

TOWN OF JOHNSTON, RHODE ISLAND

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED
JUNE 30, 2014**

TOWN OF JOHNSTON, RHODE ISLAND

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TOWN OF JOHNSTON, RHODE ISLAND

FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

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TOWN OF JOHNSTON, RHODE ISLAND

**TOWN OFFICIALS
JUNE 30, 2014**

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

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



INDEPENDENT AUDITORS' REPORT

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, 2014, 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.

Opinion

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, 2014, 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, Schedule of Changes in Net Pension Liability and Related Ratios, and Schedule of Employer Contributions, Investment Returns, and Employer's Net Pension Liability, on Pages 3–11, Page 69, Pages 70-83, and Pages 84-86, 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 combining and individual nonmajor fund financial statements, and other exhibits 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, and other exhibits 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 31, 2014, 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.



Providence, Rhode Island
December 31, 2014

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, 2014.

Financial Highlights

- The liabilities of the Town of Johnston exceeded its assets and deferred outflows of resources as of June 30, 2014 by \$36,473,518. This represents a decrease in total net position of \$9,627,862 from June 30, 2013.
- As of June 30, 2014, the Town of Johnston's governmental activities reported total net position (deficit) of (\$50,184,762). The net position is comprised of \$24,806,090 net investment in capital assets and an unrestricted net position deficit of (\$74,990,852). Also included in this deficit is the negative change in net position, (\$9,937,273), for the fiscal year ended June 30, 2014 for governmental activities as shown in Exhibit A-2.
- As of June 30, 2014, the total fund balance of the Town's General Fund was \$12,232,606 versus \$9,134,418 last year. This June 30, 2014 fund balance includes non-spendable fund balance of \$738,647 and unassigned fund balance of \$11,493,959. The difference is an increase in the fund balance of \$3,098,188 for the fiscal year ended June 30, 2014.
- As of June 30, 2014, the total fund balance of the School Unrestricted Fund was \$5,005,276. The School Unrestricted fund balance at June 30, 2013 was \$3,413,349. The net change in fund balance in the School Unrestricted fund balance for 2014 was \$1,591,927.
- 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 June 2014, the Town's bond rating with Standard & Poor's was upgraded two notches from an "A" to "AA-" due to the Town's "stronger financial performance and position reflecting improved financial management practices, as well as its ongoing progress in implementing cost-containment measures that will considerably improve its long-term unfunded liabilities." The Town has increased the employer pension contributions to the local police officers and firefighters pension plan in accordance with its Financial Improvement Plan submitted to the State of Rhode Island and the Town continues to work on cost containment measures to the local police officers and firefighter's pension plan. S& P offers in their rationale in their report of the two notch increase the following: the Town's strong management, the Town's adequate budgetary performance, the Town's strong budget flexibility, and the Town's very strong liquidity and very strong debt and contingent liabilities.
- Despite the positive rating actions in 2014, the Town continues to face its challenges concerning large unfunded pension liabilities for its local pension plan and large unfunded post – employment benefits for health care. The Town did implement an HSA Plan for all active police officers and firefighters in July 2014 that will lead to decreasing the Town's long-term unfunded liabilities.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction 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 2014 represents the Town's fourth year reporting under GASB 54.

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

The Statement of Net Position presents information on all 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.

Overview of the Financial Statements (Continued)

Governmental funds (continued) – 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 and School Unrestricted Fund. Data from the remaining 55 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 87 through 98.

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 99 through 101.

Notes to the financial statements - provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on pages 24 through 68 of this report.

Required Supplementary Information - in addition to the basic financial statements and accompanying notes, the financial statements include required supplementary information which presents a Schedule of Funding Progress for Pension Plan, budgetary comparison schedules for the General Fund and School Unrestricted Fund to demonstrate compliance, Schedule of Funding Progress for OPEB Plan, Schedule of Changes in Net Pension Liability and Related Ratios, and Schedule of Employer Contributions, Investment Returns, and Employer's Net Pension Liability. The required supplementary information can be found on pages 69 through 86.

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 85 through 99. In addition, supplementary information also includes schedules of property taxes receivable which are included on pages 102 and 103.

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 \$36,473,518 at the close of 2014.

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

As of June 30, (in 000's)

	Governmental Activities		Business Activities		Total 2014	Total 2013
	2014	2013	2014	2013		
Current & other assets	\$ 44,311	\$33,066	\$ 6,617	\$ 6,240	\$ 50,928	\$ 39,306
Capital assets	51,497	51,527	11,694	11,922	63,191	63,449
Total Assets	95,808	84,593	18,311	18,162	114,119	102,755
Deferred outflows of resources	443	488	59	64	502	552
Current liabilities	12,971	10,995	470	452	13,441	11,447
Long-term liabilities	133,465	114,334	4,189	4,372	137,654	118,706
Total Liabilities	146,436	125,329	4,659	4,824	151,095	130,153
Net Position:						
Net investment in capital assets	24,806	27,334	9,167	9,195	33,973	36,529
Unrestricted	(74,991)	(67,582)	4,544	4,207	(70,447)	(63,375)
Total Net Position	\$(50,185)	\$(40,248)	\$13,711	\$13,402	\$(36,474)	\$ (26,846)

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 \$24,806,090. 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 (\$9,627,862) during the current fiscal year. Of this amount, governmental activities accounted for (\$9,937,273) of the decrease while business-type activities accounted for an increase of \$309,411. The most significant reason for the decrease in the governmental activities was the increase in OPEB liability for fiscal year ended June 30, 2014 of \$9,908,481 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 13 on Pages 59 through 61. The OPEB Liability increased from \$60,857,091 at June 30, 2013 to \$70,765,572 at June 30, 2014.

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 twelfth 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 2014	Governmental Activities 2013	Business- type Activities 2014	Business- type Activities 2013	Total 2014	Total 2013
Revenues:						
Program Revenues:						
Charges for Services, Fees & Licenses	\$ 7,003	\$ 5,883	\$ 2,887	\$ 2,717	\$ 9,890	\$ 8,600
Operating Grants and Contributions	15,872	15,399	15	15	15,887	15,414
Capital Grants and Contributions	202	218	26	18	228	236
General Revenues:						
Property taxes	72,062	69,360			72,062	69,360
Other taxes	4,202	4,078			4,202	4,078
Grants and aid not restricted	931	885			931	885
Unrestricted investment earnings	119	94			119	94
Miscellaneous	3,155	1,110			3,155	1,110
Total Revenues	103,546	97,027	2,928	2,750	106,474	99,777
Expenses:						
Leg., Judicial, and General admin.	2,852	3,287			2,852	3,287
Financial administration	1,018	976			1,018	976
Assessor's office	232	698			232	698
Public safety	42,126	40,127			42,126	40,127
Public works	7,924	7,737			7,924	7,737
Human resources	75	76			75	76
Miscellaneous	2,413	2,430			2,413	2,430
Planning and assessment board	160	156			160	156
Library	700	736			700	736
Education	53,939	52,149			53,939	52,149
Other	1,144	395			1,144	395
Interest on long-term debt	873	745			873	745
Debt issuance costs	27	107			27	107
Water fund			926	885	926	885
Sewer fund			684	567	684	567
School cafeteria fund			991	972	991	972
Summer school fund			16	15	16	15
Credit recovery fund			2	1	2	1
Total expenses	113,483	109,619	2,619	2,440	116,102	112,059
Increase (decrease) in net position	(9,937)	(12,592)	309	310	(9,628)	(12,282)
Net position beginning of year	(40,248)	(27,656)	13,402	13,092	(26,846)	(14,564)
Net position end of year	\$(50,185)	\$(40,248)	\$13,711	\$13,402	\$(36,474)	\$(26,846)

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, 2014, the Town of Johnston's governmental funds (page 14) reported combined ending fund balances of \$27,371,287.

The General Fund is the chief operating fund of the Town of Johnston, excluding its school department. As of June 30, 2014, the total fund balance of the general fund was \$12,232,606 of which \$11,493,959 was unassigned. The Town's General Fund also has \$738,647 of non-spendable fund balance as of June 30, 2014.

The fund balance of the general fund increased by \$3,098,188 in fiscal year 2014 as reported on page 16 of the report. Actual revenues and other sources were more than budgeted revenues in the general fund by \$2,549,646 (see page 71). Increases in actual revenues versus budgeted revenues were realized in total tax revenues \$1,575,066, and in departmental revenues and fees \$936,280. Expenditures and other financing uses were \$1,057,231 more than appropriated amounts (see page 80). The most significant departmental expenditures which exceeded budgeted expenditures was Fire Department \$776,476.

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 \$50,087,238 including a state on-behalf payment to the teacher's pension fund of \$1,819,614 on behalf of the school department. The School Unrestricted Fund expenditures, net of the state pension contribution, accounted for approximately 52.6% of the combined General Fund and School Unrestricted Fund expenditures.

The Proprietary Funds report business type activities and include Town operated Water Control Fund, Sewer Fund, School Cafeteria Fund, School Summer School Fund, and the Credit Recovery Fund. The Town of Johnston's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The Water Control Fund experienced a surplus (before transfers) of \$207,941, Sewer Fund experienced a surplus (before transfers) of \$33,307, School Cafeteria Fund experienced a surplus (before transfers) of \$66,266, Summer School Fund experienced a deficit (before transfers) of (\$1,455), and the Credit Recovery Fund experienced a surplus (before transfers) of \$3,352. The June 30, 2014 net position of the Water Fund is \$13,389,197, the June 30, 2014 net position of the Sewer Fund is \$198,871, the June 30, 2014 net position of the School Cafeteria Fund is \$110,719, the June 30, 2014 net position of the Summer School Fund is \$9,395, while the June 30, 2014 net position of Credit Recovery Fund is \$3,062.

Financial Analysis of the Government's Funds (Continued)

General Fund Budgetary Highlights – In fiscal year ended June 30, 2014 the Town was able to run an operating surplus of \$3,098,188 (which includes the fund balance restoration account of \$1,510,212). The purpose of the fund balance restoration is to meet the short-term and long-term, both known and unknown, financial challenges to the Town of Johnston. The revenue cuts from 2008 through 2014 from the State of RI have had a material compound effect of lost revenues not only in current fiscal year of 2014 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, 2014, amounts to \$63,191,079 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 \$258,078 comprised of acquisitions of capital assets of \$3,024,644 (net of transfers and construction in progress placed in service in 2014) less current year depreciation expense of \$3,282,722.

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	
	2014	2013	2014	2013	2014	2013
Land	\$ 8,979	\$ 8,670	\$ 40	\$ 40	\$ 9,019	\$ 8,710
Construction in progress	1,133	0	43	17	1,176	17
Buildings, improvements and land improvements	26,515	27,288			26,515	27,288
Vehicle and equipment	2,903	2,932	242	276	3,145	3,208
Water distributions			9,017	9,138	9,017	9,138
Infrastructure	11,967	12,637	2,352	2,451	14,319	15,088
Total	\$ 51,497	\$ 51,527	\$ 11,694	\$ 11,922	\$ 63,191	\$ 63,449

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 \$28,099,000 entirely backed by the full faith and credit of the government. In addition, the Town had long-term notes payable commitments outstanding of \$28,086 and long-term lease commitments outstanding of \$1,415,631 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 \$66,551,000 based on a net assessed value of \$2,218,378,953 at December 31, 2012, which significantly exceeds the Town of Johnston's current outstanding general obligation debt. It is important to note that this is the sixth fiscal year in which the Net OPEB Obligation is recognized in long-term debt, the amount of this long-term liability was actuarially calculated at \$70,765,572 (for Governmental Activities) at June 30, 2014 an increase of \$9,908,481 from fiscal year ending June 30, 2013.

Town of Johnston's

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

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
General Obligation Bonds	\$ 25,680	\$ 23,245	\$ 2,418	\$ 2,572	\$ 28,098	\$ 25,817
Premium on Bonds	177	187			177	187
Notes Payable	28	35			28	35
Capital Leases	1,249	1,213	167	220	1,416	1,433
Compensated Absences	8,194	8,000	39	37	8,233	8,037
Net Pension Obligation	31,776	24,630			31,776	24,630
Net OPEB Obligation	70,766	60,857	224	72	70,990	60,929
Claims & Judgments	26	35			26	35
Total long-term debt	\$ 137,896	\$ 118,202	\$ 2,848	\$ 2,901	\$ 140,744	\$ 121,103

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 13, pages 59 through 62, and in required supplementary information page 84.

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 \$5,005,276 at June 30, 2014.
- \$600,000 of the School Unrestricted Cumulative Fund Balance at June 30, 2014 will be used in the Johnston School Department fiscal 2016 budget to defray the initial costs of year one of full day kindergarten in the Johnston Public Schools, which will begin in September 2015.
- \$482,000 of the School Unrestricted Fund Balance at June 30, 2014 will be used in the Johnston School Department 2016 budget to complete the High School Science Laboratories.
- 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. The School Unrestricted Fund has a Cumulative Balance of \$5,005,276. However, continual financial and operational diligence is necessary in managing the operating budget, as prescribed by the Financial Recovery Plan, and to combat any mid-year extraordinary cuts in revenue or increases in expenditures as the Town is forced to endure any unexpected cuts such as the cuts in state aid in fiscal years 2008 through 2014 as well as the potential cuts upcoming in 2014 and future years, as well as facing the challenges that are known as presented from the inherited legacy costs of pension and healthcare, as well as any future unexpected unknown costs or unknown losses in revenue at this point in time.

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

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TOWN OF JOHNSTON, RHODE ISLAND

BASIC FINANCIAL STATEMENTS

TOWN OF JOHNSTON, RHODE ISLANDStatement of Net Position
June 30, 2014

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 38,420,834	\$ 1,092,709	\$ 39,513,543
Accounts and other receivables, net	5,131,355	1,204,540	6,335,895
Due from federal and state governments	2,625,422	116,268	2,741,690
Inventory		14,931	14,931
Prepays	755,363		755,363
Internal balances	(2,622,359)	2,622,359	0
Total Current Assets	44,310,615	5,050,807	49,361,422
Noncurrent assets:			
Accounts and other receivables, net		1,566,895	1,566,895
Capital Assets, not being depreciated	10,112,971	83,111	10,196,082
Capital Assets, net of accumulated depreciation	41,384,458	11,610,539	52,994,997
Total Noncurrent Assets	51,497,429	13,260,545	64,757,974
TOTAL ASSETS	95,808,044	18,311,352	114,119,396
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred charge on refunding	443,174	58,624	501,798
LIABILITIES:			
Current Liabilities:			
Accounts payable	2,826,111	126,924	2,953,035
Accrued expenses	3,518,451		3,518,451
Unearned advanced taxes	1,733,903		1,733,903
Due to federal and state governments	210,913		210,913
Unearned revenue - grants and assessments	250,075	116,741	366,816
Current portion of compensated absences	2,000,000	6,371	2,006,371
Current portion of capital lease obligations	431,386	54,356	485,742
Current portion of bonds and notes payable	1,991,063	165,391	2,156,454
Current portion of claims and judgments	9,000		9,000
Total Current Liabilities	12,970,902	469,783	13,440,685
Noncurrent Liabilities:			
Unearned revenue - assessments		1,566,895	1,566,895
Compensated absences	6,194,442	33,111	6,227,553
Net pension benefit obligation	31,776,000		31,776,000
Net OPEB obligation	70,765,572	223,741	70,989,313
Capital lease obligations	817,727	112,162	929,889
Bonds and notes payable	23,894,337	2,253,040	26,147,377
Claims and judgments	17,000		17,000
Total Noncurrent Liabilities	133,465,078	4,188,949	137,654,027
TOTAL LIABILITIES	146,435,980	4,658,732	151,094,712
NET POSITION:			
Net investment in capital assets	24,806,090	9,167,325	33,973,415
Unrestricted	(74,990,852)	4,543,919	(70,446,933)
TOTAL NET POSITION	\$ (50,184,762)	\$ 13,711,244	\$ (36,473,518)

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, 2014

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	\$ 2,851,746	\$ 245,281			\$ (2,606,465)		\$ (2,606,465)
Financial administration	1,017,883	24,657			(993,226)		(993,226)
Assessors office	232,529				(232,529)		(232,529)
Public safety	42,125,607	2,750,348	\$ 61,073		(39,314,186)		(39,314,186)
Public works	7,924,488	1,317,200	6,384	\$ 909	(6,599,995)		(6,599,995)
Human resources	75,251				(75,251)		(75,251)
Miscellaneous	2,413,265	940,006			(1,473,259)		(1,473,259)
Planning and assessment board	159,717	351,072			191,355		191,355
Library	699,785		120,380	15,418	(563,987)		(563,987)
Education	53,939,204	983,314	15,361,349	182,842	(37,411,699)		(37,411,699)
Other	1,143,818	391,535	323,225	2,500	(426,558)		(426,558)
Interest on long-term debt	873,557				(873,557)		(873,557)
Debt issuance costs	26,500				(26,500)		(26,500)
Total governmental activities	113,483,350	7,003,413	15,872,411	201,669	(90,405,857)		(90,405,857)
Business-type activities:							
Water fund	926,148	1,134,089				\$ 207,941	207,941
Sewer fund	684,290	676,325	15,547	25,725		33,307	33,307
School cafeteria fund	991,289	1,057,555				66,266	66,266
Summer school fund	15,445	13,990				(1,455)	(1,455)
Credit recovery fund	1,899	5,251				3,352	3,352
Total business-type activities	2,619,071	2,887,210	15,547	25,725	-	309,411	309,411
Total	\$ 116,102,421	\$ 9,890,623	\$ 15,887,958	\$ 227,394	(90,405,857)	309,411	(90,096,446)
General revenues:							
Property taxes					72,061,915		72,061,915
Other taxes					4,201,939		4,201,939
Grants and aid not restricted for a specific program					930,539		930,539
Unrestricted investment earnings					118,939		118,939
Miscellaneous					3,155,252		3,155,252
Total general revenues					80,468,584	-	80,468,584
Change in Net Position					(9,937,273)	309,411	(9,627,862)
Net Position - beginning					(40,247,489)	13,401,833	(26,845,656)
Net Position - ending					\$ (50,184,762)	\$ 13,711,244	\$ (36,473,518)

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

TOWN OF JOHNSTON, RHODE ISLAND

Balance Sheet
Governmental Funds
 June 30, 2014

	General Fund	School Unrestricted Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash and cash equivalents	\$ 21,547,839	\$ 1,430,029	\$ 10,242,027	\$ 33,219,895
Accounts and other receivables, net	5,131,355			5,131,355
Due from federal and state governments	1,355,396	204,673	1,065,353	2,625,422
Prepays	738,647	11,921		750,568
Due from other funds	249,186	6,112,195	822,593	7,183,974
TOTAL ASSETS	\$ 29,022,423	\$ 7,758,818	\$ 12,129,973	\$ 48,911,214
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:				
LIABILITIES:				
Accounts payable	\$ 391,067	\$ 660,749	\$ 597,217	\$ 1,649,033
Accrued expenses	1,899,770	1,430,771		3,330,541
Unearned advanced taxes	1,733,903			1,733,903
Due to federal & state governments	199,612		11,301	210,913
Due to other funds	9,285,592	662,022	1,137,975	11,085,589
Unearned revenue - grants			250,075	250,075
TOTAL LIABILITIES	13,509,944	2,753,542	1,996,568	18,260,054
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenue - property taxes, fees and assessments				3,279,873
	3,279,873			3,279,873
FUND BALANCES:				
Non-spendable	738,647	11,921		750,568
Restricted			9,465,489	9,465,489
Committed		4,993,355	667,916	5,661,271
Unassigned	11,493,959			11,493,959
TOTAL FUND BALANCES	12,232,606	5,005,276	10,133,405	27,371,287
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 29,022,423	\$ 7,758,818	\$ 12,129,973	\$ 48,911,214

(Continued)

TOWN OF JOHNSTON, RHODE ISLAND

*Balance Sheet
Governmental Funds
June 30, 2014*

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

Total Fund Balances (B-1)	\$ 27,371,287
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and therefore are not reported in the funds.	51,497,429
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.	443,174
Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund statements.	(137,719,763)
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.	(176,764)
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.	3,279,873
Internal Service funds are recorded as proprietary funds in the fund financial statements but are recorded as governmental activities on the government-wide financial statements.	5,307,912
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>(187,910)</u>
Total Net Position (A-1)	<u><u>\$ (50,184,762)</u></u>

(Concluded)

TOWN OF JOHNSTON, RHODE ISLAND

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2014**

	General Fund	School Unrestricted Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:				
Property taxes	\$ 71,624,948			\$ 71,624,948
Departmental fees and revenues	5,290,437			5,290,437
State and federal grants	5,397,162	\$ 11,778,991	\$ 2,158,240	19,334,393
Medicaid reimbursement		824,728		824,728
Investment income	106,593		12,346	118,939
State on behalf pension contributions		1,819,614		1,819,614
Other miscellaneous	1,658,108	126,817	2,248,512	4,033,437
TOTAL REVENUES	84,077,248	14,550,150	4,419,098	103,046,496
EXPENDITURES:				
Current:				
Legislative, judicial, and general administrative	1,349,978			1,349,978
Financial administration	1,004,425			1,004,425
Assessors office	260,542			260,542
Public safety	27,762,626			27,762,626
Public works	6,264,031			6,264,031
Human resources	74,035			74,035
Miscellaneous	2,413,265			2,413,265
Planning and assessment review	155,217			155,217
Library	594,208			594,208
Education		49,988,948	1,858,304	51,847,252
Other	603,435		693,385	1,296,820
Debt Service:				
Principal	1,952,730			1,952,730
Interest	879,250			879,250
Bond issuance costs			26,500	26,500
Capital:				
Capital expenditures	208,283	98,290	2,737,312	3,043,885
TOTAL EXPENDITURES	43,522,025	50,087,238	5,315,501	98,924,764
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	40,555,223	(35,537,088)	(896,403)	4,121,732
OTHER FINANCING SOURCES (USES)				
Issuance of bonds, notes and lease purchase obligations			4,425,000	4,425,000
Transfers in	125,000	37,129,015	2,153,020	39,407,035
Transfers out	(37,582,035)		(1,825,000)	(39,407,035)
TOTAL OTHER FINANCING SOURCES (USES)	(37,457,035)	37,129,015	4,753,020	4,425,000
NET CHANGE IN FUND BALANCES	3,098,188	1,591,927	3,856,617	8,546,732
FUND BALANCE AT BEGINNING OF YEAR	9,134,418	3,413,349	6,276,788	18,824,555
FUND BALANCE AT END OF YEAR	\$ 12,232,606	\$ 5,005,276	\$ 10,133,405	\$ 27,371,287

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, 2014**

Net Change in Fund Balances - Total Governmental Funds (B-2):	\$ 8,546,732
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets (meeting the capitalization policy) is allocated over their estimated useful lives through reporting of depreciation expense. This represents the net affect of capital outlays reclassified to capital assets and depreciated for the Government-wide financial statements. Capital outlay in excess of depreciation.	14,629
Governmental funds do not recognize gains or losses on the sale or disposal of capital assets. The statement of activities includes losses on the disposal of fixed assets during 2014.	(44,037)
Governmental funds report the proceeds from issuance of debt as other financing sources, whereas the issuance of new debt would have no effect on the statement of activities and changes in net position.	(4,425,000)
Governmental funds report principal repayments on debt obligations as an expenditure. However, the repayment of principal has no effect on the net position.	1,959,980
Governmental funds report deferred outflows on refundings and premiums on debt financing when they occur. The Statement of Activities amortizes these costs over the life of the obligations. This is the net amount of the amortization of bond discounts, premiums, and deferred charges on refundings.	(33,780)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds. Also, allowance for doubtful accounts is not reported in the governmental funds statement of revenues, expenditures, and changes in fund balances. The decrease in the allowance provision is recorded as revenue in the Statement of Activities. Net unearned grants, fees, assessments revenue, and unavailable property tax revenue increased from fiscal 2013.	499,581
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.	(7,146,000)
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.	(9,908,481)
Adjustment to compensated absences and accrued claims and judgments. The governmental fund reflects this activity when it will be paid with measurable and available resources. The increase from prior year balances is reflected in the statement of activities and changes in net position.	(185,798)
Excess of internal service funds' revenues over expenses, reported as governmental fund activities in the statement of activities and changes in net position.	789,745
Increase in accrued interest on long-term debt obligations. The governmental fund reflects this activity when it will be paid with measurable and available resources. The change from prior year balances is reflected in the statement of activities and changes in net position.	(4,844)
Change in Net Position of Governmental Activities in the Statement of Activities (A-2)	\$ (9,937,273)

TOWN OF JOHNSTON, RHODE ISLAND

Statement of Net Position
Proprietary Funds
June 30, 2014

	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:							
Current Assets:							
Cash and cash equivalents	\$ 388,797		\$ 703,912			\$ 1,092,709	\$ 5,200,939
Accounts and other receivables, net	585,818	\$ 617,042	1,680			1,204,540	
Intergovernmental receivables			116,268			116,268	
Prepaid expenses							4,795
Inventory			14,931			14,931	
Due from other funds	3,419,687			\$ 9,395	\$ 3,062	3,432,144	1,279,256
Total Current Assets	4,394,302	617,042	836,791	9,395	3,062	5,860,592	6,484,990
Non-current Assets:							
Accounts and other receivables, net		1,566,895				1,566,895	
Capital Assets, not being depreciated	40,000	43,111				83,111	
Capital Assets, net of accumulated depreciation	9,016,222	2,555,076	39,241			11,610,539	
Total Noncurrent Assets	9,056,222	4,165,082	39,241	-	-	13,260,545	-
TOTAL ASSETS	13,450,524	4,782,124	876,032	9,395	3,062	19,121,137	6,484,990
DEFERRED OUTFLOWS OF RESOURCES:							
Deferred charge on refunding		58,624				58,624	
LIABILITIES:							
Current Liabilities:							
Accounts payable and accrued expenses		15,083	111,841			126,924	1,177,078
Due to other funds		156,313	653,472			809,785	
Unearned revenue - assessments		116,741				116,741	
Current portion of accrued compensated absences	6,371					6,371	
Current portion of capital lease obligation		54,356				54,356	
Current portion of bonds payable		165,391				165,391	
Total Current Liabilities	6,371	507,884	765,313	-	-	1,279,568	1,177,078
Non-current Liabilities:							
Unearned revenue - assessments		1,566,895				1,566,895	
Accrued compensated absences	31,411	1,700				33,111	
Net OPEB obligation	23,545	200,196				223,741	
Capital lease obligation		112,162				112,162	
Bonds payable		2,253,040				2,253,040	
Total Noncurrent Liabilities	54,956	4,133,993	-	-	-	4,188,949	-
TOTAL LIABILITIES	61,327	4,641,877	765,313	-	-	5,468,517	1,177,078
NET POSITION:							
Net investment in capital assets	9,056,222	71,862	39,241			9,167,325	
Unrestricted:							
Reserved for infrastructure replacement	352,990					352,990	
Reserved for repairs	40,128					40,128	
Reserve for water system	388,597					388,597	
Unreserved	3,551,260	127,009	71,478	9,395	3,062	3,762,204	** 5,307,912
TOTAL NET POSITION	\$ 13,389,197	\$ 198,871	\$ 110,719	\$ 9,395	\$ 3,062	\$ 13,711,244	\$ 5,307,912

** - The unrestricted net position (\$5,307,912) in the Health Care Management Fund represent \$2,786,942 to be utilized for future claims of the School Department and \$2,520,970 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, 2014**

	Business-type Activities-Enterprise Funds					Governmental	
	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	\$ 1,122,745	\$ 676,325	\$ 416,907	\$ 13,990	\$ 5,251	\$ 2,235,218	\$ 15,431,541
Intergovernmental revenue			640,648			640,648	
Water system revenue	11,344					11,344	
Total operating revenues	1,134,089	676,325	1,057,555	13,990	5,251	2,887,210	15,431,541
OPERATING EXPENSES:							
Salaries and benefits	5,186	447,209	3,241	15,445	1,899	472,980	
Contracts			982,854			982,854	
Repair and maintenance	60,680	36,453				97,133	
Utilities	36,834	5,102				41,936	
Office expense	2,474	2,205				4,679	
Purchased water and state surcharges	503,459					503,459	
Departmental expense	196,114	901				197,015	
Health care management						-	14,658,170
Other expenses						-	
Depreciation	121,401	127,800	5,194			254,395	
Total operating expenses	926,148	619,670	991,289	15,445	1,899	2,554,451	14,658,170
OPERATING INCOME (LOSS)	207,941	56,655	66,266	(1,455)	3,352	332,759	773,371
NONOPERATING REVENUES (EXPENSES):							
State and federal grants		41,272				41,272	
Investment income						-	16,374
Interest expense		(58,757)				(58,757)	
Amortization		(5,863)				(5,863)	
TOTAL NONOPERATING REVENUES (EXPENSES)	-	(23,348)	-	-	-	(23,348)	16,374
CHANGE IN NET POSITION	207,941	33,307	66,266	(1,455)	3,352	309,411	789,745
TOTAL NET POSITION - BEGINNING	13,181,256	165,564	44,453	10,850	(290)	13,401,833	4,518,167
TOTAL NET POSITION - ENDING	\$ 13,389,197	\$ 198,871	\$ 110,719	\$ 9,395	\$ 3,062	\$ 13,711,244	\$ 5,307,912

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, 2014

	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
CASH FLOWS FROM OPERATING ACTIVITIES:							
Cash received for services provided	\$ 859,140	\$ 587,546	\$ 984,407	\$ 13,990	\$ 5,251	\$ 2,450,334	\$ 15,431,541
Cash paid to suppliers	(811,593)	(44,661)	(965,084)			(1,821,338)	
Cash paid to employees	(53,099)	(245,313)	(3,241)	(15,445)	(1,899)	(318,997)	
Cash paid for claims							(14,412,681)
Net cash provided by (used for) operating activities	(5,552)	297,572	16,082	(1,455)	3,352	309,999	1,018,860
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:							
Repayments from other funds	19,081		216,564	1,455		237,100	2,198,032
Advances to other funds	(2,185)	(45,908)			(3,352)	(51,445)	
Net cash provided by (used for) noncapital financing activities	16,896	(45,908)	216,564	1,455	(3,352)	185,655	2,198,032
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:							
Acquisition of capital assets		(25,725)				(25,725)	
Non-operating grants received		25,725				25,725	
Principal paid on long-term debt		(191,345)				(191,345)	
Interest paid on long-term debt		(60,319)				(60,319)	
Net cash used for capital and related financing activities	-	(251,664)	-	-	-	(251,664)	-
CASH FLOWS FROM INVESTING ACTIVITIES:							
Investment income						-	16,374
Net cash provided by investing activities	-	-	-	-	-	-	16,374
NET INCREASE IN CASH AND CASH EQUIVALENTS	11,344	-	232,646	-	-	243,990	3,233,266
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	377,453	-	471,266	-	-	848,719	1,967,673
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 388,797	\$ -	\$ 703,912	\$ -	\$ -	\$ 1,092,709	\$ 5,200,939

(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, 2014**

	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
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:							
Operating income (loss)	\$ 207,941	\$ 56,655	\$ 66,266	\$ (1,455)	\$ 3,352	\$ 332,759	\$ 773,371
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:							
Depreciation	121,401	127,800	5,194			254,395	
Decrease in provision for doubtful accounts	5,518					5,518	
(Increase) decrease in accounts receivable	(280,467)	(88,780)	(73,149)			(442,396)	
(Increase) decrease in prepaid expenses							461
Increase (decrease) in accounts payable and accrued expenses	(12,032)		17,771			5,739	245,028
Increase (decrease) in accrued compensated absences	551	1,701				2,252	
Increase (decrease) in net OPEB obligation	(48,464)	200,196				151,732	
Net cash provided by (used for) operating activities	\$ (5,552)	\$ 297,572	\$ 16,082	\$ (1,455)	\$ 3,352	\$ 309,999	\$ 1,018,860

TOWN OF JOHNSTON, RHODE ISLAND

**Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014**

	<u>Police and Fire Pension Trust Fund</u>	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
ASSETS:			
Cash and cash equivalents	\$ 473,144	\$ 22,622	\$ 430,445
Restricted cash	198,830		
Investments	40,023,668		
Prepaid expenses	685,297		
Funds held in escrow	825,157		
Other receivables	185,977	360	107,790
TOTAL ASSETS	<u>42,392,073</u>	<u>22,982</u>	<u>538,235</u>
LIABILITIES:			
Accrued expenses	46,251		
Due to student groups			189,816
Deposits held in custody for others			348,419
Claims and judgments	1,023,987		
TOTAL LIABILITIES	<u>1,070,238</u>	<u>-</u>	<u>538,235</u>
NET POSITION:			
Held in trust for perpetual care		22,982	
Held in trust for pension benefits	41,321,835		
TOTAL NET POSITION	<u>\$ 41,321,835</u>	<u>\$ 22,982</u>	<u>\$ -</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, 2014

	<u>Police and Fire Pension Trust Fund</u>	<u>Private-Purpose Trust Funds</u>
Additions:		
Contributions:		
Employer	\$ 5,417,483	
Plan members	726,409	
Total contributions	<u>6,143,892</u>	<u>\$ -</u>
Investment income (expense)		
Net dividends, interest, and change in fair value	5,529,774	-
Net investment income (expense)	<u>5,529,774</u>	<u>-</u>
Total additions and changes in fair value	<u>11,673,666</u>	<u>-</u>
Deductions:		
Administration and benefit expenses	254,635	-
Pension expenses	7,964,640	-
Total deductions	<u>8,219,275</u>	<u>-</u>
Change in net position	3,454,391	-
Net position - beginning of year	<u>37,867,444</u>	<u>22,982</u>
Net position - end of year	<u>\$ 41,321,835</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, 2014**

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 2014:

- 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, 2014**

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, 2014**

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, 2014.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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

Major and Non-Major Funds

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

<u>Fund</u>	<u>Brief Description</u>
Major:	
General Fund:	See above for description
Special Revenue Funds:	
School Unrestricted Fund	This fund is used to report all financial transactions of the Johnston School Department, which are not legally required to be accounted for separately.
Proprietary Funds:	
Water Control Fund	Accounts for the supply of public water to the Town of Johnston.
Sewer Fund	Accounts for sewer projects of the Town of Johnston.
School Cafeteria Fund	Accounts for the operation of the school breakfast and lunch program of the Johnston School Department. This fund did not meet the criteria for reporting as a major fund however, management elected to present the fund as a major fund.
Summer School Fund	Accounts for the operation of the summer school program of the Johnston School Department. This fund did not meet the criteria for reporting as a major fund however, management elected to present the fund as a major fund.
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-one (41) Special Revenue Funds which have been classified as non-major governmental funds. The details of these funds can be found in the combining fund exhibits located in supplementary information.
Capital Project Funds:	The Town of Johnston currently maintains fourteen (14) 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, 2014**

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, 2014**

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 and Cash Equivalents

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 based on quoted market prices.

Accounts Receivable

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. 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 \$6,202,119 at June 30, 2014. The allowance for uncollectible accounts includes \$5,073,375 for property taxes, \$159,191 for Municipal Court fees and traffic fines, \$909,930 for fire rescue services, \$47,760 for sewer (enterprise fund) assessment, and \$11,863 for water (enterprise fund) service fees. Major receivable balances for the governmental activities include property taxes (78% of balance). Business-type activities report service fees as its major receivables.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

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, 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 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).

Capital Assets

The accounting treatment over 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, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Capital Assets (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, 2014 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 \$501,798 (\$443,174 for governmental activities and \$58,624 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, 2014 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, 2012 and prior and are not collected within 60 days of June 30, 2014. Net unavailable property tax revenue included in the fund financial statements was \$3,279,873 at June 30, 2014. 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, 2014**

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.

Net Position/Fund Balance Classifications:

Government-Wide Statements

Net position is classified 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, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Net Position/Fund Balance Classifications (Continued):

Fund Financial Statements

Governmental fund balance, in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* is 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 net position 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 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, 2014

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 \$137,719,763 are as follows:

Bonds and notes payable and capital lease obligations	\$ 26,957,749
Net pension benefit obligation.....	31,776,000
Net OPEB obligation	70,765,572
Accrued claims and judgments	26,000
Compensated absences	<u>8,194,442</u>
Total	<u>\$137,719,763</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 \$3,279,873 difference are as follows:

Unavailable property tax revenue (net of allowance \$5,073,375).....	\$ 2,714,208
Unavailable fire rescue fees (net of allowance \$909,930)	256,647
Unavailable municipal court fees (net of allowance \$159,191).....	<u>309,018</u>
Total	<u>\$ 3,279,873</u>

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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 \$14,629 are as follows:

Capital outlay expenditures reclassified to capital assets.....	\$3,042,956
Depreciation expense	<u>(3,028,327)</u>
Total	<u>\$ 14,629</u>

Another element of the reconciliation states that “the governmental funds report principal repayments on debt obligations as an expenditure.” The details of the \$1,959,980 are as follows:

Principal payment of bonds and notes payable.....	\$1,571,050
Principal payment of capital lease obligations.....	<u>388,930</u>
Total	<u>\$1,959,980</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 \$499,581 are as follows:

Unavailable property tax revenue, net - ending	\$ 2,714,208
Unavailable fire rescue fees, net – ending.....	256,647
Unavailable municipal court fees, net – ending	309,018
Unavailable property tax revenue, net – beginning.....	(2,277,241)
Unavailable fire rescue fees, net – beginning.....	(176,181)
Unavailable municipal court fees, net – beginning.....	<u>(326,870)</u>
Total.....	<u>\$ 499,581</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 \$(7,146,000) was comprised of the following:

Net pension benefit obligation – beginning of year.....	\$ 24,630,000
Net pension benefit obligation – end of year.....	<u>(31,776,000)</u>
Increase in net pension benefit obligation.....	<u>\$ (7,146,000)</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 \$(9,908,481) was comprised of the following:

Net OPEB obligation – beginning of year	\$ 60,857,091
Net OPEB obligation – end of year	<u>(70,765,572)</u>
Increase in net OPEB obligation.....	<u>\$ (9,908,481)</u>

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Standards

During the fiscal year ended June 30, 2014 the Town implemented the following governmental accounting standards:

- ✓ GASB Statement No. 67 – Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25.
- ✓ GASB Statement No. 70 – Accounting and Financial Reporting for Nonexchange Financial Guarantees.

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

- ✓ 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. 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.

(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.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

2. BUDGETARY PROCESS (Continued)

(b) General Fund (Continued)

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 ...	\$84,202,248
Adjustments:	
School State Aid budgeted in General Fund	11,778,991
School Medicaid reimbursement budgeted in General Fund	824,728
School's miscellaneous income budgeted in General Fund	126,817
Transfer to non-major fund, segregated as other financing uses for GAAP, netted against revenue for budgetary basis	(3,020)
Police Department revenue segregated for GAAP purposes, netted against expenditures for budgetary basis	(45,000)
State of RI grant revenue segregated for GAAP purposes, netted against expenditures for budgetary basis	(136,437)
Transfer to non-major fund, segregated as other financing uses for GAAP purposes, netted against revenue for budgetary basis	(200,000)
Inclusion of revenue (net of transfer out) of Police Detail Fund with the General Fund, for GAAP purposes, not part of budget	(716,596)
Inclusion of revenue of Fire Dept. Detail Fund with the General Fund, for GAAP purposes, not part of budget	(29,523)
Total budgetary basis revenues and other financing sources from RSI-2....	<u>\$95,802,208</u>

EXPENDITURES

Total General Fund expenditures and other financing uses, from Exhibit B-2 ..	\$81,104,060
Adjustments:	
School State Aid budgeted in General Fund	11,778,991
School Medicaid reimbursement budgeted in General Fund	824,728
School's miscellaneous income budgeted in General Fund	126,817
Expenditure "fund balance restoration" which represents funds placed into a reserve fund for budget purposes but not allowed for GAAP	1,510,212
Transfer to non-major fund, segregated as other financing uses for GAAP, netted against revenue for budgetary basis	(3,020)
Police Department revenue segregated for GAAP purposes, netted against expenditures for budgetary basis	(45,000)
State of RI grant revenue segregated for GAAP purposes, netted against expenditures for budgetary basis	(136,437)
Transfer to non-major fund, segregated as other financing uses for GAAP purposes, netted against revenue for budgetary basis	(200,000)
Inclusion of expenditures of Police Detail Fund with the General Fund, for GAAP purposes, not part of budget	(643,514)
Inclusion of expenditures of Fire Dept. Detail Funds with the General Fund, for GAAP purposes, not part of budget	(7,044)
Total budgetary basis expenditures and other financing uses, from RSI-2..	<u>\$94,309,793</u>

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

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 2014 were \$763,791 as compared to \$312,622 at June 30, 2013. 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.....	\$51,679,165
Adjustments:	
State on behalf pension contribution not budgeted.....	<u>(1,819,614)</u>
Total budgetary basis revenues and other financing sources from RSI - 3.....	<u>\$49,859,551</u>

EXPENDITURES

Total School Unrestricted expenditures and other financing uses, from Exhibit B-2	\$50,087,238
Adjustments:	
Prior year encumbrances	(312,622)
Current year encumbrances.....	763,791
State on behalf pension contribution not budgeted.....	<u>(1,819,614)</u>
Total budgetary basis expenditures and other financing uses, from RSI - 3.....	<u>\$48,718,793</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, 2014**

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, 2014 was \$40,439,754 (including Fiduciary Funds, but excluding restricted cash and funds held in escrow) while the bank balance was \$41,914,311. Of the bank balance, \$250,000 was covered by federal depository insurance and \$41,664,311 was uninsured. The Town has entered into collateralization agreements with various financial institutions and as a result, \$40,828,044 of the uninsured balance at June 30, 2014 was collateralized by securities held by the financial institutions and/or third parties in the name of the Town. The remaining uninsured balance of \$836,267 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 \$198,830 reported in the Fiduciary Funds at June 30, 2014 represents three years' worth of post-judgment statutory interest (at a rate of 12% per year) on the \$825,157 held in escrow (at June 30, 2014) 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 \$825,157 reported in the Fiduciary Funds at June 30, 2014 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, 2014 the Town's investments totaled \$40,023,668 (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	\$ 39,835,907	N/A	N/A	Not Rated
Single premium deferred annuities	<u>187,761</u>	N/A	N/A	N/A
<i>Total investments</i>	<u>\$ 40,023,668</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, 2014 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, 2014**

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, 2014, 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 2014 were based on an assessed value of approximately \$2,218,378,000 at December 31, 2012 and amounted to approximately \$70,192,000. Total collections through June 30, 2014, on the 2013 tax levy, amounted to approximately \$65,931,000, which represents approximately 94% of the net tax levy. Total collections including 60-day receipts (applicable to the 2013 tax levy) amounted to approximately \$66,698,000, 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 (\$8,799,535) as of June 30, 2014 are recorded as a receivable, net of an allowance for uncollectible property taxes of \$5,073,375. Those property taxes receivable, which were not collected within the 60 days immediately following June 30, 2014, are recorded as unavailable revenue, net of the allowance of \$5,073,375 and amounted to \$2,714,208 at June 30, 2014. Property taxes recognized as revenue for the fiscal year ended June 30, 2014 (due to their collection within the 60 days immediately following June 30, 2014) amounted to \$1,011,952.

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, 2014 consisted of the following:

	<u>General</u>	<u>Business-type Activities</u>	<u>Total</u>
Receivables:			
2013 taxes.....	\$4,188,455		\$4,188,455
2012 and prior years' taxes....	4,611,080		4,611,080
Accounts.....	<u>2,474,316</u>	<u>\$2,831,058</u>	<u>5,305,374</u>
Gross receivables	11,273,851	2,831,058	14,104,909
Less: allowance for uncollectibles.....	<u>(6,142,496)</u>	<u>(59,623)</u>	<u>(6,202,119)</u>
Total receivables	<u>\$5,131,355</u>	<u>\$2,771,435</u>	<u>\$7,902,790</u>

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

5. INTERGOVERNMENTAL RECEIVABLE

Amounts due from the Federal Government and the State of Rhode Island consisted of the following at June 30, 2014:

General Fund:	
Rhode Island Solid Waste Management Corporation.....	\$ 964,399
State of Rhode Island – Public service corporate tax	390,714
State of Rhode Island – Miscellaneous grants and fees.....	<u>283</u>
Total General Fund	<u>1,355,396</u>
 School Unrestricted Fund:	
Medicaid.....	186,489
State of Rhode Island – Department of Education	<u>18,184</u>
Total School Unrestricted Fund	<u>204,673</u>
 Other Governmental Funds:	
State of Rhode Island:	
School Restricted Grant Funds.....	812,187
Community Development Block Grant (CDBG).....	53,278
Substance Abuse Prevention Grant	4,793
Seatbelt Enforcement Grant	12,253
School Wireless Classroom Grant.....	<u>182,842</u>
Total Other Governmental Funds.....	<u>1,065,353</u>
 Total Governmental Funds	 <u>2,625,422</u>
 Business-type Activities:	
Cafeteria Fund:	
State of Rhode Island.....	<u>116,268</u>
 Total intergovernmental receivables	 <u>\$2,741,690</u>

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 was as follows:

	Balances <u>7/1/13</u>	Additions & <u>Transfers</u>	Retirements & <u>Transfers</u>	Balances <u>6/30/14</u>
Governmental Activity:				
Nondepreciable assets:				
Land	\$ 8,669,715	\$ 309,762	\$ 0	\$ 8,979,477
Construction in progress	0	1,133,494	0	1,133,494
Depreciable assets:				
Buildings, building improvements, and land improvements.....	43,806,478	222,892	0	44,029,370
Vehicles and equipment.....	10,022,468	618,289	(219,516)	10,421,241
Infrastructure	54,797,269	758,519	0	<u>55,555,788</u>
Total cost	<u>117,295,930</u>	<u>3,042,956</u>	<u>(219,516)</u>	<u>120,119,370</u>

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

6. CAPITAL ASSETS (Continued)

	<u>Balances</u> <u>7/1/13</u>	<u>Additions &</u> <u>Transfers</u>	<u>Retirements &</u> <u>Transfers</u>	<u>Balances</u> <u>6/30/14</u>
Governmental Activity:				
Accumulated Depreciation:				
Buildings and improvements	(16,518,518)	(996,116)	0	(17,514,634)
Vehicles and equipment	(7,090,260)	(603,132)	175,479	(7,517,913)
Infrastructure	(42,160,315)	(1,429,079)	0	(43,589,394)
Total accumulated depreciation ..	<u>(65,769,093)</u>	<u>(3,028,327)</u>	<u>175,479</u>	<u>(68,621,941)</u>
Net capital assets	<u>\$51,526,837</u>	<u>\$ 14,629</u>	<u>\$ (44,037)</u>	<u>\$51,497,429</u>
Business-Type Activities:				
Nondepreciable assets:				
Land	\$ 40,000	\$ 0	\$ 0	\$ 40,000
Construction in progress	17,386	25,725	0	43,111
Depreciable assets:				
Infrastructure	2,806,244	0	0	2,806,244
Motor vehicles	309,377	0	0	309,377
Machinery and equipment	192,426	0	0	192,426
Water distribution	11,971,379	0	0	11,971,379
Total cost	<u>15,336,812</u>	<u>25,725</u>	<u>0</u>	<u>15,362,537</u>
Accumulated Depreciation:				
Infrastructure	(355,319)	(98,610)	0	(453,929)
Motor vehicles	(83,926)	(27,190)	0	(111,116)
Machinery and equipment	(141,491)	(7,194)	0	(148,685)
Water distributions	(2,833,756)	(121,401)	0	(2,955,157)
Total accumulated depreciation ..	<u>(3,414,492)</u>	<u>(254,395)</u>	<u>0</u>	<u>(3,668,887)</u>
Net capital assets	<u>\$11,922,320</u>	<u>\$ (228,670)</u>	<u>\$ (0)</u>	<u>\$11,693,650</u>

Depreciation expense for the year ended June 30, 2014 was charged to the following functions/programs of the Town:

Governmental Activities:	
Education	\$ 667,842
Public safety	565,927
Public works	1,579,430
Library	102,293
Other	112,835
Total	<u>\$3,028,327</u>
Business-Type Activities:	
Water fund	\$ 121,401
Sewer Fund	127,800
School cafeteria fund	5,194
Total	<u>\$ 254,395</u>

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

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 \$66,551,369, based on the net assessed valuation at December 31, 2012 of \$2,218,378,953. The entire \$25,680,550 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, 2014**

7. LONG-TERM DEBT (Continued)

(b) At June 30, 2014 the Town's long-term debt outstanding and activity consisted of the following:

<u>Description</u>	<u>Date of Issue</u>	<u>Maturity Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Balance June 30, 2013</u>	<u>Transfers in & Additions</u>	<u>Transfers out & Retirements</u>	<u>Balance June 30, 2014</u>	<u>Due within one year</u>
Governmental Activities:									
<i>General obligation bonds:</i>									
2005 General Obligation Bond	6/1/2005	6/1/2025	\$ 6,325,000	4%-4.75%	\$ 4,460,000		\$ 295,000	\$ 4,165,000	\$ 310,000
2007 General Obligation Bond - Senior Center	9/13/2007	9/1/2019	2,277,000	5.05%	1,490,000		185,000	1,305,000	190,000
2009 General Obligation Bond	9/9/2009	9/1/2029	4,430,000	3%-7%	4,050,000		165,000	3,885,000	170,000
2010 General Obligation Refunding Bond	6/29/2010	8/15/2018	3,120,000	2%-4%	2,400,000		370,000	2,030,000	380,000
2012 General Obligation Refunding Bond (**)	5/29/2012	6/1/2024	6,224,725	2.85%	5,844,350		393,800	5,450,550	483,300
2013 General Obligation Bond	6/12/2013	6/1/2033	5,000,000	2%-4%	5,000,000		155,000	4,845,000	255,000
2014 General Obligation Bond	5/1/2014	5/1/2029	4,000,000	2.48%		\$ 4,000,000		4,000,000	195,000
Premiums on bonds					187,301		10,537	176,764	-
Total bonds outstanding			\$ 31,376,725		23,431,651	4,000,000	1,574,337	25,857,314	1,983,300
<i>Note payable obligations:</i>									
Note payable obligation	9/30/2012	10/14/2017	\$ 21,000	6.99%	18,654		3,820	14,834	4,096
Note payable obligation	10/16/2012	10/30/2017	18,792	6.74%	16,682		3,430	13,252	3,667
Total note payable obligations			\$ 39,792		35,336	-	7,250	28,086	7,763
<i>Capital lease obligations:</i>									
Capital lease obligation	10/21/2005	11/2/2013	\$ 360,000	3.73%	50,974		50,974	-	-
Capital lease obligation	1/25/2010	1/25/2015	591,000	3.30%	226,063		111,197	114,866	114,866
Capital lease obligation (**)	7/7/2011	7/7/2016	1,158,100	2.10%	936,006		226,759	709,247	231,520
Capital lease obligation	9/27/2013	9/26/2018	425,000	1.66%		425,000		425,000	85,000
Total capital lease obligations			\$ 2,534,100		1,213,043	425,000	388,930	1,249,113	431,386
Compensated absences and severance estimate					7,999,644	2,191,168	1,996,370	8,194,442	2,000,000
Net pension benefit obligation					24,630,000	7,146,000		31,776,000	-
Net OPEB obligation					60,857,091	9,908,481		70,765,572	-
Claims and judgments					35,000		9,000	26,000	9,000
Governmental activities long-term liabilities					\$ 118,201,765	\$ 23,670,649	\$ 3,975,887	\$ 137,896,527	\$ 4,431,449
Business-Type Activities:									
<i>General obligation bonds:</i>									
RI Clean Water Bond - Sewer Project	10/6/2009	9/1/2029	\$ 2,500,000	0.79%-3.08%	\$ 1,451,000		\$ 70,000	\$ 1,381,000	\$ 70,000
RI Clean Water Bond	4/25/2002	9/1/2022	750,000	0.661%	435,435		37,454	397,981	38,691
2012 General Obligation Refunding Bond (**)	5/29/2012	6/1/2024	730,275	2.85%	685,650		46,200	639,450	56,700
Total bonds outstanding			\$ 3,980,275		2,572,085	\$ -	153,654	2,418,431	165,391
<i>Capital lease obligations:</i>									
Capital lease obligation (**)	7/7/2011	7/7/2016	\$ 271,900	2.10%	219,756		53,238	166,518	54,356
Total capital lease obligations					219,756	-	53,238	166,518	54,356
Compensated absences and severance estimate					37,231	8,622	6,371	39,482	6,371
Net OPEB obligation					72,009	151,732		223,741	-
Business-type activities long-term liabilities					\$ 2,901,081	\$ 160,354	\$ 213,263	\$ 2,848,172	\$ 226,118

(**) 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, 2014**

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>
2015	\$ 2,422,449	\$ 830,008	\$ 3,252,457
2016	2,376,424	758,374	3,134,798
2017	2,445,400	683,588	3,128,988
2018	2,272,201	604,475	2,876,676
2019	2,332,525	526,309	2,858,834
2020 – 2024	10,233,750	1,714,317	11,948,067
2025 – 2029	4,110,000	583,927	4,693,927
2030 – 2033	765,000	101,775	866,775
Total	<u>\$26,957,749</u>	<u>\$5,802,773</u>	<u>\$32,760,522</u>

Business-Type Activities

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 219,747	\$ 51,361	\$ 271,108
2016	223,743	47,426	271,169
2017	232,802	43,285	276,087
2018	178,555	38,932	217,487
2019	181,540	35,652	217,192
2020 – 2024	952,562	123,054	1,075,616
2025 – 2029	490,000	41,632	531,632
2030 – 2033	106,000	1,247	107,247
Total	<u>\$2,584,949</u>	<u>\$ 382,589</u>	<u>\$2,967,538</u>

(d) Authorized But Unissued Debt

At June 30, 2014, the Town has a total of \$16,600,000 in authorized, unissued debt in accordance with RIGL 45-12-2, which consists of the following authorizations:

	<u>Authorized</u>	<u>Unissued</u>
Ordinance No. 2000-11 West End Water Extension	\$ 6,425,000	\$ 3,600,000
Ordinance No. 2005-19 Library	7,500,000	7,500,000
Ordinance No. 2009-07 Sewer Projects	8,000,000	5,500,000
Total	<u>\$21,925,000</u>	<u>\$16,600,000</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, 2014**

7. LONG-TERM DEBT (Continued)

(e) Advanced Refundings and Defeased Debt (Continued)

As of June 30, 2014, the in-substance defeased bonds outstanding were \$5,470,000 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, 2014 amounted to \$8,194,442 of which \$2,422,439 and \$5,772,003 are related to School and Town employees, respectively.

(g) Schedule of long-term debt by purpose at June 30, 2014 is as follows:

<u>Governmental activities:</u>	<u>Amount</u>	<u>Percent</u>
School, public improvement, and public safety bonds and notes payable	\$ 25,885,400	19%
Town equipment and vehicle leases	1,249,113	1
Police and fire net pension benefit obligation	31,776,000	23
Net OPEB obligations	70,765,572	51
Claims and judgments – Town	26,000	0
Compensated absences and severance	8,194,442	6
<i>Total Governmental activities</i>	<u>\$137,896,527</u>	100%
 <u>Business-type activities:</u>		
Sewer projects bonds.....	\$ 2,418,431	85%
Sewer vehicle lease	166,518	6
Net OPEB obligations	223,741	8
Compensated absences and severance	39,482	1
<i>Total Business-type activities</i>	<u>\$ 2,848,172</u>	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 October 2013, the Town entered into a 36-month lease agreement for certain office equipment. The lease requires a base monthly rental charge of \$174. Lease expense incurred under the terms of this agreement was approximately \$1,600 for the fiscal year ended June 30, 2014.

On April 10, 2014, the School Department entered into a 60-month lease agreement for nineteen (19) units of equipment. The lease agreement requires a base monthly rental charge of \$4,613. Lease expense incurred under the terms of this agreement was approximately \$13,839 for the fiscal year ended June 30, 2014.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

8. OPERATING LEASES (Continued)

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.

In January 2013, the Town entered into a 2-year lease agreement for two vehicles. The lease requires an annual rent charge of \$7,800, plus annual maintenance fees. Lease expense incurred under the terms of these agreements was approximately \$8,500 for the fiscal year ended June 30, 2014.

In July 2012, the Town entered into a 5-year lease agreement for twenty seven (27) units of equipment. The lease requires an annual rental charge of \$6,900. Lease expense incurred under the terms of this agreement was \$6,900 for the fiscal year ended June 30, 2014.

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, 2014.

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

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>	
2015	\$ 87,445
2016	83,545
2017	81,977
2018	74,555
2019	<u>57,129</u>
Total	<u>\$ 384,651</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, 2014 is as follows:

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
Governmental Funds:		
General Fund	\$ 249,186	\$ 9,285,592
School Unrestricted Fund.....	6,112,195	662,022
All non-major funds	<u>822,593</u>	<u>1,137,975</u>
Total governmental funds	<u>7,183,974</u>	<u>11,085,589</u>

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

9. INTERFUND BALANCES AND TRANSFERS (Continued)

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
Proprietary Funds:		
Water Fund	3,419,687	0
Sewer Fund	0	156,313
Cafeteria Fund	0	653,472
Summer School Fund	9,395	0
Credit Recovery Fund	3,062	0
Internal Service Fund	1,279,256	0
Total proprietary funds	<u>4,711,400</u>	<u>809,785</u>
TOTAL ALL FUNDS	<u>\$11,895,374</u>	<u>\$11,895,374</u>

The composition of interfund transfers for the year ended June 30, 2014 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	\$ 453,020	\$37,582,035
Non-major Governmental Funds	125,000	0	1,700,000	1,825,000
Total transfer in	<u>\$ 125,000</u>	<u>\$37,129,015</u>	<u>\$ 2,153,020</u>	<u>\$39,407,035</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.

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.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

10. DEFINED BENEFIT PENSION PLANS (Continued)

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

Plan Description (Continued)

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, 2014 was 15.02%.

Annual Pension Cost

The Town's annual pension cost of approximately \$1,184,000 for MERS (\$602,000 on behalf of Town employees and \$582,000 on behalf of School employees) was equal to the Town's required and actual contributions for the year ended June 30, 2014.

Three-Year Trend Information – General MERS

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2014	\$1,184,000	100%	\$ 0
6/30/2013	\$1,026,000	100%	\$ 0
6/30/2012	\$1,021,000	100%	\$ 0

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

10. DEFINED BENEFIT PENSION PLANS (Continued)

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

Annual Pension Cost (Continued)

The required contribution for fiscal 2014 was determined as part of the actuarial valuation performed as of June 30, 2011. The most recent valuation of the plans within the system was performed as of June 30, 2013. 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, 2011 and June 30, 2013 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	24 years as of June 30, 2011 22 years as of June 30, 2013
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, 2013**) 239 Active; 201 Retired

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

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, 2013 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) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((a-b)/c)
June 30, 2013	\$29,304,056	\$39,806,322	\$(10,502,266)	73.6%	\$7,998,796	-131.3%

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.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

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, 2014 were 7% and 7.7%, for police and fire personnel, respectively.

Annual Pension Cost

The Town's annual pension cost of approximately \$34,300 and \$270,000 for MERS police and fire personnel, respectively, was equal to the Town's required and actual contributions for the year ended June 30, 2014.

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>
6/30/2014	\$34,300	100%	\$ 0
6/30/2013	\$23,700	100%	\$ 0
6/30/2012	\$ 7,500	100%	\$ 0

Municipal Police Employees
Participant Information (June 30, 2013) 9 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>
6/30/2014	\$270,000	100%	\$ 0
6/30/2013	\$213,000	100%	\$ 0
6/30/2012	\$239,000	100%	\$ 0

Municipal Fire Employees
Participant Information (June 30, 2013) 55 Active; 2 Retired

The required contribution for fiscal 2014 was determined as part of the actuarial valuation performed as of June 30, 2011. The most recent valuation of the plans within the system was performed as of June 30, 2013. 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, 2014**

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) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((a-b)/c)
Police Officers Plan June 30, 2013	\$89,704	\$101,920	\$(12,216)	88.0%	\$402,190	-3%
Firefighters Plan June 30, 2013	\$4,090,050	\$4,315,039	\$(224,989)	94.8%	\$3,087,880	-7.3%

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.

(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 2014, the total employer rate was 20.68% (8.42% State share and 12.26% local share). The State share of the employer contribution rate includes the total cost of prior contribution deferrals which was .24% for fiscal 2014.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

10. DEFINED BENEFIT PENSION PLANS (Continued)

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

Funding Policy (Continued)

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 \$2,653,900, \$2,435,300 and \$2,816,400 during the fiscal years 2014, 2013 and 2012, 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, 2014 amounted to approximately \$1,737,300.

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.

(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.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

10. DEFINED BENEFIT PENSION PLANS (Continued)

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

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.

At June 30, 2014, approximately 86 active employees (55 police officers and 31 firefighters) and 183 retirees (100 police officers and 83 firefighters) were enrolled in the police and firefighter pay-as-you-go pension plan. For the year ended June 30, 2014, contributions to the pension trust fund were approximately \$6,144,000, which consisted of approximately \$726,000 from the employees (\$370,000 from police officers and \$356,000 from firefighters) and \$5,417,000 from the Town (\$2,780,000 for police officers and \$2,637,000 for firefighters). The Town's payroll for police officers and firefighters covered under this plan was approximately \$8,191,000 (\$4,637,000 for police officers and \$3,554,000 for firefighters).

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, 2014 was as follows:

Annual required contribution (ARC)	\$12,959,000
Interest on net pension obligation	1,847,000
Adjustment to ARC	<u>(2,243,000)</u>
Annual pension cost	12,563,000
Town contributions made	<u>5,417,000</u>
Increase in net pension obligation	7,146,000
Net pension benefit obligation, June 30, 2013	<u>24,630,000</u>
Net pension benefit obligation, June 30, 2014	<u>\$31,776,000</u>

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

10. DEFINED BENEFIT PENSION PLANS (Continued)

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

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Town Contribution</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2014	\$5,417,000	\$12,563,000	43%	\$31,776,000
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

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, 2013 were as follows (unaudited):

Actuarial cost method.....	Entry age normal cost
Amortization method	Level dollar
Remaining amortization period	23 years remaining as of July 1, 2013
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 – 271 (Police – 156; Fire – 115)

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, 2013 which is the most recent report available from the administrator of this plan.

Actuarial value of assets - \$37,867,444
Actuarial accrued liability - \$147,734,998
Unfunded actuarial accrued liability (UAAL) - \$109,867,554
Funded Ratio – 25.63%
Annual covered payroll - \$8,266,379
UAAL as percentage of payroll – 1,329.09%

11. GASB 67 – FINANCIAL REPORTING FOR PENSION PLANS

The Town adopted GASB Statement No. 67, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25*. This Statement is applicable for the Police and Fire Pension Plans which are reported in the basic financial statements as Fiduciary Trust Funds. The objective of GASB 67 is to improve financial reporting by state and local governmental pension plans. The information below is required by GASB Statement No. 67 as additional disclosures related to the Police and Fire Pension Plans (Fiduciary Trust Fund) which are described in Note 10.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

11. GASB 67 – FINANCIAL REPORTING FOR PENSION PLANS (Continued)

Plan Administration

In accordance with the Plan Document dated April 21, 2011, management of the Plan is overseen by the Johnston Retirement Board, which consists of seven members. Per the Plan Document, the Retirement Board shall hold regular meetings at least once every calendar quarter. The primary responsibilities of the members of the Retirement Board are to oversee and administer investment-related actions and decision with respect to the assets of the Trust Fund.

Investment Policy

The Town's Retirement Board establishes the pension Plan's policy regarding asset allocation. Plan assets are managed with a long-term objective of achieving a fully funded status of the benefit provided through the Plan. The following was the Plan's adopted asset allocation policy as of June 30, 2014:

<u>Asset Class</u>	<u>Target Allocation</u>
U.S. Large Cap Equity	10.50%
U.S. Mid Cap Equity.....	12.50%
U.S. Small Cap Equity.....	13.50%
Foreign Equity	13.50%
Fixed Income.....	49.00%
Cash and Cash Equivalents.....	1.00%

Concentrations

The following represent pension plan held investments (other than those issued or explicitly guaranteed by the U.S. Government) in any one organization that represented 5 percent or more of the pension plan's fiduciary net position at June 30, 2014:

<u>Investment</u>	<u>% of Pension Fiduciary Net Position</u>	<u>Fair Market Value</u>
<i>Equities:</i>		
IShares Russell Mid-Cap	13.53%	\$5,590,585
IShares Russell 1000	11.70%	\$4,843,109
IShares Tr Russell 2000	6.96%	\$2,877,475
IShares S&P Small-Cap 600	7.83%	\$3,238,504
IShares MSCI EAFE	13.42%	\$5,544,737
<i>Fixed Income:</i>		
IShares 1-3yr Treasury Bond Etf	6.01%	\$2,482,682
IShares Intermediate Govt/Credit Bond Etf	7.76%	\$3,209,046
IShares 1-3yr Cr Bond Etf	6.05%	\$2,501,023

Rate of Return

For the year ended June 30, 2014 the annual money-weighted weighted rate of return on pension plan investments, net of pension plan expense was 7.5% for the police and fire pension plans. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for changing amounts actually invested.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

11. GASB 67 – FINANCIAL REPORTING FOR PENSION PLANS (Continued)

Rate of Return (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014 are summarized in the following table (rates shown include the inflation component). These rates are applicable for the police and fire pension trust fund.

Asset Class:	Long-Term Expected Rate of Return
Domestic equity	6.80%
Fixed income	2.80%

Net Pension Liability

The net pension liability consisted of the following components at June 30, 2014:

Component:	Fire Pension Plan	Police Pension Plan	Total Police and Fire Pension Trust Fund
Total pension liability	\$115,244,867	\$109,083,513	\$224,328,380
Plan fiduciary net position	(\$23,996,750)	(\$17,325,085)	(\$41,321,835)
Net pension liability	\$91,248,117	\$91,758,428	\$183,006,545
Plan fiduciary net position as a percentage of the total pension liability	20.82%	15.88%	18.42%

Discount Rate

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following represents the net pension liability, calculated using the applicable discount rates as noted above, as well as what the plans net pension liability would be if it were calculated using a discount rate that was 1% point lower or 1% point higher than the current rate.

Police and Fire Pension Trust Fund:	1% Decrease (3.72%)	Current Discount Rate (4.72%)	1% Increase (5.72%)
Net Pension Liability	\$222,719,168	\$183,006,545	\$152,051,281

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

12. 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 \$1,888,000 and \$797,00, respectively, during the fiscal year ended June 30, 2014. The employer contribution of \$797,000 consisted of \$40,000 for general municipal employees, \$39,000 for noncertified school employees, and \$718,000 for certified teachers.

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, 2014 amounted to approximately \$82,300.

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.

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

In addition to the pension benefits described in Notes 10 and 12, the Town provides post employment health care benefits and life insurance in accordance with certain union contracts. These benefits are currently recognized on a pay-as-you go basis. A description of these OPEB benefits, by employee group, is described below:

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

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

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 year ending June 30, 2014*. This report dated July 25, 2014 can be obtained by contacting the Town's Finance Department.

Funding Policy

The Annual Required Contribution (ARC) for OPEB consists of two pieces: 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 Annual OPEB Cost for Governmental activities for the fiscal year ended June 30, 2014 was \$14,672,746 and represents \$3,586,187 and \$11,086,559, for School and Town personnel, respectively. The Annual OPEB Cost for Business-type activities for the fiscal year ended June 30, 2014 was \$151,732.

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, 2014, expenditures of approximately \$4,764,300 were recognized for post-retirement benefits. Of this amount approximately \$3,157,900 was paid for 309 Town retirees, and \$1,606,400 was paid for 274 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, 2014 which were determined by the actuarial valuation report with a valuation date of July 1, 2013. As a result, the government-wide financial statements include a long-term liability of \$70,989,313 and an expense for this Net OPEB Obligation (NOO) of \$10,060,213.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

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

Funding Policy (Continued)

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

	Governmental Activities	Business-Type Activities
Annual Required Contribution	\$15,062,231	\$152,193
Interest on existing NOO	2,129,999	2,520
Adjustment to ARC	<u>(2,519,484)</u>	<u>(2,981)</u>
Annual OPEB cost.....	14,672,746	151,732
Contribution made during fiscal 2014.....	<u>(4,764,265)</u>	<u>0</u>
Net increase in NOO	9,908,481	151,732
NOO at June 30, 2013.....	<u>60,857,091</u>	<u>72,009</u>
NOO at June 30, 2014.....	<u>\$70,765,572</u>	<u>\$223,741</u>

Trend Information – Governmental Activities

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

Trend Information – Business-Type Activities

Fiscal Year Ending	Annual OPEB Cost	Contribution Made	% of OPEB Contributed	Net OPEB Obligation
6/30/2014	\$151,732	\$0	0%	\$223,741
6/30/2013	\$ 13,569	\$0	0%	\$ 72,009
6/30/2012	\$ 10,523	\$0	0%	\$ 58,440

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, 2013 which is the most recent report available from the actuary who was hired by the Town to value the plan.

Governmental Activities:

- Actuarial value of assets - \$0
- Actuarial accrued liability (AAL) - \$198,288,651
- Unfunded actuarial accrued liability (UAAL) - \$198,288,651
- Funded ratio – 0.00%
- Annual covered payroll – N/A
- UAAL as percent of payroll – N/A

Business-Type Activities:

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

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

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

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

Actuarial Assumptions:

- a. Valuation Date: July 1, 2013
- b. Actuarial Cost Method: Projected Unit Credit
- c. Amortization Method: Payments increasing at 3.5%
- d. Amortization Period: 30 year closed (25 years remaining at July 1, 2013)
- e. Asset Valuation Method: Market Value
- f. Investment Rate of Return: 3.5%
- g. Medical/Drug cost trend rate – 9% decreasing by 0.5% for 8 years to an ultimate level of 5.0% per year.

Number of Participants:

At July 1, 2013 the total number of participants under the plan was 1,204. The plan participants include 583 current retirees and spouses (Town and School) and 621 active employees (Town and School).

14. 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, 2014 Non-Spendable Fund Balance consisted of the following:

General Fund:	
Prepays	\$ 738,647
School Unrestricted Fund:	
Prepays	<u>11,921</u>
Total Non-spendable fund balance	<u>\$ 750,568</u>

At June 30, 2014 Restricted Fund Balance consisted of the following:

Other Governmental Funds:	
Special Revenue Funds:	
Education	\$ 113,356
Community Development.....	3,076
Law Enforcement	95,181
Parks and Recreation.....	11,414
Historical Records Preservation.....	104,714
Fire Prevention and Education.....	24,615
Library Renovations	127,020

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

14. FUND BALANCES (DEFICITS) (Continued)

(a) Fund Balances (Continued)

Capital Project Funds:

School Renovations	132,630
Parks and Recreation.....	12,121
Capital Lease Reserve.....	17,688
Other Capital projects	6,665,654
School Athletic Complex	<u>2,158,020</u>
Total Restricted fund balance.....	<u>\$9,465,489</u>

At June 30, 2014 Committed Fund Balance consisted of the following:

School Unrestricted Fund:

Committed for Education.....	\$4,993,355
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Other Governmental Funds:

Fire Department Expenses	217,603
Fire Equipment and Apparatus	<u>450,313</u>
Total Committed fund balance	<u>\$5,661,271</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.

(b) Fund Deficits

The following individual funds incurred operating deficits for the year ended June 30, 2014, as follows:

Non-major Governmental Funds:

Special Revenue Funds:

School Restricted Fund	\$ 63,791
Police Special Account	2,710
ARRA EECBG	52
NRCS.....	21
Historical Trust Fund.....	121,328
State JAG Grant.....	2,839
Champlin Grant.....	11,322

Capital Project Funds:

Rainone Gym Renovations.....	4,900
Pezza Property Acquisition.....	39
Capital Improvements.....	3,481
Capital Lease 2011	15,803
Capital Project 2013 Series A.....	<u>985,347</u>

**Total deficits non-major governmental activities for
the year ended June 30, 2014** **\$ 1,211,633**

Proprietary Fund:

Summer School	<u>\$ 1,455</u>
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TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

15. RISK MANAGEMENT and HEALTHCARE MANAGEMENT FUND

Healthcare

Effective July 1, 2008 the Town of Johnston established a Healthcare Management Fund (an Internal Service Fund) to account for its healthcare coverage programs for current active and retired employees. In addition, effective July 1, 2008 the Town became a member of Rhode Island Municipal Insurance Corporation (RIMIC), a collaborative of various municipal entities, for health insurance claims. All departments of the Town participate in the self-insurance program (cost plus basis) through RIMIC. Effective fiscal 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, 2014 the stop loss insurance contract covered all claims exceeding \$250,000 per individual on an annual basis. In addition, specific stop loss maximum for the Town for the year is maintained at approximately \$1,750,000.

The Town's Finance Department oversees the self-insured program for all Town employees and claims payment services are provided by Blue Cross and Blue Shield of Rhode Island and Delta Dental of Rhode Island (Plan Administration). All funds of the Town make payments to the Healthcare Management Fund (an Internal Service Fund) based on actual claims or based on estimated working rates. Healthcare claims incurred by the Healthcare Management Fund for the fiscal year ended June 30, 2014 were approximately \$14,658,000 which represented approximately \$6,832,000 and \$7,826,000 for Town and School Department personnel, respectively. At June 30, 2014 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, 2014 as follows:

	<u>2014</u>	<u>2013</u>
IBNR at beginning of year.....	\$ 588,418	\$ 473,063
Claims incurred during the year.....	14,658,170	13,866,599
Claims paid during the year.....	<u>(14,522,153)</u>	<u>(13,751,244)</u>
IBNR at June 30.....	<u>\$ 724,435</u>	<u>\$ 588,418</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.

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

15. RISK MANAGEMENT and HEALTHCARE MANAGEMENT FUND (Continued)

Other Insurance

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.

16. 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, 2014 was approximately \$3,435,000. In addition to the \$3.43 million the Town also recognized revenue for Tipping Fees of approximately \$317,000 during the fiscal year ended June 30, 2014.
- 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, 2014**

16. 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, 2014.

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

2015	\$ 2,500,000
2016	<u>2,500,000</u>
Total	<u>\$ 5,000,000</u>

17. 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 \$2,024,000.

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, 2014, 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, 2014, 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, 2014**

17. 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, 2014, the outstanding balance for both of these loans was approximately \$62,500 while the total amount available under this program (for both loans) was approximately \$188,400.

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, 2014 was approximately \$26,000. The liability has been recorded in the Government-Wide Statements at June 30, 2014. 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 \$1,023,987. This potential obligation has been reported as a liability in the Police and Fire Pension Trust Fund (a Fiduciary Fund) as of June 30, 2014. 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, 2014, 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.

At June 30, 2014 the Town had several contractual construction commitments totaling approximately \$2,131,800 related to the following capital projects:

Athletic Field Project	\$ 2,125,800
Garage Modifications Project.....	6,000
Total	<u>\$ 2,131,800</u>

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

18. CASH FLOW

During the year ended June 30, 2014 the Town received a federal award for principal forgiveness totaling \$15,547 to be applied towards fiscal 2014 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.

19. SUBSEQUENT EVENT

On August 1, 2014, the Town entered into a 5-year capital lease agreement in the amount of \$750,000 for acquisition of various vehicles and equipment.

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TOWN OF JOHNSTON, RHODE ISLAND

REQUIRED SUPPLEMENTARY INFORMATION



TOWN OF JOHNSTON, RHODE ISLAND**Schedule of Funding Progress for Pension Plans**

June 30, 2014

UNAUDITED

	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Funding Excess (Deficit)	Funded Ratio	Covered Payroll	Funding Excess (Deficit) as A percentage of Covered Payroll
General municipal employees							
pension plan.....	6/30/2008	\$ 31,206,540	\$ 35,051,692	\$ (3,845,152)	89.0%	\$ 8,570,160	-44.9%
	6/30/2009	\$ 30,947,972	\$ 37,747,077	\$ (6,799,105)	82.0%	\$ 8,196,113	-83.0%
	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%
	6/30/2013	\$ 29,304,056	\$ 39,806,322	\$ (10,502,266)	73.6%	\$ 7,998,796	-131.3%
Post July 1, 1999 Fire employees							
pension plan.....	6/30/2008	\$ 1,711,089	\$ 1,599,225	\$ 111,864	107.0%	\$ 1,663,174	6.7%
	6/30/2009	\$ 1,941,048	\$ 1,944,014	\$ (2,966)	99.8%	\$ 2,316,237	-0.1%
	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%
	6/30/2013	\$ 4,090,050	\$ 4,315,039	\$ (224,989)	94.8%	\$ 3,087,880	-7.3%
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%
	6/30/2013	\$ 89,704	\$ 101,920	\$ (12,216)	88.0%	\$ 402,190	-3.0%

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...							
	7/1/2005	\$ 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%
	7/1/2013	\$ 37,867,444	\$ 147,734,998	\$ (109,867,554)	25.63%	\$ 8,266,379	-1329.09%

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, 2014
UNAUDITED**

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Tax revenues:				
Current year	\$ 65,849,882	\$ 65,849,882	\$ 66,698,337	\$ 848,455
1st preceding year	1,800,000	1,800,000	1,662,661	(137,339)
2nd preceding year	0	0	561,773	561,773
All other preceding years	0	0	238,436	238,436
Abatements	(100,000)	(100,000)	(36,259)	63,741
Power plant tax treaty	2,500,000	2,500,000	2,500,000	0
Total revenues	70,049,882	70,049,882	71,624,948	1,575,066
Departmental fees and revenue:				
Business licenses and registration	75,000	75,000	61,945	(13,055)
Non business licenses and fees	175,000	175,000	102,298	(72,702)
Infrastructure fees	25,000	25,000	12,854	(12,146)
Inspection fees:				
Mechanical	30,000	30,000	0	(30,000)
Plumbing	40,000	40,000	171,374	131,374
Building	365,000	365,000	688,166	323,166
Electrical	95,000	95,000	97,685	2,685
Engineering fees	7,000	7,000	8,900	1,900
Public works	1,000	1,000	0	(1,000)
DPW - release and discharge of liens	45,000	45,000	261,053	216,053
Zoning board	65,000	65,000	48,272	(16,728)
Planning board fees	85,000	85,000	66,948	(18,052)
Tax collector's fees	40,000	40,000	24,657	(15,343)
Investment and interest income	75,000	75,000	106,593	31,593
Municipal court fees	475,000	475,000	254,056	(220,944)
Recreation program fees	2,250	2,250	0	(2,250)
Entertainment licenses	2,500	2,500	1,800	(700)
Marriage, death, and birth certificates	30,000	30,000	30,966	966
Stamps	235,000	235,000	159,232	(75,768)
Advertising	16,000	16,000	15,522	(478)
Recording/probate land evidence	270,000	270,000	258,613	(11,387)
Probate fees	40,000	40,000	25,511	(14,489)
Police fees	1,000	1,000	1,104	104
VIN number checks	25,000	25,000	32,722	7,722
Fire department revenues	1,000	1,000	476	(524)
Fire plan review fees	125,000	125,000	126,169	1,169
Annual PILOT Ridgewood/RIRRC	50,000	50,000	320,548	270,548
Tipping fees	275,000	275,000	316,584	41,584
Cell phone towers	185,000	185,000	183,513	(1,487)
Interest and penalties on property tax	550,000	550,000	940,006	390,006
Rescue services reimbursement	950,000	950,000	967,329	17,329
Housing authority	30,000	30,000	37,134	7,134
Total departmental fees and revenue	4,385,750	4,385,750	5,322,030	936,280

(Continued)

TOWN OF JOHNSTON, RHODE ISLANDSTATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND - BUDGETARY BASISFOR THE YEAR ENDED JUNE 30, 2014
UNAUDITED

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
State and federal aid grants:				
State aid - school	11,756,085	11,756,085	11,778,991	22,906
School housing aid	350,000	350,000	405,774	55,774
Motor vehicle phase out	373,565	373,565	376,545	2,980
Solid waste in lieu of taxes	3,493,594	3,493,594	3,434,680	(58,914)
Public service corporation tax	346,235	346,235	390,714	44,479
Meal and beverage tax distribution	491,071	491,071	487,631	(3,440)
Library aid	120,380	120,380	120,380	0
Total state and federal aid grants	16,930,930	16,930,930	16,994,715	63,785
Miscellaneous	741,000	741,000	733,970	(7,030)
School miscellaneous	795,000	795,000	951,545	156,545
Total revenues before other financing sources	92,902,562	92,902,562	95,627,208	2,724,646
Other financing sources:				
Transfer from other funds	350,000	350,000	175,000	(175,000)
Total other financing sources	350,000	350,000	175,000	(175,000)
Total revenues and other financing sources	93,252,562	93,252,562	95,802,208	2,549,646

(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, 2014
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	2,502	2,502	2,685	(183)
Retirement town's share	1,106	1,106	1,003	103
Department	100	100	0	100
Telephone	2,500	2,500	1,407	1,093
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	1,327	2,673
Total Town Council	47,408	47,408	41,522	5,886
Mayor:				
Mayor's salary	75,000	75,000	75,289	(289)
Chief of Staff salary	32,500	32,500	32,625	(125)
Full time salaries	45,500	45,500	47,735	(2,235)
FICA	11,705	11,705	11,742	(37)
Health insurance	37,920	37,920	37,920	0
Life insurance	144	144	221	(77)
Retirement town's share	7,288	7,288	7,500	(212)
Office	3,500	3,500	1,678	1,822
Equipment lease	2,295	2,295	2,350	(55)
Telephone	500	500	169	331
Department expense	3,000	3,000	6,712	(3,712)
Total Mayor	219,352	219,352	223,941	(4,589)
Courts:				
Probate court	7,500	7,500	7,529	(29)
FICA	574	574	576	(2)
Health Insurance	13,882	13,882	13,882	0
Life Insurance	0	0	60	(60)
Department	100	100	98	2
Total Courts	22,056	22,056	22,145	(89)
Canvassers:				
Board salaries	6,000	6,000	5,917	83
Full time salaries	75,087	75,087	75,183	(96)
Overtime salaries	-	-	65	(65)
Severance	-	-	3,402	(3,402)
FICA	5,744	5,744	6,393	(649)
Health Insurance	20,141	20,141	20,141	0
Life Insurance	144	144	160	(16)
Retirement town's share	12,029	12,029	11,961	68
Office	9,000	9,000	2,901	6,099
Department expense	500	500	467	33
Equipment lease	831	831	853	(22)
Election expense	-	-	444	(444)
Total Canvassers	129,476	129,476	127,887	1,589
Legal:				
Salaries	52,000	52,000	52,200	(200)
Health insurance	18,960	18,960	18,960	0
Life insurance	0	0	53	(53)
FICA	3,978	3,978	3,993	(15)
Hourly billings	500,000	500,000	512,228	(12,228)
Contingency: judgments	100,000	100,000	39,282	60,718
Legal services	30,000	30,000	18,147	11,853
Office	500	500	215	285
Total Legal	705,438	705,438	645,078	60,360

(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, 2014
UNAUDITED

	Originally Adopted Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Legislative, judicial and general administrative (continued):				
Town Clerk:				
Salaries	149,454	149,454	158,030	(8,576)
FICA	11,433	11,433	11,870	(437)
Health insurance	45,067	45,067	45,067	0
Life insurance	216	216	240	(24)
Retirement town's share	23,101	23,101	23,792	(691)
Stenographer	15,000	15,000	12,063	2,937
Department expense	1,500	1,500	1,274	226
Office	2,700	2,700	3,024	(324)
Equipment lease	1,900	1,900	2,202	(302)
Operating	21,000	21,000	15,840	5,160
Total town clerk	271,371	271,371	273,402	(2,031)
Zoning Board:				
Board salaries	8,800	8,800	8,800	0
FICA	673	673	673	0
Life insurance	0	0	59	(59)
Stenographer	5,100	5,100	5,136	(36)
Department	600	600	1,335	(735)
Total zoning board	15,173	15,173	16,003	(830)
Total legislative, judicial, and general administrative	1,410,274	1,410,274	1,349,978	60,296
Financial Administration:				
Finance:				
Salaries	486,749	486,749	504,980	(18,231)
FICA	37,236	37,236	37,667	(431)
Health insurance	139,866	139,866	139,866	0
Life insurance	720	720	802	(82)
Retirement town's share	77,977	77,977	78,123	(146)
Office	5,000	5,000	6,366	(1,366)
Audit	42,000	42,000	52,950	(10,950)
Consulting fee	83,200	83,200	81,405	1,795
Department expense	16,625	16,625	19,025	(2,400)
Dues, publications, and subscriptions	1,000	1,000	1,235	(235)
Payroll processing	33,000	33,000	34,313	(1,313)
Training	2,000	2,000	1,287	713
Fiscal advisor	2,500	2,500	5,517	(3,017)
Computer service contracts	9,400	9,400	6,758	2,642
Postage	10,000	10,000	10,183	(183)
Bank and bond fees	7,500	7,500	6,934	566
Telephone	7,500	7,500	10,058	(2,558)
Tax collection fees	10,000	10,000	6,591	3,409
Equipment lease purchase	435	435	365	70
Total financial administration	972,708	972,708	1,004,425	(31,717)
Assessor:				
Full-time salaries	128,095	128,095	125,774	2,321
Part time & overtime salaries	6,350	6,350	4,086	2,264
FICA	10,285	10,285	9,711	574
Health insurance	45,067	45,067	45,067	0
Life insurance	216	216	241	(25)
Retirement town's share	20,521	20,521	19,759	762
Processing tax roll	30,000	30,000	33,172	(3,172)
Computer service contracts	13,200	13,200	15,986	(2,786)
Consulting fee	3,500	3,500	0	3,500
Equipment service contract	1,100	1,100	1,734	(634)
Office	5,800	5,800	4,494	1,306
Department expense	2,000	2,000	518	1,482
Dues, publications, and subscriptions	250	250	0	250
Equipment lease	1,500	1,500	0	1,500
Total assessor	267,884	267,884	260,542	7,342

(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, 2014
UNAUDITED

	Originally Adopted Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Public safety:				
Police Department:				
Salaries	4,270,174	4,270,174	4,155,928	114,246
Overtime salaries	650,000	650,000	783,180	(133,180)
JARE overtime salaries	125,000	125,000	99,273	25,727
Civilian overtime salaries	30,000	30,000	55,709	(25,709)
Part time salaries	81,991	81,991	54,147	27,844
Holiday salaries	218,627	218,627	212,555	6,072
Training and college	30,000	30,000	37,684	(7,684)
Training and accreditation	2,500	2,500	1,757	743
FICA	450,265	450,265	479,041	(28,776)
Health insurance	1,220,678	1,220,678	1,220,678	0
Life insurance	13,074	13,074	16,289	(3,215)
Severance pay	150,000	150,000	16,459	133,541
Longevity	265,134	265,134	235,101	30,033
Gasoline	135,000	135,000	152,755	(17,755)
Arms and ammunition	12,000	12,000	15,362	(3,362)
Clothing and maintenance	122,500	122,500	121,016	1,484
Firearm allowance	35,000	35,000	33,000	2,000
Police pension	2,069,035	2,069,035	2,086,690	(17,655)
Bureau of criminal investigation	15,000	15,000	16,230	(1,230)
Office	14,000	14,000	14,269	(269)
Police chief department expense	3,000	3,000	2,087	913
Retirement	688,017	688,017	675,729	12,288
Retiree health insurance	923,202	923,202	923,202	0
Retiree life insurance	11,210	11,210	16,369	(5,159)
Dues and publications	2,000	2,000	1,941	59
Radio maintenance	6,500	6,500	3,596	2,904
Vehicle repair deductible	11,000	11,000	15,328	(4,328)
Equipment rental	4,900	4,900	4,723	177
Computer service contracts	25,000	25,000	24,188	812
Equipment maintenance	6,000	6,000	14,241	(8,241)
Explorer	9,000	9,000	4,782	4,218
Utilities	47,500	47,500	42,243	5,257
Telephone	45,000	45,000	54,983	(9,983)
Rent	1,800	1,800	1,800	0
Department expense	19,500	19,500	19,050	450
Recruits expense	0	0	7,544	(7,544)
Animal control	10,000	10,000	7,713	2,287
Grant matching funds	1,700	1,700	36,903	(35,203)
Capital purchases	0	0	5,288	(5,288)
Injured on duty TPA	4,000	4,000	4,000	0
Information technology	2,500	2,500	2,381	119
Military surplus	3,000	3,000	0	3,000
Medicare	241,234	241,234	241,234	0
Total police department	11,976,041	11,976,041	11,916,448	59,593
Municipal Court:				
Full time salaries	72,634	72,634	110,464	(37,830)
Part time salaries	35,000	35,000	0	35,000
Auxiliary judge	1,000	1,000	800	200
FICA	8,234	8,234	8,291	(57)
Health insurance	37,920	37,920	37,920	0
Life insurance	144	144	221	(77)
Retirement town's share	11,636	11,636	11,470	166
Utilities	12,000	12,000	7,785	4,215
Office	2,700	2,700	2,345	355
Building maintenance	1,000	1,000	1,243	(243)
Telephone	1,200	1,200	1,827	(627)
Service contracts	7,500	7,500	5,452	2,048
Department	4,000	4,000	1,852	2,148
Equipment lease	720	720	1,561	(841)
Total municipal court	195,688	195,688	191,231	4,457

(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, 2014
UNAUDITED

	Originally Adopted Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Public safety (continued):				
Fire department:				
Department salaries	4,876,230	4,876,230	4,830,912	45,318
Part-time salaries	10,500	10,500	9,495	1,005
Call-back and overtime salaries	1,750,000	1,750,000	2,477,218	(727,218)
Longevity	597,165	597,165	579,313	17,852
Holiday salaries	284,818	284,818	272,468	12,350
Unused sick day bonus	18,000	18,000	613	17,387
FICA	591,420	591,420	611,729	(20,309)
Health insurance	1,491,742	1,491,742	1,491,742	0
Life insurance	13,876	13,876	16,135	(2,259)
Severance pay	150,000	150,000	140,584	9,416
Radio maintenance	20,000	20,000	27,992	(7,992)
Fire prevention	5,000	5,000	5,369	(369)
Sanitary supplies	10,000	10,000	15,325	(5,325)
Clothing and allowance	163,800	163,800	161,200	2,600
Fire alarm	10,000	10,000	28,418	(18,418)
First aid and ambulance service	70,000	70,000	81,756	(11,756)
Gasoline	90,000	90,000	58,686	31,314
Office	8,050	8,050	10,981	(2,931)
Haz-Mat stipend	70,980	70,980	69,741	1,239
Fire pension	2,133,874	2,133,874	2,221,629	(87,755)
SCBA operations	9,000	9,000	3,947	5,053
Utilities	90,000	90,000	118,554	(28,554)
Telephone	30,000	30,000	47,973	(17,973)
Rent	1,800	1,800	1,800	0
Hydrants	179,400	179,400	175,648	3,752
Hazardous materials	8,000	8,000	10,042	(2,042)
Fire chief department expense	4,280	4,280	1,832	2,448
Retirement	769,223	769,223	687,135	82,088
Retiree health insurance	1,053,023	1,053,023	1,053,023	0
Training and college	30,000	30,000	48,736	(18,736)
Equipment rental	1,400	1,400	2,008	(608)
Department expense	5,000	5,000	10,399	(5,399)
Building maintenance	7,000	7,000	23,948	(16,948)
Fire fighter equipment and supplies	50,800	50,800	64,929	(14,129)
Injured on duty TPA	5,200	5,200	6,200	(1,000)
Grant matching funds	10,000	10,000	0	10,000
Vehicle repairs	70,000	70,000	98,577	(28,577)
Medicare	91,067	91,067	91,067	0
Total fire department	14,780,648	14,780,648	15,557,124	(776,476)
Emergency Management:				
Salaries	5,000	5,000	5,000	0
FICA	383	383	765	(382)
Total emergency management	5,383	5,383	5,765	(382)
Total public safety	26,957,760	26,957,760	27,670,568	(712,808)

(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, 2014
UNAUDITED

	Originally Adopted Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Public works department:				
Streets and highways:				
Salaries	645,785	645,785	534,105	111,680
Overtime	65,000	65,000	95,676	(30,676)
FICA	53,993	53,993	49,093	4,900
Health insurance	196,893	196,893	196,893	0
Life insurance	972	972	1,244	(272)
Severance pay	0	0	20,522	(20,522)
Retirement town's share	101,853	101,853	82,859	18,994
Snow removal	125,000	125,000	211,680	(86,680)
Drainage	5,000	5,000	1,080	3,920
Street lighting	500,000	500,000	721,071	(221,071)
Street and traffic control	20,000	20,000	6,311	13,689
Street and highway materials	60,000	60,000	53,710	6,290
Equipment maintenance	2,500	2,500	295	2,205
Total streets and highways	1,776,996	1,776,996	1,974,539	(197,543)
Building maintenance:				
Salaries	90,264	90,264	90,989	(725)
Part-time salaries	17,680	17,680	16,560	1,120
Overtime	7,100	7,100	4,166	2,934
FICA	8,801	8,801	8,387	414
Health insurance	37,920	37,920	37,920	0
Life insurance	144	144	342	(198)
Retirement town's share	14,460	14,460	14,226	234
Building supplies	50,500	50,500	52,898	(2,398)
Department expense	500	500	463	37
Total building maintenance	227,369	227,369	225,951	1,418
Public Works Administration:				
Salaries	222,701	222,701	236,815	(14,114)
Overtime	1,000	1,000	4,495	(3,495)
FICA	17,113	17,113	18,215	(1,102)
Health insurance	64,026	64,026	64,026	0
Life insurance	360	360	401	(41)
Retirement town's share	35,677	35,677	37,096	(1,419)
Bidding and advertising	600	600	2,095	(1,495)
Garbage collections	1,380,000	1,380,000	1,380,000	0
Recycling bins	6,000	6,000	393	5,607
Safety equipment	7,000	7,000	3,946	3,054
Tree removal	18,000	18,000	16,700	1,300
Gasoline	100,000	100,000	131,363	(31,363)
Equipment lease	10,000	10,000	10,015	(15)
Telephone	17,000	17,000	16,555	445
Utilities	38,100	38,100	34,851	3,249
Office expense	7,700	7,700	7,323	377
Department	4,000	4,000	138,509	(134,509)
Uniforms	8,200	8,200	7,526	674
Total public works administration	1,937,477	1,937,477	2,110,324	(172,847)
Sewer Department:				
Salaries	55,000	55,000	55,185	(185)
FICA	4,208	4,208	4,142	66
Health insurance	18,959	18,959	18,959	0
Life insurance	72	72	80	(8)
Retirement town's share	4,806	4,806	4,725	81
Department	9,000	9,000	0	9,000
Dues, publications and subscriptions	3,000	3,000	125	2,875
Total sewer department	95,045	95,045	83,216	11,829

(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, 2014
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	5,668	3,257
FICA	1,234	1,234	988	246
Postage	750	750	269	481
Bidding and advertising	200	200	59	141
Board salaries	7,200	7,200	7,250	(50)
Total waste water management	18,309	18,309	14,234	4,075
Fleet maintenance:				
Salaries	191,594	191,594	158,650	32,944
Overtime salaries	10,000	10,000	12,619	(2,619)
FICA	15,422	15,422	12,882	2,540
Health insurance	45,067	45,067	45,067	0
Life insurance	288	288	321	(33)
Retirement town's share	30,453	30,453	24,607	5,846
Vehicle repair - Police	45,000	45,000	41,201	3,799
Vehicle repair - Highway	55,000	55,000	111,059	(56,059)
Vehicle repair - Inspectors	1,000	1,000	300	700
Department expense	1,000	1,000	0	1,000
Total fleet maintenance	394,824	394,824	406,706	(11,882)
Inspector's fees:				
Salaries	30,843	30,843	33,178	(2,335)
Overtime	1,500	1,500	1,227	273
Plumbing inspector's salary	14,683	14,683	14,462	221
Building inspector's salary	12,000	12,000	8,330	3,670
Electrical inspector's salary	14,683	14,683	9,747	4,936
Mechanical inspector	7,342	7,342	385	6,957
Building official	70,000	70,000	70,570	(570)
FICA	16,528	16,528	15,471	1,057
Health Insurance	26,106	26,106	26,106	0
Life Insurance	504	504	241	263
Retirement town's share	26,568	26,568	26,541	27
Dues, publications and subscriptions	150	150	120	30
Office	3,500	3,500	3,892	(392)
Code enforcement inspector	65,000	65,000	65,250	(250)
Department expense	3,000	3,000	2,722	278
Total inspector's office	292,407	292,407	278,242	14,165

(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, 2014
UNAUDITED

	Originally Adopted Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Public works department (Continued):				
Parks and recreation:				
Park salaries	484,066	484,066	489,481	(5,415)
Recreation salaries	128,477	128,477	130,932	(2,455)
Overtime salaries	5,000	5,000	30,785	(25,785)
Part time salaries	29,452	29,452	42,163	(12,711)
FICA	49,669	49,669	52,008	(2,339)
Health insurance	227,666	227,666	227,666	0
Life insurance	1,044	1,044	1,184	(140)
Retirement town's share	98,493	98,493	96,626	1,867
Equipment maintenance	4,000	4,000	3,320	680
Park maintenance	25,000	25,000	40,342	(15,342)
Vehicle repairs	6,500	6,500	4,038	2,462
Equipment lease	1,000	1,000	1,332	(332)
Recreation supplies	500	500	272	228
Utilities	40,000	40,000	47,960	(7,960)
Gasoline	18,000	18,000	19,943	(1,943)
Telephone	10,000	10,000	11,779	(1,779)
Uniforms	3,000	3,000	3,736	(736)
Office	1,700	1,700	1,275	425
Office fire expense	0	0	3,348	(3,348)
Day camp	1,000	1,000	2,570	(1,570)
Raione gym parking rental	5,000	5,000	5,000	0
Department	4,000	4,000	7,876	(3,876)
Total parks and recreation	1,143,567	1,143,567	1,223,636	(80,069)
Total public works	5,885,994	5,885,994	6,316,848	(430,854)
Municipal land trust:				
Employee benefits	551	551	531	20
Board salaries	7,200	7,200	7,200	0
Total municipal land trust	7,751	7,751	7,731	20
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	35,614	35,614	42,359	(6,745)
FICA	2,724	2,724	3,161	(437)
Health insurance	18,959	18,959	18,959	0
Life insurance	72	72	80	(8)
Retirement town's share	5,705	5,705	5,619	86
Office	500	500	255	245
Department expense	600	600	1,018	(418)
Total personnel	64,174	64,174	71,451	(7,277)
Total human resources	67,808	67,808	74,035	(6,227)

(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, 2014
UNAUDITED

	Originally Adopted Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Miscellaneous appropriations:				
General liability insurance	521,000	521,000	623,557	(102,557)
Workers compensation insurance	215,000	215,000	220,434	(5,434)
FICA	16,424	16,424	14,693	1,731
Health insurance retirees	410,122	410,122	410,122	0
Declination - health & dental insurance	224,016	224,016	214,896	9,120
Retirement town's share	9,604	9,604	9,604	0
Unemployment compensation	5,000	5,000	11,320	(6,320)
Stop - loss health insurance	250,000	250,000	250,000	0
Dues, publications, and subscriptions	3,000	3,000	599	2,401
Sealer of weights and measures	6,000	6,000	6,000	0
Tree warden	600	600	0	600
Contingency	15,500	15,500	13,554	1,946
Human needs program	5,000	5,000	5,000	0
Rent	3,800	3,800	3,800	0
Police / fire pension actuarial	30,000	30,000	27,325	2,675
Tri-Town	30,000	30,000	30,000	0
Utilities	19,000	19,000	22,182	(3,182)
Medicare	326,544	326,544	326,544	0
Johnston Senior Citizen Center, Inc.	221,411	221,411	223,168	(1,757)
Total miscellaneous appropriations	2,312,021	2,312,021	2,412,798	(100,777)
Planning and Assessment Board:				
Planning Board:				
Full time salaries	106,848	106,848	72,713	34,135
Overtime	500	500	2,443	(1,943)
Severance Pay	0	0	20,195	(20,195)
Board salaries	7,200	7,200	7,117	83
FICA	6,168	6,168	8,782	(2,614)
Health insurance	18,959	18,959	18,959	0
Life insurance	72	72	80	(8)
Retirement town's share	17,117	17,117	13,937	3,180
Stenographer	6,000	6,000	3,832	2,168
Department expense	2,100	2,100	341	1,759
Office	1,700	1,700	1,055	645
Bidding and advertising	2,000	2,000	673	1,327
Dues, publications and subscriptions	4,855	4,855	2,345	2,510
Total planning board	173,519	173,519	152,472	21,047
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	176,264	176,264	155,217	21,047

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND - BUDGETARY BASIS (CONTINUED)FOR THE YEAR ENDED JUNE 30, 2014
UNAUDITED

	Originally Adopted Budget	Final Budget	Actual Budgetary Basis	Variance Positive Positive (Negative)
Library:				
Full time salaries	242,282	242,282	237,975	4,307
Part time salaries	105,960	105,960	95,399	10,561
Overtime	0	0	2,031	(2,031)
FICA	25,983	25,983	25,139	844
Health insurance	109,093	109,093	109,093	0
Life insurance	504	504	561	(57)
Retirement town's share	38,814	38,814	37,453	1,361
Books and media	20,000	20,000	18,841	1,159
Dues and publications	300	300	300	0
Bidding and advertising	250	250	0	250
Computer service contracts	30,800	30,800	30,297	503
Auto expense	500	500	173	327
Conferences	200	200	0	200
Sanitary supplies	1,000	1,000	0	1,000
Printing	500	500	0	500
Training	500	500	0	500
Utilities	26,260	26,260	22,269	3,991
Telephone	2,000	2,000	1,044	956
Building maintenance	6,500	6,500	5,896	604
Office	4,800	4,800	4,442	358
Department expense	3,500	3,500	3,295	205
Total library	619,746	619,746	594,208	25,538
Debt service:				
Bond interest expense	919,354	919,354	850,233	69,121
Master lease interest expense	35,535	35,535	29,017	6,518
Bonded debt payments	1,701,905	1,701,905	1,563,800	138,105
Master lease principal payments	477,246	477,246	400,630	76,616
Fund balance restoration	1,760,212	1,760,212	1,760,212	0
Total debt service	4,894,252	4,894,252	4,603,892	290,360
Total expenditures before other financing uses:	43,572,462	43,572,462	44,450,242	(877,780)
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	12,551,085	12,551,085	12,730,536	(179,451)
Total other budgeted financing uses	49,680,100	49,680,100	49,859,551	(179,451)
Total expenditures and other budgeted financing uses	93,252,562	93,252,562	94,309,793	(1,057,231)
Net change in fund balance	\$ -	\$ -	1,492,415	\$ 1,492,415
<i>Inclusion of net income of Police Detail Fund with the General Fund, for GAAP purposes, not part of budget</i>			73,082	
<i>Inclusion of net income of Fire Dept Detail Fund with the General Fund, for GAAP purposes, not part of budget</i>			22,479	
<i>Expenditure "fund balance restoration" which represents funds placed into a reserve fund for budget purposes but not allowed for GAAP</i>			1,510,212	
Net Change in Fund Balances - GAAP Basis (Exhibit B-2)			3,098,188	

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

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

**FOR THE YEAR ENDED JUNE 30, 2014
UNAUDITED**

REVENUES

Total General Fund revenues and other financing sources, from Exhibit B-2	\$ 84,202,248
Adjustments:	
School State Aid budgeted in General Fund	11,778,991
School Medicaid reimbursement budgeted in General Fund	824,728
School's miscellaneous income budgeted in General Fund	126,817
Transfer to non-major fund, segregated as other financing uses for GAAP, netted against revenue for budgetary basis	(3,020)
Police Department revenue segregated for GAAP purposes, netted against expenditures for budgetary basis	(45,000)
State of RI grant revenue segregated for GAAP purposes, netted against expenditures for budgetary basis	(136,437)
Transfer to non-major fund, segregated as other financing uses for GAAP purposes, netted against revenue for budgetary basis	(200,000)
Inclusion of revenue (net of transfer out) of Police Detail Fund with the General Fund, for GAAP purposes, not part of budget	(716,596)
Inclusion of revenue of Fire Dept. Detail Fund with the General Fund, for GAAP purposes, not part of budget	(29,523)
Total budgetary basis revenues and other financing sources from RSI-2 (pg. 71)	<u><u>\$ 95,802,208</u></u>

EXPENDITURES

Total General Fund expenditures and other financing uses, from Exhibit B-2	\$ 81,104,060
Adjustments:	
School State Aid budgeted in General Fund	11,778,991
School Medicaid reimbursement budgeted in General Fund	824,728
School's miscellaneous income budgeted in General Fund	126,817
Expenditure "fund balance restoration" which represents funds placed into a reserve fund for budget purposes but not allowed for GAAP	1,510,212
Transfer to non-major fund, segregated as other financing uses for GAAP, netted against revenue for budgetary basis	(3,020)
Police Department revenue segregated for GAAP purposes, netted against expenditures for budgetary basis	(45,000)
State of RI grant revenue segregated for GAAP purposes, netted against expenditures for budgetary basis	(136,437)
Transfer to non-major fund, segregated as other financing uses for GAAP purposes, netted against revenue for budgetary basis	(200,000)
Inclusion of expenditures of Police Detail Fund with the General Fund, for GAAP purposes, not part of budget	(643,514)
Inclusion of expenditures of Fire Dept. Detail Funds with the General Fund, for GAAP purposes, not part of budget	(7,044)
Total budgetary basis expenditures and other financing uses, from RSI-2 (pg. 80)	<u><u>\$ 94,309,793</u></u>

(CONCLUDED)

TOWN OF JOHNSTON, RHODE ISLAND

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

**FOR THE YEAR ENDED JUNE 30, 2014
UNAUDITED**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:				
Expenditures:				
Salaries	\$ 26,000,071	\$ 26,000,071	\$ 25,916,699	\$ 83,372
Employee benefits	12,450,939	12,450,939	11,678,078	772,861
Purchased services	8,896,759	8,896,759	8,974,660	(77,901)
Supplies and materials	2,332,331	2,332,331	1,078,688	1,253,643
Other	-	-	27,369	(27,369)
Capital outlay	-	-	1,043,299	(1,043,299)
Total expenditures	<u>49,680,100</u>	<u>49,680,100</u>	<u>48,718,793</u>	<u>961,307</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(49,680,100)</u>	<u>(49,680,100)</u>	<u>(48,718,793)</u>	<u>961,307</u>
Other financing sources (uses):				
Transfer from Town of Johnston General Fund	37,129,015	37,129,015	37,129,015	-
Transfer from Town General Fund - State Aid	11,756,085	11,756,085	11,778,991	22,906
Transfer from Town General Fund - Medicaid & Other	795,000	795,000	951,545	156,545
Total other financing sources (uses)	<u>49,680,100</u>	<u>49,680,100</u>	<u>49,859,551</u>	<u>179,451</u>
 NET CHANGE IN FUND BALANCES	 <u>\$ -</u>	 <u>\$ -</u>	 1,140,758	 <u>\$ 1,140,758</u>
 Less fiscal 2013 encumbrances considered expenditures for GAAP			(312,622)	
Add back fiscal 2014 encumbrances not considered expenditures for GAAP			<u>763,791</u>	
 Net Change in Fund Balances - GAAP Basis (Exhibit B-2)			 <u>\$ 1,591,927</u>	

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

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

**FOR THE YEAR ENDED JUNE 30, 2014
UNAUDITED**

REVENUES

Total School Unrestricted revenues and other financing sources, from Exhibit B-2	\$ 51,679,165
Adjustments:	
State on behalf pension contribution not budgeted	(1,819,614)
Total budgetary basis revenues and other financing sources from RSI-3 (pg. 82)	<u>\$ 49,859,551</u>

EXPENDITURES

Total School Unrestricted expenditures and other financing uses, from Exhibit B-2	\$ 50,087,238
Adjustments:	
Prior year encumbrances	(312,622)
Current year encumbrances	763,791
State on behalf pension contribution not budgeted	(1,819,614)
Total budgetary basis expenditures and other financing uses, from RSI-3 (pg. 82)	<u>\$ 48,718,793</u>

(CONCLUDED)

TOWN OF JOHNSTON, RHODE ISLAND

Schedule of Funding Progress for OPEB Plans
Pay-As-You-Go Assumptions
June 30, 2014
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
	7/1/2013	\$0	\$ 146,758,567	\$ (146,758,567)	0%	N/A	N/A
School Department employees....	6/30/2008	\$0	\$ 88,344,515	\$ (88,344,515)	0%	N/A	N/A
	6/30/2010	\$0	\$ 52,715,821	\$ (52,715,821)	0%	N/A	N/A
	7/1/2012	\$0	\$ 45,350,965	\$ (45,350,965)	0%	N/A	N/A
	7/1/2013	\$0	\$ 51,530,084	\$ (51,530,084)	0%	N/A	N/A
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
	7/1/2013	\$0	\$ 198,288,651	\$ (198,288,651)	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
	7/1/2013	\$0	\$ 1,297,957	\$ (1,297,957)	0%	N/A	N/A

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

TOWN OF JOHNSTON, RHODE ISLAND

**Schedule of Changes in Net Pension Liability and Related Ratios
For the Year Ended June 30, 2014
UNAUDITED**

	<u>Fire Pension Plan 2014</u>	<u>Police Pension Plan 2014</u>	<u>Total Police and Fire Pension Trust Fund</u>
Total pension liability:			
Service cost	\$ 2,208,787	\$ 3,486,338	\$ 5,695,125
Interest	5,185,774	4,843,141	10,028,915
Changes of benefit terms	-	-	-
Differences between expected and actual experience	-	-	-
Changes in assumptions	-	-	-
Benefit payments	(4,035,577)	(3,929,063)	(7,964,640)
Net change in total pension liability	3,358,984	4,400,416	7,759,400
Total pension liability - beginning	111,885,883	104,573,453	216,459,336
Total pension liability - ending (a)	<u>\$ 115,244,867</u>	<u>\$ 108,973,869</u>	<u>\$ 224,218,736</u>
Plan fiduciary net position:			
Contribution - employer	\$ 2,552,099	\$ 2,646,308	\$ 5,198,407
Contribution - employee	218,117	370,817	588,934
Net investment income	3,182,620	2,282,988	5,465,608
Benefit payments, including refunds of employee contributions	(4,035,577)	(3,929,063)	(7,964,640)
Administrative expenses	(40,000)	(40,000)	(80,000)
Other	68,219	68,219	136,438
Net change in plan fiduciary net position	1,945,478	1,399,269	3,344,747
Plan fiduciary net position - beginning	22,051,272	15,816,172	37,867,444
Plan fiduciary net position - ending (b)	<u>\$ 23,996,750</u>	<u>\$ 17,215,441</u>	<u>\$ 41,212,191</u>
Plan's net pension liability - ending (a)-(b)	<u>\$ 91,248,117</u>	<u>\$ 91,758,428</u>	<u>\$ 183,006,545</u>
Plan fiduciary net position as a percentage of the total pension liability	20.82%	15.80%	18.38%
Covered-employee payroll	\$ 2,860,868	\$ 4,586,273	\$ 7,447,141
Net pension liability as a percentage of covered-employee payroll	3189.53%	2000.72%	2457.41%

Notes:

There have been no changes in benefit provisions since GASB 67 implementation.

There have been no assumption changes since GASB 67 implementation.

The information in this schedule is intended to show 10 years. However as of June 30, 2014 only one year is available.

TOWN OF JOHNSTON, RHODE ISLAND

Schedule of Employer Contributions, Investment Returns, and Employer's Net Pension Liability
June 30, 2014
UNAUDITED

Schedule of Employer Contributions

	Year Ended June 30	Actuarially Determined Contribution	Actual Contribution	Contribution (Deficiency) Excess	Covered Payroll	Actual Contribution as a % of Covered Payroll
Police and Fire Pension Trust Fund	2014	\$12,959,095	\$5,198,407	(\$7,760,688)	\$7,447,141	69.80%

Schedule of Investment Returns

	Year Ended June 30	Actual Money Weighted Rate of Return, Net of Investment Expenses
Police and Fire Pension Trust Fund	2014	7.50%

Schedule of Employer's Net Pension Liability

	Year Ended June 30	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as a % of Total Pension Liability	Covered Payroll	Net Pension Liability as a % of Covered Payroll
Police and Fire Pension Trust Fund	2014	\$224,328,380	\$41,321,835	(\$183,006,545)	18.42%	\$7,447,141	-2457.41%

The information in these schedules is intended to show 10 years. However as of June 30, 2014 only one year is 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, 2014:

****School Restricted Funds**

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
Fire Plan Review
Fire Prevention
Memorial Library Fund
State JAG Grant
Secure Our Schools
Champlin Grant

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

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

Title III
Target Grant
Verizon Foundation
RISCA
Scholarship America
RI Education Foundation
Walmart Grant
Donation & Miscellaneous Grant
Perkins Vocational
General Assembly
Champlin MS
Feinstein Elementary
Festival Fete

TOWN OF JOHNSTON, RHODE ISLAND

NONMAJOR GOVERNMENTAL FUNDS (Continued)

CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Funding sources include debt proceeds, intergovernmental sources, third party contributions and General Fund operating transfers. The following funds are considered Capital Project Funds at June 30, 2014:

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

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

TOWN OF JOHNSTON, RHODE ISLAND

*Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014*

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
ASSETS									
Cash and cash equivalents	\$ 468	\$ 13,456	\$ 132,846	\$ 16,840					
Due from federal & state governments	812,187	53,278			\$ 4,793	\$ 12,253			
Due from other funds	113,789				2,943				
TOTAL ASSETS	\$ 926,444	\$ 66,734	\$ 132,846	\$ 16,840	\$ 7,736	\$ 12,253	\$ -	\$ -	\$ -
LIABILITIES AND FUND BALANCE									
LIABILITIES									
Accounts payable	\$ 300	\$ 17,000	\$ 61,044	\$ 5,001	\$ 7,736				
Due to federal & state governments			11,301						
Due to other funds	812,713	46,658		425		\$ 8,364			
Unearned revenue	75								
TOTAL LIABILITIES	813,088	63,658	72,345	5,426	7,736	8,364	\$ -	\$ -	\$ -
FUND BALANCES									
Restricted	113,356	3,076	60,501	11,414	-	3,889	-	-	-
Committed									
TOTAL FUND BALANCES	113,356	3,076	60,501	11,414	-	3,889	-	-	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 926,444	\$ 66,734	\$ 132,846	\$ 16,840	\$ 7,736	\$ 12,253	\$ -	\$ -	\$ -

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2014

SPECIAL REVENUE FUNDS

	Historical Trust Fund	Fire Plan Review	Fire Prevention	Memorial Library Fund	State JAG Grant	Secure Our Schools	Champlin Grant	Total Special Revenue Fund
ASSETS								
Cash and cash equivalents	\$ 101,585			\$ 128,090				\$ 393,285
Due from federal & state governments								882,511
Due from other funds	3,129	\$ 217,603	\$ 24,615			\$ 30,791		392,870
TOTAL ASSETS	\$ 104,714	\$ 217,603	\$ 24,615	\$ 128,090	\$ -	\$ 30,791	\$ -	\$ 1,668,666
LIABILITIES AND FUND BALANCE								
LIABILITIES								
Accounts payable				\$ 1,070				\$ 92,151
Due to federal & state governments								11,301
Due to other funds								868,160
Unearned revenue								75
TOTAL LIABILITIES	\$ -	\$ -	\$ -	1,070	\$ -	\$ -	\$ -	971,687
FUND BALANCES								
Restricted	104,714		24,615	127,020	-	30,791	-	479,376
Committed		217,603						217,603
TOTAL FUND BALANCES	104,714	217,603	24,615	127,020	-	30,791	-	696,979
TOTAL LIABILITIES AND FUND BALANCES	\$ 104,714	\$ 217,603	\$ 24,615	\$ 128,090	\$ -	\$ 30,791	\$ -	\$ 1,668,666

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014**

CAPITAL PROJECT FUNDS

	School Facilities Fund	Rainone Gym Renovations	Unobligated Capital Fund	DAM Renovations	Pezza Property Acquisition	Dams Escrow Fund	Capital Improvements	Fire Equipment
ASSETS								
Cash and cash equivalents	\$ 132,630				\$ 5,762	\$ 500,540		\$ 250,313
Due from federal & state governments								
Due from other funds		\$ 49,547	\$ 45,327	\$ 57,745			\$ 2,513	200,000
TOTAL ASSETS	\$ 132,630	\$ 49,547	\$ 45,327	\$ 57,745	\$ 5,762	\$ 500,540	\$ 2,513	\$ 450,313
LIABILITIES AND FUND BALANCE								
LIABILITIES								
Accounts payable						\$ 4,886		
Due to federal & state governments								
Due to other funds		\$ 37,426						
Unearned revenue						250,000		
TOTAL LIABILITIES	\$ -	37,426	\$ -	\$ -	\$ -	254,886	\$ -	\$ -
FUND BALANCES								
Restricted	132,630	12,121	45,327	57,745	5,762	245,654	2,513	
Committed								450,313
TOTAL FUND BALANCES	132,630	12,121	45,327	57,745	5,762	245,654	2,513	450,313
TOTAL LIABILITIES AND FUND BALANCES	\$ 132,630	\$ 49,547	\$ 45,327	\$ 57,745	\$ 5,762	\$ 500,540	\$ 2,513	\$ 450,313

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014

CAPITAL PROJECT FUNDS

	Capital Project Fund	Capital Lease 2011	Capital Lease 2014	Capital Project 2013 Series A	School Athletic Complex	School Wireless Classroom Initiative	Total Capital Project Funds	Total Nonmajor Government Funds
ASSETS								
Cash and cash equivalents	\$ 2,418,813	\$ 17,688		\$ 3,905,396	\$ 2,617,600		\$ 9,848,742	\$ 10,242,027
Due from federal & state governments						\$ 182,842	182,842	1,065,353
Due from other funds				74,591			429,723	822,593
TOTAL ASSETS	\$ 2,418,813	\$ 17,688	\$ -	\$ 3,979,987	\$ 2,617,600	\$ 182,842	\$ 10,461,307	\$ 12,129,973
LIABILITIES AND FUND BALANCE								
LIABILITIES								
Accounts payable	\$ 40,600				\$ 459,580		\$ 505,066	\$ 597,217
Due to federal & state governments							-	11,301
Due to other funds	49,547					\$ 182,842	269,815	1,137,975
Unearned revenue							250,000	250,075
TOTAL LIABILITIES	90,147	\$ -	\$ -	\$ -	459,580	182,842	1,024,881	1,996,568
FUND BALANCES								
Restricted	2,328,666	17,688	-	3,979,987	2,158,020	-	8,986,113	9,465,489
Committed							450,313	667,916
TOTAL FUND BALANCES	2,328,666	17,688	-	3,979,987	2,158,020	-	9,436,426	10,133,405
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,418,813	\$ 17,688	\$ -	\$ 3,979,987	\$ 2,617,600	\$ 182,842	\$ 10,461,307	\$ 12,129,973

(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, 2014**

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
REVENUES									
Federal and state grants	\$ 1,762,744	\$ 141,788			\$ 23,477	\$ 37,596		\$ 6,384	\$ 909
Investment income				\$ 47					
Other	31,769		\$ 65,034	17,673					
Total revenues	1,794,513	141,788	65,034	17,720	23,477	37,596	\$ -	6,384	909
EXPENDITURES									
Current:									
Education	1,858,304								
Other expenses		141,788	6,700	12,839	23,477	37,596	52	9,404	
Capital outlays			61,044						930
Bond issuance cost									
Total expenditures	1,858,304	141,788	67,744	12,839	23,477	37,596	52	9,404	930
Excess (deficiency) of revenues over (under) expenditures	(63,791)	-	(2,710)	4,881	-	-	(52)	(3,020)	(21)
Other financing sources (uses):									
Issuance of bonds and lease purchase obligations									
Transfers in								3,020	
Transfers out									
Total other financing sources	-	-	-	-	-	-	-	3,020	-
Net change in fund balances	(63,791)	-	(2,710)	4,881	-	-	(52)	-	(21)
Fund balances (deficits) - July 1, 2013	177,147	3,076	63,211	6,533	-	3,889	52	-	21
Fund balances (deficits) - June 30, 2014	\$ 113,356	\$ 3,076	\$ 60,501	\$ 11,414	\$ -	\$ 3,889	\$ -	\$ -	\$ -

(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, 2014*

	SPECIAL REVENUE FUNDS							
	Historical Trust Fund	Fire Plan Review	Fire Prevention	Memorial Library Fund	State JAG Grant	Secure Our Schools	Champlin Grant	Total Special Revenue Funds
REVENUES								
Federal and state grants								\$ 1,972,898
Investment income	\$ 579						\$ 8	634
Other	33,268	\$ 300,569	\$ 9,190	\$ 15,418				472,921
Total revenues	<u>33,847</u>	<u>300,569</u>	<u>9,190</u>	<u>15,418</u>	<u>\$ -</u>	<u>\$ -</u>	<u>8</u>	<u>2,446,453</u>
EXPENDITURES								
Current:								
Education								1,858,304
Other expenses	155,175	6,197	7,549	6,251	2,839		11,330	421,197
Capital outlays								61,974
Bond issuance cost								
Total expenditures	<u>155,175</u>	<u>6,197</u>	<u>7,549</u>	<u>6,251</u>	<u>2,839</u>	<u>-</u>	<u>11,330</u>	<u>2,341,475</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(121,328)</u>	<u>294,372</u>	<u>1,641</u>	<u>9,167</u>	<u>(2,839)</u>	<u>-</u>	<u>(11,322)</u>	<u>104,978</u>
Other financing sources (uses):								
Issuance of bonds and lease purchase obligations								-
Transfers in								3,020
Transfers out		(125,000)						(125,000)
Total other financing sources	<u>-</u>	<u>(125,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(121,980)</u>
Net change in fund balances	<u>(121,328)</u>	<u>169,372</u>	<u>1,641</u>	<u>9,167</u>	<u>(2,839)</u>	<u>-</u>	<u>(11,322)</u>	<u>(17,002)</u>
Fund balances (deficits) - July 1, 2013	<u>226,042</u>	<u>48,231</u>	<u>22,974</u>	<u>117,853</u>	<u>2,839</u>	<u>30,791</u>	<u>11,322</u>	<u>713,981</u>
Fund balances (deficits) - June 30, 2014	<u>\$ 104,714</u>	<u>\$ 217,603</u>	<u>\$ 24,615</u>	<u>\$ 127,020</u>	<u>\$ -</u>	<u>\$ 30,791</u>	<u>\$ -</u>	<u>\$ 696,979</u>

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the year ended June 30, 2014

CAPITAL PROJECT FUNDS

	School Facilities Fund	Rainone Gym Renovations	Unobligated Capital Fund	DAM Renovations	Pezza Property Acquisition	Dams Escrow Fund	Capital Improvements	Fire Equipment
REVENUES								
Federal and state grants							\$ 2,500	
Investment income	\$ 536					\$ 540		\$ 313
Other								
Total revenues	536	\$ -	\$ -	\$ -	\$ -	540	2,500	313
EXPENDITURES								
Current:								
Education								
Other expenses		4,900			39	4,886	5,981	
Capital outlays								
Bond issuance cost								
Total expenditures	-	4,900	-	-	39	4,886	5,981	-
Excess (deficiency) of revenues over (under) expenditures	536	(4,900)	-	-	(39)	(4,346)	(3,481)	313
Other financing sources (uses):								
Issuance of bonds and lease purchase obligations								
Transfers in						250,000		200,000
Transfers out								
Total other financing sources	-	-	-	-	-	250,000	-	200,000
Net change in fund balances	536	(4,900)	-	-	(39)	245,654	(3,481)	200,313
Fund balances (deficits) - July 1, 2013	132,094	17,021	45,327	57,745	5,801	-	5,994	250,000
Fund balances (deficits) - June 30, 2014	\$ 132,630	\$ 12,121	\$ 45,327	\$ 57,745	\$ 5,762	\$ 245,654	\$ 2,513	\$ 450,313

(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, 2014**

CAPITAL PROJECT FUNDS

	Capital Project Fund	Capital Lease 2011	Capital Lease 2014	Capital Project 2013 Series A	School Athletic Complex	School Wireless Classroom Initiative	Total Capital Project Funds	Total Nonmajor Government Funds
REVENUES								
Federal and state grants						\$ 182,842	\$ 185,342	\$ 2,158,240
Investment income	\$ 601	\$ 3	\$ 9	\$ 8,343	\$ 1,367		11,712	12,346
Other	200,000		1,000	74,591	1,500,000		1,775,591	2,248,512
Total revenues	200,601	3	1,009	82,934	1,501,367	182,842	1,972,645	4,419,098
EXPENDITURES								
Current:								
Education							-	1,858,304
Other expenses	45,788	15,806	194,788				272,188	693,385
Capital outlays	149,647		231,221	1,068,281	1,043,347	182,842	2,675,338	2,737,312
Bond issuance cost	26,500						26,500	26,500
Total expenditures	221,935	15,806	426,009	1,068,281	1,043,347	182,842	2,974,026	5,315,501
Excess (deficiency) of revenues over (under) expenditures	(21,334)	(15,803)	(425,000)	(985,347)	458,020	-	(1,001,381)	(896,403)
Other financing sources (uses):								
Issuance of bonds and lease purchase obligations	4,000,000		425,000				4,425,000	4,425,000
Transfers in					1,700,000		2,150,000	2,153,020
Transfers out	(1,700,000)						(1,700,000)	(1,825,000)
Total other financing sources	2,300,000	-	425,000	-	1,700,000	-	4,875,000	4,753,020
Net change in fund balances	2,278,666	(15,803)	-	(985,347)	2,158,020	-	3,873,619	3,856,617
Fund balances (deficits) - July 1, 2013	50,000	33,491		4,965,334	-	-	5,562,807	6,276,788
Fund balances (deficits) - June 30, 2014	\$ 2,328,666	\$ 17,688	\$ -	\$ 3,979,987	\$ 2,158,020	\$ -	\$ 9,436,426	\$ 10,133,405

(CONCLUDED)

TOWN OF JOHNSTON

EXHIBIT 3

**Combining Balance Sheet
School Restricted Funds
Reported as Nonmajor Governmental Funds
June 30, 2014**

SPECIAL REVENUE FUNDS														
ASSETS	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	Panther Donation	Partner Donation	Aramark Scholarships	PTO Donations
Cash and cash equivalents														
Intergovernmental receivable	\$ 23,945	\$ 477,404	\$ 211,593	\$ 22,979			\$ 13,591		\$ 43,899					
Due from other funds					\$ 60,441	\$ 3,736		\$ 2,081		\$ 2,000	\$ 18,615			
TOTAL ASSETS	\$ 23,945	\$ 477,404	\$ 211,593	\$ 22,979	\$ 60,441	\$ 3,736	\$ 13,591	\$ 2,081	\$ 43,899	\$ 2,000	\$ 18,615	\$ -	\$ -	\$ -
Liabilities:														
Accounts payable								\$ 300						
Due to other funds	\$ 23,945	\$ 477,404	\$ 211,593	\$ 22,979			\$ 13,591		\$ 43,899					\$ 171
Unearned revenue														
Total liabilities	23,945	477,404	211,593	22,979	\$ -	\$ -	13,591	\$ 300	43,899	\$ -	\$ -	\$ -	\$ -	171
Fund balances:														
Restricted	-	-	-	-	60,441	3,736	-	1,781	-	2,000	18,615	-	-	(171)
Total fund balances	-	-	-	-	60,441	3,736	-	1,781	-	2,000	18,615	-	-	(171)
TOTAL LIABILITIES AND FUND BALANCE	\$ 23,945	\$ 477,404	\$ 211,593	\$ 22,979	\$ 60,441	\$ 3,736	\$ 13,591	\$ 2,081	\$ 43,899	\$ 2,000	\$ 18,615	\$ -	\$ -	\$ -

(Continued)

TOWN OF JOHNSTON

EXHIBIT 3 (CONTINUED)

**Combining Balance Sheet
School Restricted Funds
Reported as Nonmajor Governmental Funds
June 30, 2014**

SPECIAL REVENUE FUNDS

ASSETS

	<u>Title III</u>	<u>Target Grant</u>	<u>Verizon Foundation</u>	<u>RISCA</u>	<u>Scholarship America</u>	<u>RI Education Foundation</u>	<u>Walmart Grant</u>	<u>Donation & Misc Grant</u>	<u>Perkins Vocational</u>	<u>General Assembly</u>	<u>Champlin MS</u>	<u>Feinstein Elementary</u>	<u>Festival Fete</u>	<u>Total School Restricted Funds</u>
Cash and cash equivalents											\$ 468			\$ 468
Intergovernmental receivable	\$ 11,532								\$ 7,244					812,187
Due from other funds		\$ 569	\$ 3,512	\$ 738	\$ 3	\$ 150	\$ 150	\$ 12,498		\$ 2,719		\$ 6,569	\$ 8	113,789
TOTAL ASSETS	\$ 11,532	\$ 569	\$ 3,512	\$ 738	\$ 3	\$ 150	\$ 150	\$ 12,498	\$ 7,244	\$ 2,719	\$ 468	\$ 6,569	\$ 8	\$ 926,444
Liabilities:														
Accounts payable														\$ 300
Due to other funds	\$ 11,532								\$ 7,244		\$ 355			812,713
Unearned revenue											61	\$ 14		75
Total liabilities	11,532	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	7,244	\$ -	416	14	\$ -	813,088
Fund balances:														
Restricted	-	569	3,512	738	3	150	150	12,498	-	2,719	52	6,555	8	113,356
Total fund balances	-	569	3,512	738	3	150	150	12,498	-	2,719	52	6,555	8	113,356
TOTAL LIABILITIES AND FUND BALANCE	\$ 11,532	\$ 569	\$ 3,512	\$ 738	\$ 3	\$ 150	\$ 150	\$ 12,498	\$ 7,244	\$ 2,719	\$ 468	\$ 6,569	\$ 8	\$ 926,444

(Concluded)

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 School Restricted Funds
 Reported as Nonmajor Governmental Funds
 For the year ended June 30, 2014

	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	Panther Partner Donation	Aramark Scholarships	PTO Donations	
Revenues:														
Federal and state grants	\$ 30,343	\$ 941,910	\$ 426,260	\$ 88,104			\$ 33,281		\$ 176,997					
Other revenue					\$ 12,500	\$ 2,291		\$ 1,483				\$ 1,500		
Total revenues	30,343	941,910	426,260	88,104	\$ 12,500	2,291	33,281	1,483	176,997	\$ -	\$ -	\$ 1,500	\$ -	
Expenditures:														
Current:														
Salaries	20,014	589,621	302,913	30,845					99,100					
Employee benefits	10,329	312,681	89,044	1,094					30,571					
Purchased services		39,408		56,165		500	33,281	372	47,326			1,500		
Supplies and materials		200	34,303		53,128			892						12,499
Capital outlays														
Total expenditures	30,343	941,910	426,260	88,104	53,128	500	33,281	1,264	176,997	-	-	1,500	12,499	
Net change in fund balances	-	-	-	-	(40,628)	1,791	-	219	-	-	-	-	(12,499)	
Fund balances, July 1, 2013	-	-	-	-	101,069	1,945	-	1,562	-	2,000	18,615	-	12,328	
Fund balances, June 30, 2014	\$ -	\$ -	\$ -	\$ -	\$ 60,441	\$ 3,736	\$ -	\$ 1,781	\$ -	\$ 2,000	\$ 18,615	\$ -	\$ (171)	

(Continued)

TOWN OF JOHNSTON

EXHIBIT 4 (CONCLUDED)

*Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
School Restricted Funds
Reported as Nonmajor Governmental Funds
For the year ended June 30, 2014*

SPECIAL REVENUE FUNDS														
	<u>Title III</u>	<u>Target Grant</u>	<u>Verizon Foundation</u>	<u>RISCA</u>	<u>Scholarship America</u>	<u>RI Education Foundation</u>	<u>Walmart Grant</u>	<u>Donation & Misc Grant</u>	<u>Perkins Vocational</u>	<u>General Assembly</u>	<u>Champlin MS</u>	<u>Feinstein Elementary</u>	<u>Festival Fete</u>	<u>Total School Restricted Funds</u>
Revenues:														
Federal and state grants	\$ 40,852			\$ 272					\$ 22,725	\$ 2,000				\$ 1,762,744
Other revenue		\$ 895						\$ 1,900				\$ 11,000	\$ 200	31,769
Total revenues	40,852	895	\$ -	272	\$ -	\$ -	\$ -	1,900	22,725	\$ 2,000	\$ -	11,000	200	1,794,513
Expenditures:														
Current:														
Salaries	1,076								22,400					1,065,969
Employee benefits	16								325					444,060
Purchased services	7,670	300		223										186,745
Supplies and materials	32,090	191								2,000		26,027	200	161,530
Capital outlays														
Total expenditures	40,852	491	-	223	-	-	-	-	22,725	2,000	-	26,027	200	1,858,304
Net change in fund balances	-	404	-	49	-	-	-	1,900	-	-	-	(15,027)	-	(63,791)
Fund balances, July 1, 2013	-	165	3,512	689	3	150	150	10,598	-	2,719	52	21,582	8	177,147
Fund balances, June 30, 2014	\$ -	\$ 569	\$ 3,512	\$ 738	\$ 3	\$ 150	\$ 150	\$ 12,498	\$ -	\$ 2,719	\$ 52	\$ 6,555	\$ 8	\$ 113,356

(Concluded)

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, 2014:

- 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, 2014**

	Daniel Elder <u>Burial Fund</u>	Manton Perpetual <u>Care</u>	Celina Ester <u>Brook</u>	Sara Irons	Kelly Burial <u>Grounds</u>	Nicholas Smith	Kimball Burial <u>Ground</u>	Richardson <u>Burial Ground</u>	C.T. <u>Tourtellot</u>	Total Private Purpose <u>Funds</u>
ASSETS										
Cash and cash equivalents	\$ 835	\$ 3,889	\$ 3,387	\$ 1,363	\$ 3,689	\$ 1,801	\$ 4,642	\$ 1,350	\$ 1,666	\$ 22,622
Other receivable	40	40	40	40	40	40	40	40	40	360
TOTAL ASSETS	\$ 875	\$ 3,929	\$ 3,427	\$ 1,403	\$ 3,729	\$ 1,841	\$ 4,682	\$ 1,390	\$ 1,706	\$ 22,982
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

TOWN OF JOHNSTON

**Combining Statement of Changes in Net Position
Private Purpose Trust Funds
For the year ended June 30, 2014**

	Daniel Elder Burial Fund	Manton Perpetual Care	Celina Ester Brook	Sara Irons	Kelly Burial Grounds	Nicholas Smith	Kimball Burial Ground	Richardson Burial Ground	C.T. Tourtellot	Total Private Purpose Funds
REVENUES:										
Investment income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
EXPENDITURES:										
Bank fees										-
CHANGE IN NET POSITION	-	-	-	-	-	-	-	-	-	-
NET POSITION- JULY 1, 2013	875	3,929	3,427	1,403	3,729	1,841	4,682	1,390	1,706	22,982
NET POSITION- JUNE 30, 2014	\$ 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, 2014

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<u>STUDENT ACTIVITY FUNDS</u>				
Assets:				
Cash and cash equivalents	\$ 190,191	\$ 190,938	\$ 191,313	\$ 189,816
Total assets	\$ 190,191	\$ 190,938	\$ 191,313	\$ 189,816
Liabilities:				
Due to student groups	\$ 190,191	\$ 190,938	\$ 191,313	\$ 189,816
<u>PERFORMANCE BONDS</u>				
Assets:				
Cash and cash equivalents	\$ 226,481	\$ 14,188	\$ 40	\$ 240,629
Other receivable	107,750	40		107,790
Total assets	\$ 334,231	\$ 14,228	\$ 40	\$ 348,419
Liabilities:				
Deposits held in custody for others	\$ 334,231	\$ 14,228	\$ 40	\$ 348,419
<u>Total - All Agency Funds</u>				
Assets:				
Cash and cash equivalents	\$ 416,672	\$ 205,126	\$ 191,353	\$ 430,445
Other receivable	107,750	40	-	107,790
Total assets	\$ 524,422	\$ 205,166	\$ 191,353	\$ 538,235
Liabilities:				
Due to student groups	\$ 190,191	\$ 190,938	\$ 191,313	\$ 189,816
Deposits held in custody for others	334,231	14,228	40	348,419
Total liabilities	\$ 524,422	\$ 205,166	\$ 191,353	\$ 538,235

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TOWN OF JOHNSTON, RHODE ISLAND

OTHER EXHIBITS



**TOWN OF JOHNSTON, RHODE ISLAND
SCHEDULE OF PROPERTY TAXES RECEIVABLE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

<u>Year</u>	<u>Mill Rate</u>	<u>Property Taxes Receivable July 1, 2013</u>	<u>Current Year Assessment</u>	<u>Transfers Addendums (Net)</u>	<u>Abatements and Adjustments</u>	<u>Amount to be Collected</u>	<u>Collections Net of Refunds</u>	<u>Property Taxes Receivable June 30, 2014</u>
2013	\$28.75		\$ 70,191,873	\$ 347,332	\$ 420,023	\$ 70,119,182	\$ 65,930,727	\$ 4,188,455
2012	\$24.75	\$ 3,782,214		5,714	782	3,787,146	2,254,876	1,532,270
2011	\$24.75	1,443,601		2,365	(3,824)	1,449,790	760,375	689,415
2010	\$23.81	763,474		1,456	6,289	758,641	240,411	518,230
2009	\$19.49	251,277		200,642	579	451,340	19,031	432,309
2008	\$18.91	287,828		1,305	1,763	287,370	9,506	277,864
2007	\$17.84	270,667		1,305	3,169	268,803	1,961	266,842
2006	\$17.41	242,122			543	241,579	1,669	239,910
2005	\$16.99	244,882			1,180	243,702	1,424	242,278
2004	\$16.40	267,682			293	267,389	2,519	264,870
2003	\$26.30	473,910			441,238	32,672	1,804	30,868
2002	\$25.10	495,640			466,628	29,012	742	28,270
2001	\$23.79	378,171			358,606	19,565	589	18,976
2000	\$27.06	382,804			369,721	13,083	610	12,473
1999	\$27.06	356,586			341,903	14,683	261	14,422
1998	\$25.89	331,319			317,795	13,524	89	13,435
1997	\$20.90	91,041			82,478	8,563		8,563
1996	\$20.90	93,531			90,189	3,342		3,342
1995	\$20.90	114,019			110,464	3,555		3,555
1994	\$20.90	90,656			88,136	2,520		2,520
1993	\$34.64	95,350			88,227	7,123		7,123
1992	\$32.90	3,545				3,545		3,545
Subtotal		10,460,319	\$ 70,191,873	\$ 560,119	\$ 3,186,182	\$ 78,026,129	\$ 69,226,594	8,799,535
Less: estimated allowance for uncollectable accounts		\$ (7,069,480)						(5,073,375)
Net property taxes receivable		\$ 3,390,839						\$ 3,726,160

(CONTINUED)

**TOWN OF JOHNSTON, RHODE ISLAND
SCHEDULE OF PROPERTY TAXES RECEIVABLE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

<u>Schedule of Net Assessed Property Value by Category</u>			<u>Reconciliation of Current Year Property Tax Revenue</u>	
<u>Description of Property</u>	<u>Assessed December 31, 2012</u>			
	<u>Valuations</u>	<u>Levy</u>		
Real property	\$ 2,265,249,952	\$ 54,123,070	Collections net of refunds in 2014	\$ 69,226,594
Motor vehicles	253,718,085	8,915,690	Revenue received 60 days subsequent to fiscal year ending June 30, 2014	<u>1,011,952</u>
Tangible property	<u>120,788,450</u>	<u>7,153,113</u>	Subtotal	<u>70,238,546</u>
Total	2,639,756,487	70,191,873	Prior year revenue received in current year (2013 60 day rule)	<u>(1,113,598)</u>
Exemptions and adjustments	<u>421,377,534</u>		Current year property tax revenue	<u><u>\$ 69,124,948</u></u>
Net assessed value	<u><u>\$ 2,218,378,953</u></u>	<u><u>\$ 70,191,873</u></u>		

(CONCLUDED)