Planning and Construction	20.205	47,416
Pass Through Rhode Island Department of Transportation:		
Seatbelt Enforcement Grant	20.604	<u>41,894</u>
Total U.S. Department of Transportation		<u>89,310</u>
U.S. Department of Energy		
Pass Through Rhode Island Department of Energy		
Energy Efficiency and Conservation Block Grant Program (EECBG)-ARRA	81.128	<u>3,200</u>
U.S. Department of Justice		
Pass Through Rhode Island Department of Public Safety		
Underage Drinking and Alcohol Grant	16.727	1,500
Violence Against Women Grant	16.588	8,923
Total U.S. Department of Justice		<u>10,423</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$ 3,442,413</u>

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2013**

1. General

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

2. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting. The accompanying Schedule of Expenditures of Federal Awards also includes \$58,371 for the value of food commodities which is reported as a component of the Federal School Lunch Program. These commodities are not reported in revenue or expenses of the Business-Type Activities for financial statement purposes.

3. Determination of Major Programs

The determination of major federal financial assistance programs was based upon the overall level of expenditures for all federal programs for the Town of Johnston, Rhode Island. As such, the threshold for determining Type A and Type B programs is defined as those with program expenditures greater than \$300,000 or 3 percent of total expenditures when the total expenditures are over \$10,000,000. For the fiscal year ended June 30, 2013, the following programs were considered a major program:

IDEA Part B.....*	CFDA #84.027A
IDEA Sec 619 - Preschool.....*	CFDA #84.173A
Race to the Top - ARRA.....*	CFDA #84.395A
National School Lunch Program.....**	CFDA #10.555
Food Commodity.....**	CFDA #10.556

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

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

**REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the 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, Rhode Island, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of Johnston, Rhode Island's basic financial statements and have issued our report thereon dated December 30, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Johnston, Rhode Island'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 of Johnston, Rhode Island's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Johnston, Rhode Island's internal control.

Our consideration of internal control 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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs (noted as items 2013-1 through 2013-4) to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Johnston, Rhode Island'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*.

The Town of Johnston, Rhode Island's Response to Findings

The Town of Johnston, Rhode Island's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Town of Johnston, Rhode Island's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 Town of Johnston, Rhode Island's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Providence, Rhode Island
December 30, 2013

**REPORT OF INDEPENDENT AUDITORS 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
Johnston, Rhode Island

Report on Compliance for Each Major Federal Program

We have audited the Town of Johnston, Rhode Island's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have direct and material effect on each of the Town of Johnston, Rhode Island's major federal programs for the year ended June 30, 2013. The Town of Johnston, Rhode Island's major federal programs are identified in the summary of auditors' 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 federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Johnston, Rhode Island'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 of Johnston, Rhode Island's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town of Johnston, Rhode Island's compliance.

Basis for Modified Opinion on IDEA Part B

As described in item 2013-5 in the accompanying schedule of findings and questioned costs, the Town of Johnston, Rhode Island did not comply with requirements regarding allowable costs that are applicable to its IDEA Part B program under CFDA #84.027A. Compliance with such requirements is necessary, in our opinion, for the Town of Johnston, Rhode Island to comply with the requirements applicable to that program.

Modified Opinion on IDEA Part B

In our opinion, except for the noncompliance described in the Basis for Modified Opinion paragraph, the Town of Johnston, Rhode Island, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on IDEA Part B for the year ended June 30, 2013.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the Town of Johnston, Rhode Island 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 other major federal programs identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the Town of Johnston, Rhode Island, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Johnston, Rhode Island'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 an 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Johnston, Rhode Island's internal control over compliance.

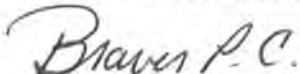
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses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

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

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2013-5 to be a significant deficiency.

The Town of Johnston, Rhode Island's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town of Johnston, Rhode Island's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.



Providence, Rhode Island
December 30, 2013

TOWN OF JOHNSTON, RHODE ISLAND

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013**

A. SUMMARY OF AUDITORS' RESULTS

1. The report of independent auditors expressed an unmodified opinion on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Johnston, Rhode Island.
2. Four deficiencies in internal control over financial reporting have been identified and are described in Part B below as items 2013-1 and 2013-4, all of which are considered to be material weaknesses.
3. No instances of noncompliance material to the financial statements of the Town of Johnston, Rhode Island were disclosed during the audit.
4. One significant deficiency in internal control over compliance with requirements applicable to major federal programs was identified and is described in Part C below as item 2013-5.
5. The report of independent auditors on compliance for the major federal award programs for the Town of Johnston, Rhode Island expresses a modified opinion.
6. Audit findings relative to the major federal award programs for the Town of Johnston are reported in Part C of this schedule.
7. The programs tested as major programs were:

IDEA Part B.....	*	CFDA #84.027A
IDEA Sec 619 - Preschool.....	*	CFDA #84.173A
Race to the Top - ARRA.....		CFDA #84.395A
National School Lunch Program.....	**	CFDA #10.555
Food Commodity.....	**	CFDA #10.556

* Represents a cluster for compliance purposes.

** Represents a cluster for compliance purposes.

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

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

B. FINDINGS – RELATED TO AUDIT OF FINANCIAL STATEMENTS

Current Year Findings:

- 2013-1:** Governmental Accounting Standards Statement #34 requires governmental entities to prepare a government-wide financial statement utilizing the full accrual basis of accounting. Accordingly, the government-wide statements include all long-term debt obligations (i.e. compensated absences) of the governmental activities as well as those reported in the business-type activities. During our audit we noted that the Town of Johnston (including the School Department) does not have adequate policies or procedures in place for maintaining and updating these records. Compensated absence schedules are maintained by 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. Lack of controls over the compensated absences records resulted in numerous revisions of these schedules, as well as discrepancies between the compensated absences records and the employees' time cards, and significant errors in the accrued liabilities reported by the Town and the School Department at June 30, 2013.

During our audit we also noted instances where certain time cards (of Town Hall employees) were not submitted in a timely manner, and one instance where they were not completed for several months. In addition, we 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. In addition, we noted that majority of Town Hall time cards were reviewed and approved by personnel in Human Resources, instead of the respective Department heads.

Recommendation - We recommend that the Town update the general ledger accounting records to properly include balances and activity of all long-term debt obligations. We further recommend that management review the current process for maintaining compensated absence schedules, and implement policies and procedures to ensure that these schedules (for all departments) be maintained by finance personnel on an ongoing basis and agree with the supporting documents (i.e. time cards). We also recommend that management utilize the payroll service to maintain the compensated absence reports.

In addition, we recommend that the Town review their current policies and procedures for submitting bi-weekly time cards and implement adequate controls to ensure that all employees submit their time cards in a timely manner. We also recommend that the time cards/sheets be reviewed and approved by the respective Department heads. Lastly, we recommend that the Town establish proper policies and procedures to ensure that adequate documentation is maintained to support all paid time off.

Management's Response - Management is in the process of reviewing and implementing a compensated absences system on the Town side, excluding Department of Public Safety. The system will allow the Town to maintain compensated absences on an ongoing basis in an automated fashion. Reports will then need to be developed to report the results in summary and in detail. The Town then needs to consider a similar system for police and fire departments in order to satisfy the recommendation made. Once the software is up and running on the Town side, the details can be integrated with the payroll service which the Town utilizes to report the results.

Public safety (police and fire) will still be reported by the departments in excel, unless a similar automated time and attendance system is implemented for the Public Safety.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

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

Current Year Findings (Continued):

2013-2: Governmental Accounting Standards Statement #34 requires governmental entities to prepare a government-wide financial statement utilizing the full accrual basis of accounting. Accordingly, the government-wide statements include all capital assets of the governmental activities as well as those reported in the business-type activities. During our audit we noted that the Town of Johnston does not have adequate policies or procedures in place for maintaining and updating these records in a timely manner, resulting in material adjustments of the carrying value of the capital assets reported by the Town at June 30, 2013.

Recommendation - We recommend that the Town update the general ledger accounting records in a timely manner to properly include balances and activity of all capital assets and related depreciation expense. We further recommend that the Town utilize the capital asset module of the Phoenix System (or some integrated system) to track all capital assets at the time the purchase order is created and or the invoice is processed. Utilization of a fully integrated capital asset module should reduce the risk of understating capital asset acquisitions within a fiscal year.

Management's Response - Management concurs with the recommendation. The solution is to get the information completed by August of each year for the preceding fiscal year whether the information is presented in Excel or if it is implemented in a fixed asset accounting module.

2013-3: The Town receives various grants which are reported as non-major governmental funds in the Fund financial statements. Some of these grants are administered by personnel outside of the Town's Finance Department (i.e. Department of Public Works and Police Department personnel). During our audit process we noted that the Town does not have a central location for maintaining all grant agreements or related financial reports. In addition, we noted that certain grants were not properly reconciled, and in some instances, were not reconciled at all. The lack of controls, including monitoring and following-up on current and old outstanding items may result in the material misstatement of the assets and liabilities reported in the government-wide and non-major governmental fund statements.

Recommendation - We recommend that Town officials review the current procedures for maintaining and reporting grant activity and for requisitioning for reimbursement of grant funds. During this review process we recommend that management consider requiring all grant activity to be maintained by finance personnel in conjunction with the department personnel for which the grant proceeds will be utilized (i.e. department of public works, police department, recreation department, etc.). Department personnel should be prohibited from requesting reimbursement from grants without first reviewing the grant reports and general ledger activity with finance personnel to ensure that the Town has complied with all provisions of the grant agreement.

Management's Response - Department personnel do understand their grants and how to operate their grants from an operational perspective. Most department personnel who are in charge of grants review general ledger activity with finance personnel on a periodic basis to ensure compliance with the provisions of their respective grant agreements.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

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

Current Year Findings (Continued):

- 2013-4:** One of the primary components of strong internal controls requires separation of incompatible duties. In essence no one individual should be responsible for all aspects of a transaction or have total control over the financial activity and general ledger maintenance/reporting.

During our review of the internal control policies and procedures practiced by the Town's finance department, we noted that the Town is lacking controls over processing, reporting and reconciliation of cash transactions. The Finance Director is the authorized signer on all of the Town's bank accounts, he is authorized to make ACH withdrawals, while he also prepares the related bank reconciliations. As such, we believe that certain financial responsibilities of the Town's Controller and/or clerks are being performed by the Finance Director, resulting in lack of adequate segregation of duties.

Recommendation - Although we are not aware of any instances of irregularities or misappropriation of Town assets, we recommend that the Town establish and enforce internal control policies and procedures to mitigate the risk of intentional or unintentional misuse of Town funds. Specifically we recommend that control procedures be established requiring someone other than the Finance Director (i.e. Town's Controller) to be responsible for reviewing the statements and preparing the related bank reconciliations. Reconciliations should be signed by the preparer. We are available to meet with the Town officials to review the duties of current personnel and recommend areas for separating incompatible duties and strengthening controls.

Management's Response - Management concurs with the recommendation and will move toward the above. It is important to note the Town has only 2 employees who can perform such duties as listed above and they are the Finance Director and the Controller. The Finance Director and Controller work together to ensure all the various facets of accounting and Finance are completed in order to issue the financials on a timely basis and make sure various other deadlines for other projects are completed. It becomes inevitable with such a small accounting staff that certain duties may tend to overlap. Going forward, if they do, the products or reconciliations produced will be independently reviewed and signed off by the Controller and the Finance Director

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013**

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

Prior Year Findings:

- 2012-1:** Governmental Accounting Standards Statement #34 requires governmental entities to prepare a government-wide financial statement utilizing the full accrual basis of accounting. Accordingly, the government-wide statements include all long-term debt obligations (i.e. compensated absences) of the governmental activities as well as those reported in the business-type activities. During our audit we noted that the Town of Johnston (including the School Department) does not have adequate policies or procedures in place for maintaining and updating these records. We noted significant errors in the accrued liabilities reported by the Town and the School Department at June 30, 2012. **Status:** See current year finding 2013-1.
- 2012-2:** Governmental Accounting Standards Statement #34 requires governmental entities to prepare a government-wide financial statement utilizing the full accrual basis of accounting. Accordingly, the government-wide statements include all capital assets of the governmental activities as well as those reported in the business-type activities. During our audit we noted that the Town of Johnston does not have adequate policies or procedures in place for maintaining and updating these records in a timely manner, resulting in material adjustments of the carrying value of the capital assets reported by the Town at June 30, 2012. **Status:** See current year finding 2013-2.
- 2012-3:** The Town receives various grants which are reported as non-major governmental funds in the Fund financial statements. Some of these grants are administered by personnel outside of the Town's Finance Department (i.e. Department of Public Works and Police Department personnel). During our audit process we noted that the Town does not have a central location for maintaining all grant agreements or related financial reports. In addition, we noted that certain grants were not properly reconciled, and in some instances, were not reconciled at all. The lack of controls, including monitoring and following-up on current and old outstanding items may result in the material misstatement of the assets and liabilities reported in the government-wide and non-major governmental fund statements. **Status:** See current year finding 2013-3.
- 2012-4:** One of the primary components of strong internal controls requires separation of incompatible duties. In essence no one individual should be responsible for all aspects of a transaction or have total control over the financial activity and general ledger maintenance/reporting. During our audit we noted that the Town is lacking controls over processing, reporting and reconciliation of cash transactions. Currently, we believe that certain financial responsibilities of the Town's Controller and/or clerks are being performed by the Finance Director, resulting in lack of adequate segregation of duties. **Status:** See current year finding 2013-4.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

C. FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS

Current Year Findings:

2013-5: Payroll Allocation

IDEA Part B (CFDA #84.027A)

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

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

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

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

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

Corrective Action: Management agrees with the finding and will begin to require federally funded employees to maintain time records in accordance with OMB Circular A-87.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2013**

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

Prior Year Findings:

2012-5: Cash Management

Disaster Grants - Public Assistance (CFDA #97.036)

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

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

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

Status: Cleared - During our audit for the fiscal year ended June 30, 2013 we noted that the Town established adequate policies and procedures to ensure compliance with cash management requirements of FEMA funding.

(CONCLUDED)

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