



**Basic Financial Statements
And Supplementary Information**

**For the year ended June 30, 2016
Prepared by:**

Finance Department

Town of Johnston, Rhode Island

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

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2016***

Prepared by the Finance Department

PARMELEE POIRIER & ASSOCIATES, LLP

**TOWN OF JOHNSTON, RHODE ISLAND
ANNUAL FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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INTRODUCTORY SECTION

This Section Contains the Following Subsections:

List of Town Officials

TOWN OF JOHNSTON, RHODE ISLAND

ELECTED OFFICIALS

JUNE 30, 2016

MAYOR

Joseph M. Polisena

TOWN COUNCIL

Robert V. Russo, Esquire, President

Stephanie P. Manzi, Vice President

Anthony A. Verardo

David J. Santilli

Richard DeFino, III

SCHOOL COMMITTEE

Janice D. Mele, Chairperson

Robert A. Lafazia, Vice Chairperson

Lauren A. Garzone

Joseph W. Rotella

Gena Bianco

Department Directors

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

FINANCIAL SECTION

This Section Contains the Following Subsections:

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

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Johnston, Rhode Island as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Johnston, Rhode Island, as of June 30, 2016, 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, budgetary comparison information, schedule of funding progress for OPEB, schedule of contributions for pension plans, schedule of changes in net pension liability, schedule of investment return for the local police and fire pension plan, and schedule of proportionate share of the net pension liability on pages 3 through 10 and pages 91 through 121, 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 non-major fund financial statements, the combining and individual private purpose trust fund financial statements, the agency fund financial statements, other supplementary information, and the schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements, the combining and individual private purpose trust fund financial statements, the agency fund financial statements, other supplementary information, and the schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements, the combining and individual private purpose trust fund financial statements, the agency fund financial statements, other supplementary information, and the schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2017 on our consideration of the Town of Johnston, Rhode Island's internal control over financial reporting and on our test 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 the Town of Johnston, Rhode Island's internal control over financial reporting and compliance.

Reissued Financial Statements

As of May 11, 2017, the Town's financial statements report was reissued. The report for the Town of Johnston, Rhode Island Financial Statements, for the year ended June 30, 2016 dated December 23, 2016 should not be relied upon. The purpose of the change was to separate the OPEB Trust Fund from the General Fund and move it into the separately stated trust funds.



Parmelee, Poirier & Associates, LLP
Warwick, Rhode Island
May 11, 2017

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the Town of Johnston, we offer readers of the Town of Johnston's Financial Statements this narrative overview and analysis of the financial activities of the Town of Johnston for the fiscal year ended June 30, 2016.

Financial Highlights

The assets of the Town of Johnston exceeded its liabilities and deferred inflows of resources as of June 30, 2016 by \$31,740,386. This represents an increase in total fund balance of \$3,153,998 from June 30, 2015.

As of June 30, 2016, the general fund balance includes non-spendable fund balance of \$783,836 and unassigned fund balance of \$18,755,908. The general fund balance reported an increase of \$2,270,789 from current operations.

As of June 30, 2016, the total fund balance of the School Unrestricted Fund was \$5,166,063. The School Unrestricted fund balance at June 30, 2015 was \$5,377,049. The net change in the School Unrestricted fund balance for 2016 was (\$170,986).

As of June 30, 2016, the Town of Johnston's governmental wide activities reported total net position of (\$262,048,997). The net position is comprised of \$35,881,374 net investment in capital assets and an unrestricted net position deficit of (\$297,930,371). Also included in this deficit is the negative change in net position, (\$30,326,490), for the fiscal year ended June 30, 2016 for governmental and business type activities as shown in Exhibit A-2.

The Town's Bond Rating with Moody's was affirmed in May 2013. However, Moody's changed the Town's outlook from negative to stable citing the Town's "stabilizing financial operations, reduced OPEB liabilities and plan to improve funding of its pensions plan".

Additionally, in June 2014, the Town's bond rating with Standard & Poor's was upgraded two notches from an "A" to "AA-" due to the Town's "stronger financial performance and position reflecting improved financial management practices, as well as its ongoing progress in implementing cost-containment measures that will considerably improve its long-term unfunded liabilities." The Town has increased the employer pension contributions to the local police officers and firefighters pension plan in accordance with its Financial Improvement Plan submitted to the State of Rhode Island and the Town continues to work on cost containment measures to the local police officers and firefighter's pension plan. S & P offers their rationale in their report stating "the rates reflect our view of an adequate economy, strong management, adequate budgetary performance, strong budget flexibility, very strong liquidity, very strong debt and contingent liabilities profile, and strong Institutional Framework.

Despite the positive rating actions in 2016, the Town continues to face its challenges concerning large unfunded pension liabilities for its local pension plan and large unfunded post – employment benefits for health care. The Town did implement an HSA Plan for all active police officers and firefighters in July 2014 that will lead to decreasing the Town's long-term unfunded liabilities.

Overview of the Financial Statements

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

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

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

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

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

Both of these government-wide financial statements distinguish functions of the Town of Johnston that are principally supported by taxes and intergovernmental revenues (Governmental Activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (Business-type Activities). The governmental activities of the Town of Johnston include legislative, judicial, and administrative; financial administration; assessor's office; public safety; public works; human resources; miscellaneous; planning and assessment board; library; education; other; interest on long-term debt; and debt issuance costs. The business-type activities of the Town of Johnston include water, sewer, cafeteria, summer school and credit recovery operations. The government-wide financial statements can be found on pages 11 and 12 of this report.

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

Governmental funds – Are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds and similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town of Johnston maintains fifty plus individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balance for the General Fund and School Unrestricted Fund. Data from the remaining governmental funds are combined into single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds are provided in the form of combining statements later in this report. The basic governmental fund financial statements can be found on pages 13 through 16 of this report. Details of the combined governmental funds can be found on pages 122 through 135.

Overview of the Financial Statements (continued)

Proprietary funds – Are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Johnston has seven Proprietary Funds, which it has classified as major Enterprise Funds to account for its Water, Sewer, School Cafeteria (food service), Summer School Operations, Athletic Fields, Health Care Management Internal Service Fund and Credit Recovery. The basic proprietary fund financial statements can be found on pages 17 through 20.

Fiduciary funds – Are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the governmental-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, OPEB Trust Fund and agency funds. The basic fiduciary fund financial statements can be found on pages 21 and 22 of this report and are detailed on pages 136 through 138.

Notes to the financial statements – Notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on pages 23 through 90 of this report.

Required Supplementary Information – In addition to the basic financial statements and accompanying notes, the financial statements include required supplementary information which presents a budgetary comparison schedules for the General Fund and School Unrestricted Fund to demonstrate compliance, Schedule of Funding Progress for OPEB Plan, Schedule of Changes in Net Pension Liability and Related Ratios, and Schedule of Employer Contributions, Investment Returns, and Employer's Net Pension Liability. The required supplementary information can be found on pages 91 through 121.

Other Supplementary Information - Includes combining statements referred to earlier in connection with non-major governmental funds and fiduciary funds. These combining statements are located on pages 122 through 138. In addition, supplementary information also includes scheduled of property taxes receivable which are included on pages 139 and 140.

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 and deferred inflows of resources exceeded assets and deferred outflow of resources by \$262,048,997 at the close of 2016.

Government-wide Financial Analysis (continued)

**TOWN OF JOHNSTON, RHODE ISLAND
NET POSITION
(in 000's)**

	Governmental Activities		Business Activities		Total	Total
	2016	2015	2016	2015	2016	2015
Current & other assets	\$ 52,387	\$ 44,433	\$ 6,505	\$ 4,963	\$ 58,892	\$ 49,396
Capital assets	51,925	52,514	11,215	13,012	63,140	65,526
Pension Asset	4,605	5,971	-	-	4,605	5,971
Total Assets	108,917	102,918	17,720	17,975	126,637	120,893
Deferred outflows of resources	31,046	15,125	47	53	31,093	15,178
Current liabilities	15,874	12,599	459	363	16,333	12,962
Long-term liabilities	393,478	342,179	3,254	3,751	396,732	345,930
Total Liabilities	409,352	354,778	3,713	4,114	413,065	358,892
Deferred inflows of resources	6,715	8,902	-	-	6,715	-
Net Position:						
Net investment in capital assets	26,575	27,195	9,306	9,131	35,881	36,326
Unrestricted	(302,679)	(272,831)	4,748	4,782	(297,931)	(268,049)
Total Net Position	\$ (276,104)	\$ (245,636)	\$ 14,054	\$ 13,913	\$ (262,050)	\$ (231,723)

The capital assets (eg., land, building improvements, vehicles, equipment and infrastructure) of the Governmental Activities of the Town of Johnston less outstanding debt equal \$26,575,330. It should be noted that the investment in capital assets is reported net of related debt. Resources needed to repay this debt must be provided from sources, since the capital assets themselves cannot be used to liquidate these liabilities. Additional portions of the Town of Johnston's net position are also subject to external restrictions on how they may be used.

The Town's net position reported a decrease of \$30,326,490 during the current fiscal year. Of this amount, governmental activities accounted for \$30,467,465 of the decrease while business-type activities accounted for an increase of \$140,975.

Financial Analysis of the Government's Funds

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

Governmental funds – The focus of the Town of Johnston's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town of Johnston's financing requirements. In particular, the unassigned fund balance of \$18,755,908 may serve as a valuable assessment of a government's net resources available for spending at the end of the fiscal year. As of June 30, 2016, the Town of Johnston's governmental funds (page 13) reported combined ending fund balances of \$31,740,386.

The General Fund is the chief operating fund of the Town of Johnston, excluding its school department. As of June 30, 2016, the total fund balance of the general fund was \$19,539,744 of which \$18,755,908 was unassigned. The Town's General Fund also has \$783,836 of non-spendable fund balance as of June 30, 2016.

The fund balance of the General Fund increased by \$2,270,789 in fiscal year 2016 as reported on page 15 of the report. Actual revenues and other sources were more than budgeted revenues in the general fund by \$4,830,366 (see page 92). Increases in actual revenues versus budgeted revenues were realized in total tax revenues \$3,408,963, and in departmental revenues and fees \$954,137. Total expenditures and other financing uses were \$2,386,351 more than appropriated amounts (see page 101). The most significant departmental expenditures which exceeded budgeted expenditures were Fire Department \$1,157,908 (call-back and overtime salaries of \$1,447,221) and the Public Works Department \$1,192,016 (street and highway costs of \$1,219,525).

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 \$54,906,416 including a state on-behalf payment to the teacher's pension fund of \$2,196,394 on behalf of the school department. The School Unrestricted Fund expenditures, net of the state pension contribution, accounted for approximately 51.8% 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, Athletic Field Fund, Health Care Management Internal Service 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 of \$118,679, Sewer Fund reported a surplus of \$197,408, Summer School Fund experienced a surplus of \$1,480, Cafeteria Fund reported a deficit of (\$182,667) Athletic Field reported a surplus of \$5,521, and the Credit Recovery Fund reported no activity.

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, 2016, amounts to \$63,140,068 net of accumulated depreciation. This investment in capital assets includes land, buildings, building improvements, vehicles, equipment, infrastructure, and construction in progress. The increase in the Town of Johnston’s net investment in capital assets for the current fiscal year was a negative \$819,454 comprised of acquisitions of capital assets of \$2,788,525 (net of transfers and construction in progress placed in service in 2015) less current year depreciation expense of \$3,607,979.

Additional information on the Town of Johnston’s capital assets can be found in Note 7 (page 41) to the financial statements, which accompany this report.

**TOWN OF JOHNSTON, RHODE ISLAND
CAPITAL ASSETS
(Net of depreciation) in 000's**

	Governmental Activities		Business Activities		Total	Total
	2016	2015	2016	2015	2016	2015
Land	\$ 8,979	\$ 8,979	\$ 40	\$ 40	\$ 9,019	\$ 9,019
Construction in progress	55	324	63	43	118	367
Buildings, improvements, and land improvements	29,485	29,599	-	-	29,485	29,599
Vehicles and equipment	4,314	3,083	183	212	4,497	3,295
Water distributions	-	-	8,773	8,895	8,773	8,895
Infrastructure	9,092	10,529	2,156	2,254	11,248	12,783
Total	\$ 51,925	\$ 52,514	\$ 11,215	\$ 11,444	\$ 63,140	\$ 63,958

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

Long-term debt – At the end of the current fiscal year, the Town of Johnston has total bonded debt outstanding of approximately \$26,431,012 entirely backed by the full faith and credit of the government. In addition, the Town had long-term notes payable commitments outstanding of \$12,005 and long-term lease commitments outstanding of \$1,403,019 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.

Capital Asset and Debt Administration (continued)

Long-term debt (continued)

The current debt limitation for the Town of Johnston is approximately \$69,718,444 based on a net assessed value of \$2,323,948,129 at December 31, 2014, which significantly exceeds the Town of Johnston's current outstanding general obligation debt. It is important to note that the Net pension liability is recognized in long-term debt, the amount of this long-term liability was actuarially calculated at \$277,121,283 (for Governmental Activities) at June 30, 2016 an increase of \$45,128,669 from fiscal year ending June 30, 2015. Also included in long term debt is the June 30, 2016 net OPEB obligation of approximately \$87,819,759, an increase of \$6,770,233 over last fiscal year's estimate is based on the difference of the actual required contribution (ARC) versus the actual contribution.

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

	Governmental Activities		Business Activities		Total	Total
	2016	2015	2016	2015	2016	2015
General Obligation Bonds	\$ 24,346	\$ 23,787	\$ 2,085	\$ 2,253	\$ 26,431	\$ 26,040
Premium on Bonds	156	166	-	-	156	166
Notes Payable	12	20	-	-	12	20
Capital Leases	1,346	1,568	57	112	1,403	1,680
Compensated Absences	7,667	7,989	-	44	7,667	8,033
Net Pension Liability	277,121	231,993	-	-	277,121	231,993
Net OPEB Obligation	87,820	81,050	-	-	87,820	81,050
Claims & Judgements	-	15	-	-	-	15
Total	<u>\$ 398,468</u>	<u>\$ 346,588</u>	<u>\$ 2,142</u>	<u>\$ 2,409</u>	<u>\$ 400,610</u>	<u>\$ 348,997</u>

Additional information on the Town of Johnston's long-term debt obligations can be found in Note 8 (pages 42 to 45) to the financial statements. In addition, details of the OPEB obligation can be found in Note 13, pages 80 through 82, and in required supplementary information.

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

BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements

TOWN OF JOHNSTON, RHODE ISLANDStatement of Net Position
June 30, 2016

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 48,087,258	\$ 214,767	\$ 48,302,025
Accounts and other receivables, net	4,346,906	1,234,113	5,581,019
Due from federal and state governments	2,400,698	-	2,400,698
Inventory	-	14,931	14,931
Prepays and deposits	1,464,424	-	1,464,424
Internal balances	(3,911,889)	3,696,064	(215,825)
Total Current Assets	52,387,397	5,159,875	57,547,272
Noncurrent assets:			
Accounts and other receivables, net	-	1,345,229	1,345,229
Capital Assets, not being depreciated	8,979,478	102,561	9,082,039
Capital Assets, net of accumulated depreciation	42,945,889	11,112,140	54,058,029
Net pension assets	4,604,566	-	4,604,566
Total Noncurrent Assets	56,529,933	12,559,930	69,089,863
TOTAL ASSETS	108,917,330	17,719,805	126,637,135
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred charge on refunding	354,539	46,898	401,437
Deferred pension amounts	30,691,265	-	30,691,265
	31,045,804	46,898	31,092,702
LIABILITIES:			
Current Liabilities:			
Accounts payable	2,476,097	226,086	2,702,183
Accrued expenses	6,853,787	-	6,853,787
Unearned advanced taxes	1,445,925	-	1,445,925
Due to federal and state governments	263,006	-	263,006
Unearned revenue - grants and assessments	-	-	-
Current portion of compensated absences	2,000,000	-	2,000,000
Current portion of capital lease obligations	526,356	56,663	583,019
Current portion of bonds and notes payable	2,309,054	176,140	2,485,194
Current portion of claims and judgments	-	-	-
Total Current Liabilities	15,874,225	458,889	16,333,114
Noncurrent Liabilities:			
Unearned revenue - assessments	-	1,345,229	1,345,229
Compensated absences	5,667,293	-	5,667,293
Net pension liabilities	277,121,283	-	277,121,283
Net OPEB obligation	87,819,759	-	87,819,759
Capital lease obligations	820,000	-	820,000
Bonds and notes payable	22,049,166	1,908,657	23,957,823
Claims and judgments	-	-	-
Total Noncurrent Liabilities	393,477,501	3,253,886	396,731,387
TOTAL LIABILITIES	409,351,726	3,712,775	413,064,501
DEFERRED INFLOWS OF RESOURCES:			
Deferred pension amounts	6,714,887	-	6,714,887
NET POSITION:			
Net investment in capital assets	26,575,330	9,306,044	35,881,374
Unrestricted	(302,678,809)	4,747,884	(297,930,925)
TOTAL NET POSITION	\$ (276,103,479)	\$ 14,053,928	\$ (262,049,551)

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, 2016

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	\$ 35,755,386	\$ 252,852	\$ -	\$ -	\$ (35,502,534)		\$ (35,502,534)
Financial administration	1,117,034	28,320	-	-	(1,088,714)		(1,088,714)
Assessors office	375,284	-	-	-	(375,284)		(375,284)
Public safety	30,800,671	2,205,697	191,766	-	(28,403,208)		(28,403,208)
Public works	8,856,188	872,673	-	-	(7,983,515)		(7,983,515)
Human resources	72,263	-	-	-	(72,263)		(72,263)
Miscellaneous	2,604,657	1,064,184	-	-	(1,540,473)		(1,540,473)
Planning and assessment board	101,192	336,581	-	-	235,389		235,389
Library	731,330	-	130,849	-	(600,481)		(600,481)
Contribution to OPEB	2,000,000	-	-	-	(2,000,000)		(2,000,000)
Education	57,070,974	1,024,252	19,393,734	-	(36,652,988)		(36,652,988)
Other	986,222	525,813	8,338	-	(452,071)		(452,071)
Interest on long-term debt	757,112	-	-	-	(757,112)		(757,112)
Debt issuance costs	-	-	-	-	-		-
Total governmental activities	141,228,313	6,310,372	19,724,687	-	(115,193,254)		(115,193,254)
Business-type activities:							
Water fund	1,162,101	1,280,780	-	-		\$ 118,679	118,679
Sewer fund	527,900	725,308	-	-		197,408	197,408
School cafeteria fund	1,278,692	1,093,560	-	-		(185,132)	(185,132)
Summer school fund	18,645	20,125	-	-		1,480	1,480
Credit recovery fund	-	-	-	-		-	-
Athletic field fund	-	5,521	-	-		5,521	5,521
Total business-type activities	2,987,338	3,125,294	-	-	-	137,956	137,956
Total	\$ 144,215,651	\$ 9,435,666	\$ 19,724,687	\$ -	(115,193,254)	137,956	(115,055,298)
General revenues:							
Property taxes					77,245,232	-	77,245,232
Other taxes					4,487,045	-	4,487,045
Grants and aid not restricted for a specific program					931,664	-	931,664
Unrestricted investment earnings					190,460	2,465	192,925
Miscellaneous					1,871,388	-	1,871,388
Transfers					-	-	-
Total general revenues					84,725,789	2,465	84,728,254
Change in Net Position					(30,467,465)	140,421	(30,327,044)
Net Position - beginning					(245,636,014)	13,913,507	(231,722,507)
Net Position - ending					\$ (276,103,479)	\$ 14,053,928	\$ (262,049,551)

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

Fund Financial Statements

TOWN OF JOHNSTON, RHODE ISLAND

Balance Sheet
Governmental Funds
June 30, 2016

	General Fund	School Unrestricted Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash and cash equivalents	\$ 33,273,571	\$ 1,690,601	\$ 7,140,952	\$ 42,105,124
Accounts and other receivables, net	4,290,692	56,214	-	4,346,906
Due from federal and state governments	1,352,440	-	1,048,258	2,400,698
Prepays	783,836	323,216	-	1,107,052
Due from other funds	-	5,862,994	680,919	6,543,913
TOTAL ASSETS	\$ 39,700,539	\$ 7,933,025	\$ 8,870,129	\$ 56,503,693
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:				
LIABILITIES:				
Accounts payable	\$ 480,555	\$ 300,141	\$ 518,069	\$ 1,298,765
Accrued expenses	4,220,331	2,466,821	-	6,687,152
Unearned advanced taxes	1,195,925	-	-	1,195,925
Due to federal & state governments	252,491	-	10,515	263,006
Due to other funds	11,202,382	-	1,056,966	12,259,348
Unearned revenue - grants	-	-	250,000	250,000
TOTAL LIABILITIES	17,351,684	2,766,962	1,835,550	21,954,196
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenue - property taxes, fees and assessments	2,809,111	-	-	2,809,111
FUND BALANCES:				
Non-spendable	783,836	323,216	-	1,107,052
Restricted	-	-	6,502,097	6,502,097
Committed	-	4,842,847	591,012	5,433,859
Unassigned	18,755,908	-	(58,530)	18,697,378
TOTAL FUND BALANCES	19,539,744	5,166,063	7,034,579	31,740,386
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 39,700,539	\$ 7,933,025	\$ 8,870,129	\$ 56,503,693

(Continued)

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

TOWN OF JOHNSTON, RHODE ISLAND

*Balance Sheet
Governmental Funds
June 30, 2016*

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

Total Fund Balances (B-1)	\$ 31,740,386
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and therefore are not reported in the funds.	51,925,367
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.	354,539
Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund statements.	(398,157,221)
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.	(155,690)
Unavailable revenues (net of an allowance for uncollectibles) are recorded in the fund statements, but are recognized as revenue under the measurement focus employed in the Statement of Net Position.	2,809,111
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.	6,965,720
Net deferred pension outflows amounts are not reported in the governmental fund statements, but are reported on the Statement of Net Position.	30,691,265
Net deferred pension inflows amounts are not reported in the governmental fund statements, but are reported on the Statement of Net Position.	(6,714,887)
Pension assets are not reported in the government fund statements, but are reported on the Statement of Net Position	4,604,566
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.	(166,635)
Total Net Position (A-1)	<u>\$ (276,103,479)</u>

(Concluded)

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

TOWN OF JOHNSTON, RHODE ISLAND

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2016**

	General Fund	School Unrestricted Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:				
Property taxes	\$ 77,017,838	\$ -	\$ -	\$ 77,017,838
Departmental fees and revenues	4,950,326	-	-	4,950,326
State and federal grants	5,504,767	13,985,769	2,400,160	21,890,696
Medicaid reimbursement	-	901,981	-	901,981
Investment income	147,658	-	18,423	166,081
State on behalf pension contributions	-	2,196,394	-	2,196,394
Other miscellaneous	1,411,446	122,271	840,527	2,374,244
TOTAL REVENUES	89,032,035	17,206,415	3,259,110	109,497,560
EXPENDITURES:				
Current:				
Legislative, judicial, and general administrative	1,496,153	-	-	1,496,153
Financial administration	1,117,034	-	-	1,117,034
Assessors office	375,284	-	-	375,284
Public safety	30,108,891	-	-	30,108,891
Public works	7,317,208	-	-	7,317,208
Human resources	72,263	-	-	72,263
Miscellaneous	2,438,983	-	-	2,438,983
Planning and assessment review	101,192	-	-	101,192
Library	628,312	-	-	628,312
Contribution to OPEB trust fund	2,000,000	-	-	2,000,000
Education	-	52,710,022	2,282,848	54,992,870
State contribution to pension plan	-	2,196,394	-	2,196,394
Other	6,392	-	979,830	986,222
Debt Service:				
Principal	2,576,435	-	-	2,576,435
Interest	715,089	-	-	715,089
Bond issuance costs	-	-	-	-
Capital:				
Capital expenditures	-	-	1,971,232	1,971,232
TOTAL EXPENDITURES	48,953,236	54,906,416	5,233,910	109,093,562
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	40,078,799	(37,700,001)	(1,974,800)	403,998
OTHER FINANCING SOURCES (USES)				
Issuance of bonds, notes and lease purchase obligations	-	-	2,750,000	2,750,000
Transfers in	1,970,212	37,529,015	365,263	39,864,490
Transfers out	(39,778,222)	-	(86,268)	(39,864,490)
TOTAL OTHER FINANCING SOURCES (USES)	(37,808,010)	37,529,015	3,028,995	2,750,000
NET CHANGE IN FUND BALANCES	2,270,789	(170,986)	1,054,195	3,153,998
FUND BALANCE AT BEGINNING OF YEAR	17,268,955	5,337,049	5,980,384	28,586,388
FUND BALANCE AT END OF YEAR	\$ 19,539,744	\$ 5,166,063	\$ 7,034,579	\$ 31,740,386

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, 2016**

Net Change in Fund Balances - Total Governmental Funds (B-2):	\$ 3,153,998
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. This is the amount of depreciation in excess of capital outlay.	(589,257)
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 change in net position.	(2,750,000)
State On-Behalf Contribution revenues are reported on the governmental funds using actual contributed amounts. The amount reported on the Government-Wide Statements should reflect the contribution as stated in the actuarial valuation. This is the difference used to gross up revenues to the amount required to be reported under GASB 68.	1,011,515
State On-Behalf Contribution expenditures are reported on the governmental funds using actual contributed amounts. The amount reported on the Government-Wide Statements should reflect the contribution as stated in the actuarial valuation. This is the difference used to gross up expenditures to the amount required to be reported under GASB 68.	(1,011,515)
Governmental funds report principal repayments on debt obligations as an expenditure. However, the repayment of principal has no effect on the net position.	2,576,435
In fiscal year 2015, total long-term liabilities were overstated on the Statement of Net Position by \$176,764. An addition to fund balance is needed to correct the error.	176,764
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 are not reported in the governmental fund 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 unavailable grants, fees, assessments revenue, and unavailable property tax revenue increased from fiscal 2015.	227,394
Adjustment to the estimated net pension liability. The Governmental Fund reflects this activity when it will be paid with measurable and available resources. The increase from prior year balances is reflected in the Statement of Activities and change in net position	(45,128,669)
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 change in net position.	(6,770,233)
Adjustment to compensated absences and accrued claims and judgments. The governmental fund reflects this activity when it will be paid with measurable and available resources. The decrease from prior year balances is reflected in the Statement of Activities and change in net position.	337,020
Excess of internal service funds' revenues over expenses, reported as governmental fund activities in the government-wide Statement of Activities and change in net position.	1,544,580
Adjustment to the estimated net pension asset. The decrease from prior year balances is reflected in the Statement of Activities and change in net position.	(1,366,227)
Adjustment to deferred inflows related to pensions not reported on the governmental funds are reported in the government-wide Statement of Activities and change in net position.	2,187,718
Adjustment to deferred outflows related to pensions not reported on the governmental funds are included in the government-wide Statement of Activities and change in net position.	15,964,498
Decrease in accrued interest on long-term debt obligations. The governmental fund reflects this activity when it will be paid with measurable and available resources. The change from prior year balances is reflected in the Statement of Activities and change in net position.	2,294
Change in Net Position of Governmental Activities in the Statement of Activities (A-2)	\$ (30,467,465)

TOWN OF JOHNSTON, RHODE ISLAND

Statement of Net Position
Proprietary Funds
June 30, 2016

	Business-type Activities - Enterprise Funds						Governmental Activities	
	Water Control Fund	Sewer Fund	Cafeteria Fund	Summer School	Credit Recovery	Athletic Field	Totals	Health Care Management Internal Service Fund
ASSETS:								
<i>Current Assets:</i>								
Cash and cash equivalents	\$ 214,267	\$ -	\$ 500	\$ -	\$ -	\$ -	\$ 214,767	\$ 5,982,134
Accounts and other receivables, net	771,115	462,998	-	-	-	-	1,234,113	-
Intergovernmental receivables	-	-	-	-	-	-	-	-
Deposit	-	-	-	-	-	-	-	352,500
Prepaid expenses	-	-	-	-	-	-	-	4,872
Inventory	-	-	14,931	-	-	-	14,931	-
Due from other funds	3,389,973	75,675	213,451	11,998	-	5,521	3,696,618	1,803,546
Total Current Assets	4,375,355	538,673	228,882	11,998	-	5,521	5,160,429	8,143,052
<i>Non-current Assets:</i>								
Accounts and other receivables, net	-	1,345,229	-	-	-	-	1,345,229	-
Capital Assets, not being depreciated	40,000	62,561	-	-	-	-	102,561	-
Capital Assets, net of accumulated depreciation	8,773,422	2,299,476	39,242	-	-	-	11,112,140	-
Total Noncurrent Assets	8,813,422	3,707,266	39,242	-	-	-	12,559,930	-
TOTAL ASSETS	13,188,777	4,245,939	268,124	11,998	-	5,521	17,720,359	8,143,052
DEFERRED OUTFLOWS OF RESOURCES:								
Deferred charge on refunding	-	46,898	-	-	-	-	46,898	-
LIABILITIES:								
<i>Current Liabilities:</i>								
Accounts payable and accrued expenses	-	13,313	212,773	-	-	-	226,086	1,177,332
Due to other funds	-	-	-	554	-	-	554	-
Current portion of capital lease obligation	-	56,663	-	-	-	-	56,663	-
Current portion of bonds payable	-	176,140	-	-	-	-	176,140	-
Total Current Liabilities	-	246,116	212,773	554	-	-	459,443	1,177,332
<i>Non-current Liabilities:</i>								
Unearned revenue - assessments	-	1,345,229	-	-	-	-	1,345,229	-
Unearned revenue - advanced payment	-	-	-	-	-	-	-	-
Accrued compensated absences	-	-	-	-	-	-	-	-
Net OPEB obligation	-	-	-	-	-	-	-	-
Capital lease obligation	-	-	-	-	-	-	-	-
Bonds payable	-	1,908,657	-	-	-	-	1,908,657	-
Total Noncurrent Liabilities	-	3,253,886	-	-	-	-	3,253,886	-
TOTAL LIABILITIES	-	3,500,002	212,773	554	-	-	3,713,329	1,177,332
NET POSITION:								
Net investment in capital assets	8,813,422	453,380	39,242	-	-	-	9,306,044	-
Unrestricted:								
Reserved for infrastructure replacement	-	-	-	-	-	-	-	-
Reserved for repairs	-	-	-	-	-	-	-	-
Reserve for water system	-	-	-	-	-	-	-	-
Unreserved	4,375,355	339,455	16,109	11,444	-	5,521	4,747,884	6,965,720
TOTAL NET POSITION	\$ 13,188,777	\$ 792,835	\$ 55,351	\$ 11,444	\$ -	\$ 5,521	\$ 14,053,928	\$ 6,965,720

** - The unrestricted net position in the Health Care Management Fund represent funds to be utilized for future claims of the School Department and funds to be utilized for future claims of the Town

The Internal Service Funds net position is broken down as follows:

School	\$ 3,828,005
Town	3,137,715
	<u>\$ 6,965,720</u>

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, 2016**

	Business-type Activities-Enterprise Funds						Governmental Activities	
	Water Control Fund	Sewer Fund	Cafeteria Fund	Summer School	Credit Recovery	Athletic Field	Totals	Health Care Management Internal Service Fund
OPERATING REVENUES:								
Charges for usage and service	\$ 1,192,039	\$ 725,308	\$ 407,941	\$ 20,125	\$ -	\$ 5,521	\$ 2,350,934	\$ 16,860,387
Intergovernmental revenue	-	-	685,619	-	-	-	685,619	-
Water system revenue	88,741	-	-	-	-	-	88,741	-
Total operating revenues	1,280,780	725,308	1,093,560	20,125	-	5,521	3,125,294	16,860,387
OPERATING EXPENSES:								
Salaries and benefits	76,429	282,610	4,764	18,645	-	-	382,448	-
Contracts	-	-	1,273,928	-	-	-	1,273,928	-
Repair and maintenance	62,895	4,550	-	-	-	-	67,445	-
Utilities	60,361	8,802	-	-	-	-	69,163	-
Office expense	5,541	1,650	-	-	-	-	7,191	-
Purchased water and state surcharges	614,106	-	-	-	-	-	614,106	-
Departmental expense	190,619	1,053	-	-	-	-	191,672	-
Health care management	-	-	-	-	-	-	-	15,340,186
Other expenses	30,749	45,794	-	-	-	-	76,543	-
Depreciation	121,401	127,800	-	-	-	-	249,201	-
Total operating expenses	1,162,101	472,259	1,278,692	18,645	-	-	2,931,697	15,340,186
OPERATING INCOME (LOSS)	118,679	253,049	(185,132)	1,480	-	5,521	193,597	1,520,201
NONOPERATING REVENUES (EXPENSES):								
State and federal grants	-	-	-	-	-	-	-	-
Investment income	-	-	2,465	-	-	-	2,465	24,379
Interest expense	-	(49,778)	-	-	-	-	(49,778)	-
Amortization	-	(5,863)	-	-	-	-	(5,863)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	-	(55,641)	2,465	-	-	-	(53,176)	24,379
INCOME (LOSS) BEFORE TRANSFERS	118,679	197,408	(182,667)	1,480	-	5,521	140,421	1,544,580
Transfers In	-	-	-	-	554	-	554	-
Transfer Out	-	-	-	(554)	-	-	(554)	-
CHANGE IN NET POSITION	118,679	197,408	(182,667)	926	554	5,521	140,421	1,544,580
TOTAL NET POSITION - BEGINNING	13,070,098	595,427	238,018	10,518	(554)	-	13,913,507	5,421,140
TOTAL NET POSITION - ENDING	\$ 13,188,777	\$ 792,835	\$ 55,351	\$ 11,444	\$ -	\$ 5,521	\$ 14,053,928	\$ 6,965,720

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, 2016

	Business-type Activities - Enterprise Funds						Governmental Activities	
	Water Control Fund	Sewer Fund	Cafeteria Fund	Summer School	Credit Recovery	Athletic Field	Totals	Health Care Management Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES:								
Cash received for services provided	\$ 999,928	\$ 819,342	\$ 1,093,560	\$ 20,125	\$ 554	\$ 5,521	\$ 2,939,030	\$ 16,860,387
Cash paid to suppliers	(964,271)	(62,523)	(1,187,837)	-	-	-	(2,214,631)	-
Cash paid to employees	(79,114)	(322,092)	(4,764)	(18,645)	-	-	(424,615)	-
Cash paid for claims	-	-	-	-	-	-	-	(15,299,993)
Net cash provided by (used for) operating activities	(43,457)	434,727	(99,041)	1,480	554	5,521	299,784	1,560,394
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:								
(Increase) decrease Due from other funds	132,198	(75,675)	(213,451)	(1,480)	-	(5,521)	(163,929)	(140,617)
Increase (decrease) Due to other funds	-	(67,017)	(458,079)	-	(554)	-	(525,650)	(1,803,546)
Net cash provided by (used for) noncapital financing activities	132,198	(142,692)	(671,530)	(1,480)	(554)	(5,521)	(689,579)	(1,944,163)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:								
Acquisition of capital assets	-	(19,003)	-	-	-	-	(19,003)	-
Non-operating grants received	-	-	-	-	-	-	-	-
Principal paid on long-term debt	-	(223,254)	-	-	-	-	(223,254)	-
Interest paid on long-term debt	-	(49,778)	-	-	-	-	(49,778)	-
Net cash used for capital and related financing activities	-	(292,035)	-	-	-	-	(292,035)	-
CASH FLOWS FROM INVESTING ACTIVITIES:								
(Increase) decrease in deposits	-	-	-	-	-	-	-	30,200
Investment income	-	-	2,465	-	-	-	2,465	24,379
Net cash provided by investing activities	-	-	2,465	-	-	-	2,465	54,579
NET INCREASE IN CASH AND CASH EQUIVALENTS	88,741	-	(768,106)	-	-	-	(679,365)	(329,190)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	125,526	-	768,606	-	-	-	894,132	6,311,324
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 214,267	\$ -	\$ 500	\$ -	\$ -	\$ -	\$ 214,767	\$ 5,982,134

(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, 2016

	Business-type Activities - Enterprise Funds						Governmental	
	Water Control Fund	Sewer Fund	Cafeteria Fund	Summer School	Credit Recovery	Athletic Field	Totals	Health Care Management Internal Service Fund
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:								
Operating income (loss)	\$ 118,679	\$ 253,049	\$ (185,132)	\$ 1,480	\$ 554	\$ 5,521	\$ 194,151	\$ 1,520,201
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:								
Depreciation	121,401	127,800	-	-	-	-	249,201	-
Amortization	-	-	-	-	-	-	-	-
(Increase) decrease in accounts receivable	(280,852)	94,034	-	-	-	-	(186,818)	(266)
(Increase) decrease in prepaid expenses	-	-	-	-	-	-	-	-
Increase (decrease) in accounts payable and accrued expenses	-	(674)	86,091	-	-	-	85,417	40,459
Increase (decrease) in accrued compensated absences	(2,685)	(39,482)	-	-	-	-	(42,167)	-
Increase (decrease) in net OPEB obligation	-	-	-	-	-	-	-	-
Net cash provided by (used for) operating activities	\$ (43,457)	\$ 434,727	\$ (99,041)	\$ 1,480	\$ 554	\$ 5,521	\$ 299,784	\$ 1,560,394

(Concluded)

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

TOWN OF JOHNSTON, RHODE ISLAND

*Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016*

	Police and Fire Pension Trust Fund	OPEB Trust Fund	Private Purpose Trust Funds	Agency Funds
ASSETS:				
Cash and cash equivalents	\$ 259,648	\$ -	\$ 22,630	\$ 479,435
Restricted cash	199,430	-	-	-
Investments	35,657,875	2,099,992	-	-
Prepaid expenses	738,274	-	-	-
Funds held in escrow	826,810	-	-	-
Due from other funds	107,715	-	360	107,750
Other receivables	-	-	-	-
TOTAL ASSETS	\$ 37,789,752	\$ 2,099,992	\$ 22,990	\$ 587,185
LIABILITIES:				
Accrued expenses	\$ 28,496	\$ -	\$ -	\$ -
Due to student groups	-	-	-	238,718
Deposits held in custody for others	-	-	-	348,467
Claims and judgments	1,026,240	-	-	-
TOTAL LIABILITIES	1,054,736	-	-	587,185
NET POSITION:				
Held in trust for perpetual care	-	-	22,990	-
Held in trust for pension benefits	36,735,016	-	-	-
Held in trust for other post-employment benefits	-	2,099,992	-	-
TOTAL NET POSITION	\$ 36,735,016	\$ 2,099,992	\$ 22,990	\$ -

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, 2016

	<u>Police and Fire Pension Trust Fund</u>	<u>OPEB Trust Fund</u>	<u>Private-Purpose Trust Funds</u>
Additions:			
Contributions:			
Employer	\$ 5,360,260	\$ 2,000,000	\$ -
Plan members	627,636	-	-
Total contributions	<u>5,987,896</u>	<u>2,000,000</u>	<u>-</u>
Investment income (expense)			
Net dividends, interest, and change in fair value	50,543	102,100	2
Net investment income (expense)	<u>50,543</u>	<u>102,100</u>	<u>2</u>
Total additions and changes in fair value	<u>6,038,439</u>	<u>2,102,100</u>	<u>2</u>
Deductions:			
Administration and benefit expenses	155,657	2,108	-
Pension expenses	8,586,918	-	-
Total deductions	<u>8,742,575</u>	<u>2,108</u>	<u>-</u>
Change in net position	(2,704,136)	2,099,992	2
Net position - beginning of year	<u>39,439,152</u>	<u>-</u>	<u>22,988</u>
Net position - end of year	<u>\$ 36,735,016</u>	<u>\$ 2,099,992</u>	<u>\$ 22,990</u>

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

Notes to Financial Statements

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The Town of Johnston, Rhode Island, (the "Town") was incorporated in 1759. The Town covers 24.4 square miles located in southeastern New England. The Town operates under a Council-Mayor form of government and the charter provides for public safety (police and fire), highway and streets, sanitation, health and social services, culture-recreation, education, public improvements, planning and zoning and general administrative services.

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

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

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

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

The following entities were considered for classification as component units for fiscal year 2016:

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

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

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

(concluded)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BASIS OF PRESENTATION AND ACCOUNTING

Government-Wide Financial Statements

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

Fund Financial Statements

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

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

The funds of the financial reporting entity are described below:

Governmental Funds Types:

General Fund

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

Special Revenue Funds

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

Capital Project Fund

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

(concluded)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BASIS OF PRESENTATION AND ACCOUNTING (continued)

Permanent Funds

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

Proprietary Fund

Proprietary Funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The Proprietary Funds include Enterprise and Internal Services Funds. Currently, the Town maintains six enterprise funds (Water Control Fund, Sewer Fund, School Cafeteria Fund, Summer School Fund, Credit Recovery Fund, and Athletic Field 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 Internal Service Funds are used to pay medical and dental costs incurred by persons covered by the health benefit plan of the Town and the School Department.

Fiduciary Funds (not included in government-wide statements)

Agency Funds

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

OPEB Trust Fund

This fund accounts for resources held in trust for future other post-employment benefit obligations of the Town.

Pension Trust Funds

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

Private Purpose Trust Funds

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

(concluded)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BASIS OF PRESENTATION AND ACCOUNTING (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 description
School Unrestricted Fund:	The fund is used to report all financial transactions of the Town of Johnston's School Department, which are not legally required to be accounted for separately.
Proprietary:	
Water Control Fund	Accounts for water use fees and the expenses associated with water services to Town residents.
Sewer Fund	Accounts for sewer projects of the Town of Johnston
School Cafeteria Fund	Accounts for the operation of the school breakfast and lunch programs of the Johnston School Department. 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.
Athletic Field Fund	Accounts for the activities of the Johnston School Department's athletic field. This fund did not meet the criteria for reporting as a major fund however, management elected to present the fund as a major fund.

(concluded)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BASIS OF PRESENTATION AND ACCOUNTING (continued)

Non-Major:

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

Capital Project Funds: The Town of Johnston currently maintains many 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 the supplementary information.

Measurement Focus

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

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

- a. All governmental funds utilize a “current financial resources” measurement focus and the modified accrual basis of accounting. Only current financial assets, deferred outflow of resources, liabilities, and deferred inflow of resources are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period. The city considers property taxes as available if they are collected within 60 days after year end. Grant revenue related to expenditure reimbursement grants of the governmental funds is generally recognized as revenue when earned as long as the payment is expected to be received within twelve months after year end. Substantially all other revenue (excluding municipal court fees and fines, and fire rescue services) of the governmental funds is recognized as it is earned and available. Municipal court fees and fines and fire rescue services are reported as receivable and unearned revenue until the amounts are collected.
- b. The proprietary funds and private purpose trust funds utilize “economic resources” measurement focus and the accrual basis of accounting. The accounting objectives of this measurement focus are the determination of net income, financial position and cash flow. All inflows of resources associated with their activities are reported. Fund equity is classified as net position.
- c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

(concluded)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BASIS OF PRESENTATION AND ACCOUNTING (continued)

Basis of Accounting

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

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

All proprietary funds, agency funds, private purpose trust funds, police, fire & city and school employees' pension trust funds, and the OPEB Trust Fund utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset is used.

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

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

ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND EQUITY

Cash Equivalents

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

(concluded)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Pursuant to Section 35-10-1 of the Rhode Island General Laws, as of October 1, 1991, public institutions are required to insure accounts which hold public funds in excess of the \$250,000 which is guaranteed by FDIC. At times, the Town pools cash resources of its various funds to facilitate the management of cash and maximize investment returns.

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

Investments

The town invests in various types of investments, which are 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. Accounts receivable are shown net of an allowance for uncollectable accounts. Allowances for accounts receivable are based upon historical trends and the periodic aging of accounts receivable. The allowance for uncollectable accounts receivable amounted to \$6,885,037 at June 30, 2016. The allowance for uncollectable accounts includes \$5,577,895 for property taxes, \$119,122 for Municipal Court fees and traffic fines, \$962,276 for fire rescue services, \$225,744 for sewer (enterprise) assessment. Major receivable balances for the governmental activities include property taxes (73% of total government receivables). Business-type activities report service fees as its major receivables.

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

Property Taxes

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

(concluded)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Prepaid Items

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

Encumbrances

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

Capital Assets and Depreciation

Government-Wide Statements

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

All capital assets are capitalized at historical or estimated historical cost if actual cost is unavailable. Donated capital assets are recorded at the fair market values as of the date received. The Town follows the policy of capitalizing assets with a cost of \$5,000 or more and a useful life of more than one year.

Depreciation of all exhaustible capital assets is recorded, as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is calculated on the straight-line basis over the following useful lives:

<u>Description</u>	<u>Useful Life</u>
Buildings and improvements	10-50 Years
Land improvements	20 Years
Infrastructure	20-100 Years
Machinery & equipment	5-10 Years
Vehicles	5-10 Years

Fund Financial Statements

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

(concluded)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate section represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditures) until that later date. At June 30, 2016, the Town had two items that qualified as a deferred outflow of resources; deferred charge on refunding and deferred pension amounts, both of which are reported on the Government-Wide Statement of Net Position. The deferred charge on the refunding totaling \$401,437 (\$354,539 for government activities and \$46,898 for business-type activities) is the unamortized balance of the difference between the carrying value of the refunded debt and new debt. This amount is deferred and amortized over the shorter of the life of the refunded or new debt. The deferred pension amounts totaled \$30,691,265 and relate to contributions to pension plans made subsequent to the actuarial valuation date, net difference between projected and actual investment earnings, and changes in proportion and differences between employer contributions and proportionate share of contributions.

In addition to liabilities, the Statement of Net Position and/or Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate section represents the acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until a later date. At June 30, 2016, the Town had one item that qualified as a deferred inflow of resources on the governmental funds balance sheet. The unavailable tax revenue represents property taxes receivable which are assessed on December 31, 2014 and prior and are not collected within 60 days of June 30, 2016. Net unavailable property tax revenue, fines, and rescue billings included in the fund financial statements amounted to \$2,809,111 at June 30, 2016. This amount is deferred and will be recognized as an inflow of resources in the year(s) in which the amounts become available. The Town also had one item that qualified as a deferred inflow of resources on the Government-Wide Statement of Net Position. The deferred pension amounts totaled \$6,714,887 and represent amounts to be amortized as a component of pension expense in future years.

Inter-fund Transactions

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

Reciprocal Inter-fund Activities:

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

(concluded)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Non-Reciprocal Inter-fund Activities:

- Inter-fund transfers are reported in governmental funds as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers. In proprietary funds, transfers are reported after non-operating revenues and expenses.
- Inter-fund reimbursements are repayments from the fund responsible for particular expenditures or expenses to other funds that initially paid for them. Reimbursements are not displayed separately within the financial statements.
- Inter-fund transactions are accounted for as expenditures/expenses when they constitute reimbursements from one fund to another. These transactions are accounted for as expenditures/expenses in the reimbursing fund and are recorded as reductions of expenditures/expenses in the fund receiving the reimbursement. All other inter-fund transactions are reported as transfers.

Net Position/ Fund Balance Classifications

Government-Wide Statements

Net Position is classified and displayed in three components:

- 1) Net investment in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bond, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- 2) Restricted net position - Consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, laws/regulations of other governments, law through constitutional provisions, or enabling legislation.
- 3) Unrestricted net position – All remaining net position that does not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Financial Statements

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

- **Non-spendable**- Includes the amount of fund balances that cannot be spent because it is either not in spendable form or legally or contractually required to be maintained intact. Not in spendable form includes items that are not expected to be converted to cash within one year.
- **Restricted** – Includes amounts that are restricted to specific purposes. Fund balance is reported as restricted when constraints placed in the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

(concluded)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

- **Committed Fund Balance** – Includes amounts that can be used only for the specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. The Town Council is the highest level of decision-making authority and utilizes Town Ordinances as a formal procedure to commit fund balance
- **Assigned Fund Balance** – Includes amounts that are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed. The intent should be expressed by the governing body itself or a body (a budget or finance committee) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.
- **Unassigned Fund Balance** – Is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may need to report a negative unassigned fund balance.

Application of Funds

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

Fund Financials

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

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

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

(concluded)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Compensated Absences

Under the terms of various contracts and agreements, Town employees are granted vacation and sick leave in varying amounts. Unused vacation leave is paid upon an employee's termination. Subject to certain limitations sick time is paid upon retirement, termination or death, at the employee's current rates of pay. In addition, qualifying employees may also receive two days severance compensation for each year of service. The liability is calculated at the rate of pay in effect at June 30, 2016. The amount of earned but not unpaid vacation and sick leave relating to governmental fund employees is recorded as a long-term debt in the government-wide financial statements. Business type compensated absences are recorded in the enterprise fund accounts.

Estimates

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

Recent accounting pronouncements

Effective for the fiscal year ended June 30, 2016, the Town was required to adopt the provisions of Statement No. 72 of the Government Accounting Standards Board, *Fair Value Measurement and Application*, **GASB 72**. GASB 72 addresses issues relating to fair value measurement and provides guidance for determining fair value for purposes of financial reporting. Additionally, GASB 72 provides guidance for the application of fair value to certain investments and disclosures related to all fair value measurements. The Town minimally participates in investment activities and is therefore largely unaffected by the new standard.

Effective for the fiscal year ended June 30, 2017, the Town will be required to adopt the provisions of Statement No. 74 of the Government Accounting Standards Board, *Financial Reporting for Postemployment Benefits Other Than Pensions*, **GASB 74**. GASB 74 establishes guidelines relating to note disclosures and required supplementary information. The effect of GASB 74 adoption on the Town's financial statements has not yet been determined.

Effective for the fiscal year ended June 30, 2018, the Town will be required to adopt the provisions of Statement No. 75 of the Government Accounting Standards Board, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, **GASB 75**. GASB 75 establishes standards for measuring and recognizing liabilities, deferred inflows of resources, deferred outflows of resources, and expenditures related to other postemployment benefits (OPEB) administered through trusts or equivalent arrangements. GASB 75 identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Additionally, GASB 75 will require more

(concluded)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

extensive footnote disclosures in the financial statements. The effect of GASB 75 adoption on the Town's financial statements has not yet been determined.

Effective for the fiscal year ended June 30, 2017, the Town will be required to adopt the provisions of Statement No. 77 of the Government Accounting Standards Board, *Tax Abatement Disclosures*, **GASB 77**. GASB 77 will require more extensive footnotes regarding tax abatement agreements entered into by the Town or another governmental entity that reduces the Town's tax revenues. The effect of GASB 77 adoption on the Town's financial statements has not yet been determined.

Effective for the fiscal year ended June 30, 2018, the Town will be required to adopt the provisions of Statement No. 82 of the Government Accounting Standards Board, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*, **GASB 82**. GASB 82 addresses the presentation of payroll-related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee contribution requirements. The effect of GASB 82 adoption on the Town's financial statements has not yet been determined.

Pensions

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

NOTE 2 – BUDGETARY PROCESS

Adoption

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

(concluded)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

NOTE 2 – BUDGETARY PROCESS (continued)

General Fund

Actual General Fund expenditures on the Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Budgetary Basis) (RSI – 2) are adjusted to reflect the budgetary basis of accounting which differs from actual expenditures recognized for the General Fund in the Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds (Exhibit B-2) in that School Aid, Federal Education Jobs funding, School Medicaid reimbursement and School’s miscellaneous income is treated as revenue of the School Unrestricted Fund in accordance with the GASB No. 54 for GAAP purposes, but is reported as part of the Town’s activity for budgetary purposes. In addition, activity of certain non-major governmental funds is combined with the General Fund in accordance with GASB No. 54 for GAAP, but is not reported for budgetary purposes.

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 – 2) 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 2016 were \$300,141 as compared to \$483,493 at June 30, 2015. Only the revenues and expenditures are included in the Required Supplementary Information. The Unrestricted School Fund, which legally adopts an annual budget, is reported as Special Revenue Fund.

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	\$54,735,430
Adjustments:	
Payments from State on behalf pension contribution not budgeted	<u>(2,196,394)</u>
Total budgetary basis revenues and other financing sources	
From RSI - 2	\$52,539,036

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

NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

LEGAL DEBT MARGIN

The Town’s legal debt margin as set forth by State Statute is limited to three percent of total taxable assessed value. The legal debt margin for the Town of Johnston is approximately \$69,718,444. As of June 30, 2016, the Town’s debt subject to legal debt margin is \$26,275,322 and the Town is under the debt limit by \$43,443,122.

(concluded)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

NOTE 4 - CASH AND INVESTMENTS

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

DEPOSITS

At June 30, 2016, the carrying amount of the Town's deposits was \$49,063,738, (including Fiduciary Funds, but excluding restricted cash and funds held in escrow) while the bank balance was \$49,481,579. Of that balance, \$426,812 was covered by federal depository insurance, \$269,070 by Investor Protection Corporation, and \$48,785,697 was uninsured. The Town has entered into collateralization agreements with various financial institutions and as a result, the uninsured balance at June 30, 2016 was collateralized by securities held by financial institutions and/or third parties in the name of the Town.

RESTRICTED CASH AND FUNDS HELD IN ESCROW

At June 30, 2016, the Fiduciary Funds reported restricted cash of \$199,430 representing four years' worth of post judgement statutory interest (at a rate of 12% per year) on \$826,810 of cash held in escrow by the Rhode Island Superior Court. These funds are the result of litigation between certain police retirees and the Town. Currently, the Town has appealed this judgement and these funds are to be used to repay the plaintiffs should the Town lose its appeal.

Funds held in escrow of \$826,810 are reported in the Fiduciary Funds at June 30, 2016. These funds represent cash held on deposit with the Rhode Island Superior Court as a result of litigation between certain police retirees and the Town. These funds will be held in the Superior Court's Registry until the case is resolved.

INVESTMENTS

At June 30, 2016, the Town's investments totaled \$37,757,867 and included those held in the Fiduciary Funds and consisted of the following:

	<u>Fair Value</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Rating</u>
Mutual Funds	\$37,555,743	N/A	N/A	Not Rated
Single premium deferred annuities	202,124	N/A	N/A	N/A
<i>Total Investments</i>	<u>\$ 37,757,867</u>			

INTEREST RATE RISK

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

(concluded)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

NOTE 4 – CASH AND INVESTMENTS (continued)

CUSTODIAL CREDIT RISK

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

FAIR VALUE OF FINANCIAL INSTRUMENTS

GASB 72 establishes a hierarchy of inputs for use in the measurement of fair value, maximizing the use of observable inputs and minimizing the use of unobservable inputs by requiring that the most observable inputs be used when available. The fair value hierarchy is categorized into three levels based on the inputs as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 inputs are inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability and rely on management's own assumptions about assumptions market participants would use in pricing the asset or liability. (The unobservable inputs are developed based on the best information available in the circumstances and may include the Organization's own data.

Investments for the Town of Johnston are categorized as follows:

Description	Value at 6/30/2015	Fair Value Measurement Using:		
		Quoted Prices in Active Markets for Identical Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money Market:				
Wells Fargo Government	\$ 849,929	\$ 849,929	\$ -	\$ -
Mutual Funds:				
Vanguard Index-Based Mutual Funds	2,099,992	2,099,992	-	-
Bond Funds	11,744,831	11,744,831	-	-
Equity Funds -International	4,723,590	4,723,590	-	-
Equity Funds - Domestic	18,137,401	18,137,401	-	-
Single Premium Deferred Annuity	202,124	-	202,124	-
	<u>\$ 37,757,867</u>	<u>\$ 37,555,743</u>	<u>\$ 202,124</u>	<u>\$ -</u>

NOTE 5 - RECEIVABLES

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

Unpaid property taxes at June 30, 2016, include delinquent installments of the current and prior years.

(concluded)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

NOTE 5 – RECEIVABLES (continued)

The Town does not record interest earned on delinquent taxes until payment is received.

Net property taxes levied for the fiscal year 2016 were based on an assessed value of approximately \$2,323,948,129 at December 31, 2014, and amounted to approximately \$75,464,389. Total collections through June 30, 2016, on the 2016 tax levy, amounted to approximately \$71,775,643, which represents approximately 95% of the net tax levy. The 60 day receipts, applicable to the 2016 levy, amounted to approximately \$654,346, which is recognized as revenue and increases total collections to 96% of the net tax levy.

The Town recognizes property tax revenues in accordance with Section P70, “Property Taxes” of the Codification of Governmental Accounting and Financial Reporting Standards on the Fund statements.

Unpaid property taxes amounted to \$8,730,434 as of June 30, 2016. The receivables are recorded, net of allowance for uncollectible property taxes of \$5,577,895.

The portion of the property tax receivable, which is not collected within the 60 days immediately following June 30, 2016 are recorded as unavailable revenue, net of the allowance of \$5,577,895 and amount to \$2,366,643 at June 30, 2016.

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, 2016 consisted of the following:

<u>Receivables:</u>	<u>General</u>	<u>Business-type Activities</u>	<u>Total</u>
2015 taxes	\$ 3,497,702	\$ -	\$3,497,702
2014 taxes	1,473,237	-	1,473,237
2013 taxes	597,297	-	597,297
2012 and prior years' taxes	3,162,198	-	3,162,198
Gross taxes receivable	8,730,434	-	8,730,434
Less: Uncollectable Taxes Receivable	(5,577,895)	-	(5,577,895)
Net Taxes Receivable	3,152,539	-	3,152,539
Other non-tax receivables, net	1,138,153	2,579,342	3,717,495
Net Receivables	\$4,290,692	\$2,579,342	\$6,870,034

(concluded)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

NOTE 6 – INTERGOVERNMENTAL RECEIVABLE

Amounts due from the Federal Government and the State of Rhode Island consisted of the following at June 30, 2016:

General Fund:

Rhode Island Solid Management Corporation	\$1,203,823
State of Rhode Island - Miscellaneous grants and fees	148,617
Total General Fund	<u>1,352,440</u>

Other Governmental Funds:

School Restricted Grant Funds	816,816
Community Development Block Grants (CDBG)	48,600
School Wireless Classroom Grant	182,842
Total Other Government Funds	<u>1,048,258</u>

Total Intergovernment Receivables	<u><u>\$ 2,400,698</u></u>
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(concluded)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
JUNE 30, 2016

NOTE 7 - CAPITAL ASSETS

	<u>Balance 7/1/2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/2016</u>
Governmental Activity:				
Nondepreciable Assets				
Land	\$ 8,979,477	\$ -	\$ -	\$ 8,979,477
Construction in progress	324,383	547,578	817,062	54,899
Depreciable Assets:				
Land improvements	3,144,482	161,102	-	3,305,584
Building & building improvements	45,016,600	856,560	-	45,873,160
Vehicles and equipment	11,294,033	2,021,343	-	13,315,376
Infrastructure	55,555,788	-	-	55,555,788
Total cost	<u>124,314,763</u>	<u>3,586,583</u>	<u>817,062</u>	<u>127,084,284</u>
Less accumulated depreciation for:				
Land improvements	41,926	64,588	-	106,514
Building & building improvements	18,520,269	1,066,464	-	19,586,733
Vehicles and equipment	8,211,043	790,219	-	9,001,262
Infrastructure	45,026,901	1,437,507	-	46,464,408
Total accumulated depreciation	<u>71,800,139</u>	<u>3,358,778</u>	<u>-</u>	<u>75,158,917</u>
Net capital assets for governmental activity	<u>\$ 52,514,624</u>	<u>\$ 227,805</u>	<u>\$ 817,062</u>	<u>\$ 51,925,367</u>
Business-type activities:				
Nondepreciable Assets				
Land	\$ 40,000	\$ -	\$ -	\$ 40,000
Construction in progress	43,111	62,561	43,111	62,561
Depreciable Assets:				
Infrastructure	2,806,692	-	446	2,806,246
Vehicles	309,377	-	-	309,377
Machinery & equipment	192,426	-	-	192,426
Water distributions	11,971,380	-	-	11,971,380
Total cost	<u>15,362,986</u>	<u>62,561</u>	<u>43,557</u>	<u>15,381,990</u>
Less accumulated depreciation for:				
Infrastructure	552,539	98,610	-	651,149
Vehicles	138,306	27,190	-	165,496
Machinery & equipment	150,685	2,000	-	152,685
Water distributions	3,076,558	121,401	-	3,197,959
Total accumulated depreciation	<u>3,918,088</u>	<u>249,201</u>	<u>-</u>	<u>4,167,289</u>
Business-type activities capital assets, net	<u>\$ 11,444,898</u>	<u>\$ 311,762</u>	<u>\$ 43,557</u>	<u>\$ 11,214,701</u>

Depreciation expense was charged to functions as follows:

Governmental activities:

Education	\$ 813,704
Public safety	691,780
Public works	1,538,980
Public libraries	103,018
Other	211,296
Total	<u>\$ 3,358,778</u>

Business-type activities:

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

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

NOTE 8 - LONG TERM DEBT

(a) General

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

The current three percent limit of the Town of Johnston is \$69,718,444, based on the net assessed valuation at December 31, 2014 of \$2,323,948,128.

(concluded)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
JUNE 30, 2016

NOTE 8: LONG-TERM DEBT (Continued)

(b) At June 30, 2016 the Town's long-term debt outstanding and activity consisted of the following:

Description	Date of Issue	Maturity Date	Amount of Issue	Interest Rate	Balance June 30, 2015	Transfers in & Additions	Transfers out & Retirements	Balance June 30, 2016	Due within One year
Governmental Activities:									
General obligation bonds:									
2007 General Obligation Bond	9/13/2007	9/1/2019	2,277,000	5.05%	\$ 1,115,000	\$ -	\$ 200,000	\$ 915,000	\$ 210,000
2009 General Obligation Bond	9/9/2009	9/1/2029	4,430,000	3%-7%	3,715,000	-	180,000	3,535,000	185,000
2010 General Obligation Bond	6/29/2010	8/15/2018	3,120,000	2%-4%	1,650,000	-	390,000	1,260,000	405,000
2012 General Obligation Bond	(**) 5/29/2012	6/1/2024	6,224,725	2.85%	4,967,250	-	496,725	4,470,525	510,150
2013 General Obligation Bond	6/12/2013	6/1/2033	5,000,000	2%-4%	4,590,000	-	255,000	4,335,000	255,000
2014 General Obligation Bond	5/1/2014	5/1/2029	4,000,000	2.48%	3,805,000	-	205,000	3,600,000	215,000
2015 General Obligation Bond	3/5/2015	6/1/2025	3,990,000	1.85%	3,945,000	-	370,000	3,575,000	375,000
2016 General Obligation Bond	5/24/2016	6/1/2031	2,500,000	2.15%	-	2,500,000	-	2,500,000	145,000
Premium on bonds					166,227	-	10,537	155,690	-
Total bonds outstanding			\$ 37,866,725		\$ 23,953,477	\$ 2,500,000	\$ 2,107,262	\$ 24,346,215	2,300,150
Note payable obligations									
Note payable obligation	9/30/2012	10/14/2017	\$ 21,000	6.99%	\$ 10,736	\$ -	\$ 4,392	\$ 6,344	\$ 4,708
Note payable obligation	10/16/2012	10/30/2017	18,792	6.74%	9,585	-	3,924	5,661	4,196
Total notes payable obligations			\$ 39,792		\$ 20,321	\$ -	\$ 8,316	\$ 12,005	\$ 8,904
Capital lease obligations									
Capital lease obligation	(**) 7/7/2011	7/7/2016	1,158,100	2.10%	\$ 477,750	\$ -	\$ 236,394	\$ 241,356	\$ 241,356
Capital lease obligation	9/27/2013	9/26/2018	425,000	1.66%	340,000	-	85,000	255,000	85,000
Capital lease obligation	8/1/2014	8/1/2019	750,000	1.65%	750,000	-	150,000	600,000	150,000
Capital lease obligation	9/30/2015	9/30/2020	250,000	1.86%	-	250,000	-	250,000	50,000
Total capital lease obligations			\$ 2,174,100		\$ 1,567,750	\$ 250,000	\$ 471,394	\$ 1,346,356	\$ 526,356
Compensated absences and severance estimate					\$ 7,989,313	\$ 1,400,759	\$ 1,722,779	\$ 7,667,293	2,000,000
Net pension liability					231,992,614	45,128,669	-	277,121,283	-
Net OPEB obligation					81,049,526	6,770,233	-	87,819,759	-
Claims and judgements					15,000	-	15,000	-	-
Total Governmental activities long-term liabilities					\$ 346,588,001	\$ 56,049,661	\$ 4,324,751	\$ 398,312,911	\$ 4,835,410
Business-Type Activities									
General obligation bonds:									
RI Clean Water Bond - Sewer Project	10/6/2009	9/1/2029	\$ 2,500,000	0.79%-3.08%	\$ 1,311,000	\$ -	\$ 70,000	\$ 1,241,000	\$ 75,000
RI Clean Water Bond	4/25/2002	9/1/2022	750,000	0.661%	359,291	-	39,969	319,322	41,290
2012 General Obligation Refunding Bond	(**) 5/29/2012	6/1/2024	730,275	2.85%	582,750	-	58,275	524,475	59,850
Total general obligation bonds outstanding			\$ 3,980,275		\$ 2,253,041	\$ -	\$ 168,244	\$ 2,084,797	\$ 176,140
Capital lease obligations:									
Capital lease obligation	(**) 7/7/2011	7/7/2016	271,900	2.10%	112,138	-	55,475	56,663	56,663
Total capital lease obligation					\$ 112,138	\$ -	\$ 55,475	\$ 56,663	\$ 56,663
Compensated absences					43,542	-	43,542	-	-
Total business-type activities long-term obligations					\$ 2,408,721	\$ -	\$ 267,261	\$ 2,141,460	\$ 232,803

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

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
JUNE 30, 2016

NOTE 8: LONG-TERM DEBT (Continued)

(c) Debt Service Requirements

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

Fiscal Year Ended June 30	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 2,835,410	\$ 739,152	\$ 3,574,562
2018	2,652,201	659,386	3,311,587
2019	2,707,525	578,264	3,285,789
2020	2,250,425	503,300	2,753,725
2021	1,893,850	441,645	2,335,495
2022-2026	8,249,475	1,435,637	9,685,112
2027-2031	4,450,000	459,156	4,909,156
2032-2033	510,000	28,305	538,305
TOTALS	<u>\$25,548,886</u>	<u>\$ 4,844,845</u>	<u>\$ 30,393,731</u>

Fiscal Year Ended June 30	<u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 232,803	\$ 43,285	\$ 276,088
2018	178,555	38,932	217,487
2019	181,540	35,652	217,192
2020	190,096	32,197	222,293
2021	193,176	28,560	221,736
2022-2026	754,290	85,669	839,959
2027-2031	411,000	19,507	430,507
TOTALS	<u>\$ 2,141,460</u>	<u>\$ 283,802</u>	<u>\$ 2,425,262</u>

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

NOTE 8 - LONG TERM DEBT (continued)

(e) Compensated Absences

Vested sick leave, accumulated vacation pay, and severance based on years of employment for Governmental Fund Types are paid upon retirement, termination, or death of qualified employees. Payment of these accrued benefits is made from the Town's General Fund. Vested sick leave, severance, and accumulated vacation pay for the Governmental Fund Type employees at June 30, 2016 amounted to \$7,667,293 of which \$2,647,734 and \$5,019,559 are related to School and Town employees, respectively.

(f) Schedule of long-term debt by purpose at June 30, 2016 is as follows:

Governmental activities:

School, public improvement, and public safety		
Bonds and notes payable	\$24,202,530	6%
Town equipment and vehicles lease	1,346,356	<1%
Net pension benefit liability	277,121,283	70%
Net OPEB obligations	87,819,759	22%
Claims and judgements – Town	-	0%
Compensated absences and severance	7,667,293	2%
Premium on Bonds	155,690	<1%
Total governmental activities	<u>\$398,312,911</u>	<u>100%</u>

Business-type activities

Sewer projects bonds	\$ 2,084,797	97%
Sewer vehicle lease	56,663	3%
Compensated absences and severance	-	0%
Total business-type activities	<u>\$ 2,141,460</u>	<u>100%</u>

(concluded)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

NOTE 9 – OPERATING LEASES

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

On April 10, 2014, the School Department entered into a 60-month lease agreement for nineteen (19) units of equipment. The lease agreement requires a base monthly rental charge of \$4,613. Lease expense incurred under the terms of this agreement was approximately \$55,000 for the fiscal year ended June 30, 2016.

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

In January 2013, the Town entered into a 2-year lease agreement for two vehicles. The lease requires an annual rent charge of \$7,800, plus annual maintenance fees. Lease expense incurred under the terms of these agreements was approximately \$3,900 for the fiscal year ended June 30, 2016.

In January 2013, the Town entered into a 5-year lease agreement for twenty seven (27) units of equipment. The lease requires an annual rental charge of \$6,900. Lease expense incurred under the terms of this agreement was \$6,900 for the fiscal year ended June 30, 2016.

In July 2012, the Town entered into a 72-month lease agreement for certain office equipment. The lease requires a base monthly rental charge of \$600. Lease expense incurred under the terms of this agreement was approximately \$7,200 for the fiscal year ended June 30, 2016.

In June 2014, the Town entered into a 60-month lease agreement for certain office equipment. The lease requires a monthly rental charge of \$1,000. Lease expense incurred under the terms of this agreement was approximately \$12,000 for the fiscal year ended June 30, 2016.

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>	
2017.....	81,977
2018.....	74,555
2019.....	<u>57,129</u>
Total	<u>\$213,661</u>

(concluded)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

NOTE 10 – INTERFUND BALANCES AND TRANSFERS

Inter-fund balances represent short-term advances from one fund (primarily the General Fund) to another fund. The advances may represent balances resulting from operating advances or reimbursement for expenditures paid by one fund on behalf of another fund. The composition of inter-fund balances at June 30, 2016 is as follows:

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
Governmental Funds:		
General Fund	\$ -	\$ 11,202,382
School Unrestricted Fund	5,862,994	-
All non-Major funds	680,919	1,056,966
Total governmental fund	<u>6,543,913</u>	<u>12,259,348</u>
Proprietary Funds:		
Water Fund	3,389,973	-
Sewer Fund	75,675	-
Cafeteria Fund	213,451	-
Summer School Fund	11,998	554
Athletic Field	5,521	-
Internal Service Fund	1,803,546	-
Total Proprietary Fund	<u>5,500,164</u>	<u>-</u>
Fiduciary Funds:		
Police and Fire Pension Trust Fund	107,715	-
Private Purpose Trust Funds	360	-
Agency Funds	107,750	-
Total Fiduciary Funds	<u>215,825</u>	<u>-</u>
 TOTAL ALL FUNDS	 <u>\$ 12,259,902</u>	 <u>\$ 12,259,902</u>

The Composition of inter-fund transfers for the year ended June 30, 2016 is as follows:

	<u>General Fund</u>	<u>School Unrestricted</u>	<u>Non-Major Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Total Inter-fund Transfers</u>
Transfers In	\$ 1,970,212	\$ 37,529,015	\$ 365,263	\$ 554	\$ 39,865,044
Transfers Out	\$ (39,778,222)	\$ -	\$ (86,268)	\$ (554)	\$ 39,865,044

(concluded)

TOWN OF JOHNSTON, RHODE ISLAND

Notes to Financial Statements

June 30, 2016

NOTE 11- DEFINED BENEFIT PENSION PLANS

The Town of Johnston participates in the Municipal Employees' Retirement System of the State of Rhode Island ("System"), an agent multiple employer defined benefit plan. The System includes a normal plan for general employees and both a normal and optional plan for police and fire personnel.

(a) Municipal Employees' Retirement System (MERS)

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

MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the ERSRI website at www.ersri.org.

Benefits provided – General employees, police officers and firefighters employed by electing municipalities participate in MERS. Eligible employees become members at their date of employment. Anyone employed by a municipality at the time the municipality joins MERS may elect not to be covered. Elected officials may opt to be covered by MERS. Employees covered under another plan maintained by the municipality may not become members of MERS. Police officers and/or firefighters may be designated as such by the municipality, in which case the special contribution and benefit provisions described below will apply to them, or they may be designated as general employees with no special benefits. Members designated as police officers and/or firefighters are treated as belonging to a unit separate from the general employees, with separate contribution rates applicable.

Salary: Salary includes the member's base earnings plus any payments under a regular longevity or incentive plan. Salary excludes overtime, unused sick and vacation leave, severance pay, and other extraordinary compensation. Certain amounts that are excluded from taxable wages, such as amounts sheltered under a Section 125 plan or amounts picked up by the employer under IRC Section 414(h), are not excluded from salary.

Service: Employees receive credit for service while a member. In addition, a member may purchase credit for certain periods by making an additional contribution to purchase the additional service. Special rules and limits govern the purchase of additional service and the contribution required.

Final Average Compensation (FAC): Prior to July 1, 2012 and for general employee members eligible to retire as of June 30, 2012, the average was based on the member's highest three consecutive annual salaries. Effective July 1, 2012, the average was based on the member's highest five consecutive annual salaries. Once a member retires or is terminated, the applicable FAC will be the greater of the member's highest three year FAC as of July 1, 2012 or the five year FAC as of the retirement/termination date. Monthly benefits are based on one-twelfth of this amount.

(concluded)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

NOTE 11- DEFINED BENEFIT PENSION PLANS

(a) Municipal Employees' Retirement System (MERS) (continued)

Subsequent to June 30, 2015, litigation challenging the various pension reform measures enacted in previous years by the General Assembly (2009, 2010, and 2011) was settled. The final settlement approved by the Court on July 8, 2015 also included enactment of the pension settlement provisions by the General Assembly. These amended benefit provisions, which have been included in the determination of the total pension liability at the June 30, 2015 measurement date and are reflected in the summary of benefit provisions described below.

General employees

Members with less than five years of contributory service as of June 30, 2012 and members hired on or after that date are eligible for retirement on or after their Social Security normal retirement age (SSNRA).

Members who had at least five years of contributory service as of June 30, 2012 will be eligible for retirement at an individually determined age. This age is the result of interpolating between the member's prior Retirement Date, described below, and the retirement age applicable to members hired after June 30, 2012 in (a) above. The interpolation is based on service as of June 30, 2012 divided by projected service at the member's prior Retirement Date. The minimum retirement age is 59.

Members with 10 or more years of contributory service on June 30, 2012 may choose to retire at their prior Retirement Date if they continue to work and contribute until that date. If this option is elected, the retirement benefit will be calculated using the benefits accrued as of June 30, 2012, i.e., the member will accumulate no additional defined benefits after this date, but the benefit will be paid without any actuarial reduction.

Effective July 1, 2015, members will be eligible to retire with full benefits at the earlier of their current Rhode Island Retirement Security Act (RIRSA) date described above or upon the attainment of age 65 with 30 years of service, age 64 with 31 years of service, age 63 with 32 years of service, or age 62 with 33 years of service.

A member, who is within five years of reaching their retirement eligibility date and has 20 or more years of service, may elect to retire at any time with an actuarially reduced benefit.

Prior to July 1, 2012, members were eligible for retirement on or after age 58 if they had credit for 10 or more years of service, or at any age if they had credit for at least 30 years of service. Members eligible to retire before July 1, 2012 were not impacted by the changes to retirement eligibility above.

(concluded)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

NOTE 11- DEFINED BENEFIT PENSION PLANS

(a) Municipal Employees' Retirement System (MERS) (continued)

The annual benefit is equal to 2.00% of the member's monthly FAC for each year of service prior to July 1, 2012 and 1.00% of the member's monthly FAC for each year of service from July 1, 2012 through June 30, 2015. For all service after June 30, 2015, the annual benefit is equal to 1.0% per year unless the member had 20 or more years of service as of June 30, 2012 in which case the benefit accrual is 2.0% per year for service after June 30, 2015. The benefit cannot exceed 75% of the member's FAC. Benefits are paid monthly.

Police and Fire Employees

Members are eligible to retire when they are at least 50 years old and have a minimum of 25 years of contributing service or if they have 27 years of contributing service at any age. Members with less than 25 years of contributing service are eligible for retirement on or after their Social Security normal retirement age.

Members who, as of June 30, 2012, had at least 10 years of contributing service, had attained age 45, and had a prior Retirement Date before age 52 may retire at age 52.

Active members on June 30, 2012 may choose to retire at their prior Retirement Date if they continue to work and contribute until that date. If option is elected, the retirement benefit will be calculated using the benefits accrued as of June 30, 2012, i.e., the member will accumulate no additional defined benefits after this date, but the benefit will be paid without any actuarial reduction.

A member who is within five years of reaching their retirement eligibility date, as described in this section, and has 20 or more years of service, may elect to retire at any time with an actuarially reduced benefit.

Prior to July 1, 2012, members designated as police officers or firefighters were eligible for retirement at or after age 55 with credit for at least 10 years of service or at any age with credit for 25 or more years of service. Members were also eligible to retire and receive a reduced benefit if they are at least age 50 and have at least 20 years of service. If the municipality elected to adopt the 20-year retirement provisions for police officers and/or firefighters, then such a member was eligible to retire at any age with 20 or more years of service. Members eligible to retire before July 1, 2012 were not impacted by the changes to retirement eligibility above.

A monthly benefit is paid equal to 2.00% of the member's monthly FAC for each year of service, up to 37.5 years (75% of FAC maximum).

If the optional 20-year retirement provisions were adopted by the municipality prior to July 1, 2012: benefits are based on 2.50% of the member's FAC for each year of service prior to July 1, 2012 and 2.00% of the member's FAC for each year of service after July 1, 2012. The benefit cannot exceed 75% of the member's FAC.

(concluded)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

NOTE 11- DEFINED BENEFIT PENSION PLANS

(a) Municipal Employees' Retirement System (MERS) (continued)

Active members (including future hires), members who retire after July 1, 2015 and after attaining age 57 with 30 years of service will have a benefit equal to the greater of their current benefit described in (a) and (b) above and one calculated based on a 2.25% multiplier for all years of service.

Other benefit provisions

Death and disability benefits are also provided to members. A member is eligible for a disability retirement provided he/she has credit for at least five years of service or if the disability is work-related. Members are not eligible for an ordinary disability benefit if they are eligible for unreduced retirement.

Joint and survivor benefit options are available to retirees. For some employees, a Social Security Option is also available where an annuity is paid at one amount prior to age 62, and at a reduced amount after age 62, designed to provide a level total income when combined with the member's age 62 Social Security benefit. Benefits cease upon the member's death.

Post-retirement benefit increases are paid to members who retire after June 30, 2012. Members will be eligible to receive cost of living increases at the later of the member's third anniversary of retirement and the month following their SSNRA (age 55 for members designated as police officers and/or firefighters). When a municipality elects coverage, it may elect either COLA C (covering only current and future active members and excluding members already retired) or COLA B (covering current retired members as well as current and future active members).

a. The COLA will be suspended for any unit whose funding level is less than 80%; however, an interim COLA may be granted in four-year intervals while the COLA is suspended. The first interim COLA may begin January 1, 2018.

b. Effective July 1, 2015, the COLA is determined based on 50% of the plan's five-year average investment rate of return less 5.5% limited to a range of 0.0% to 4.0%, plus 50% of the lesser of 3.0% or last year's CPI-U increase for a total maximum increase of 3.50%. Previously, it was the plan's five-year average investment rate of return less 5.5% limited to a range of 0.0% to 4.0%.

c. The COLA will be limited to the first \$25,000 of the member's annual pension benefit. For retirees and beneficiaries who retired on or before July 1, 2015, years in which a COLA is payable based on the every fourth year provision described in (i) above will be limited to the first \$30,000. These limits will be indexed annually to increase in the same manner as COLAs, with the known values of \$25,000 for 2013, \$25,000 for 2014, \$25,168 for 2015, \$25,855 for 2016, and \$26,098 for 2017.

(concluded)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

NOTE 11- DEFINED BENEFIT PENSION PLANS

(a) Municipal Employees' Retirement System (MERS) (continued)

Employees covered by benefit terms

At the June 30, 2015 valuation date, the following employees were covered by the benefit terms:

	<u>General Employees</u>	<u>Police</u>	<u>Fire</u>	<u>Total MERS</u>
Retirees and Beneficiaries	203	0	2	205
Inactive, Nonretired				
Members	112	1	2	115
Active Members	<u>228</u>	<u>11</u>	<u>58</u>	<u>297</u>
Total	<u>543</u>	<u>12</u>	<u>62</u>	<u>617</u>

Contributions - The amount of employee and employer contributions have been established under Rhode Island General Law Chapter 45-21. General employees with less than 20 years of service as of June 30, 2012 are required to contribute 2% of their salaries. General employees with more than 20 years of service as of June 30, 2012 are required to contribute 8.25%. Public safety employees are required to contribute 10% of their salaries. The Town of Johnston contributes at a rate of covered employee payroll as determined by an independent actuary on an annual basis. The General Assembly can amend the amount of these contribution requirements. The Town contributed \$515,994 to the General Employees Plan, \$147,834 to the Police Plan, and \$376,633 to the Fire Plan in the year ended June 30, 2016 which was 6.45% of General Employee annual covered payroll, 24.41% of Police annual covered payroll, and 10.99% of Fire annual covered payroll.

(concluded)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

NOTE 11- DEFINED BENEFIT PENSION PLANS

(a) Municipal Employees' Retirement System (MERS) (continued)

Net Pension Liability (Asset) - The total pension liability was determined by actuarial valuations performed as of June 30, 2014 and rolled forward to June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement.

Summary of Actuarial Assumptions Used in the Valuations to determine the Net Pension Liability at the June 30, 2015 measurement date (June 30, 2014 valuation rolled forward to June 30, 2015)	
Actuarial Cost Method	Entry Age Normal - the Individual Entry Age Actuarial Cost methodology is used.
Amortization Method	Level Percent of Payroll – Closed
Actuarial Assumptions	
Investment Rate of Return	7.50%
Projected Salary Increases	General Employees - 3.50% to 7.50% ; Police & Fire Employees - 4.00% to 14.00%
Inflation	2.75%
Mortality	<ul style="list-style-type: none"> • Male Employees, MERS General and MERS P&F: 115% of RP-2000 Combined Healthy for Males with White Collar adjustments, projected with Scale AA from 2000. • Female Employees, MERS General and MERS P&F: 95% of RP-2000 Combined Healthy for Females with White Collar adjustments, projected with Scale AA from 2000.
Cost of Living Adjustments	A 2% COLA is assumed after January 1, 2014.

The actuarial assumptions used in the June 30, 2014 valuation rolled forward to June 30, 2015 and the calculation of the total pension liability at June 30, 2014 were consistent with the results of an actuarial experience study performed as of June 30, 2013.

The long-term expected rate of return best-estimate on pension plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of pension plan investment expense and inflation) for each major asset class, based on a collective summary of capital market expectations from 23 sources. The June 30, 2015 expected arithmetic returns over the long-term (20 years) by asset class are summarized in the following table:

(concluded)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

NOTE 11- DEFINED BENEFIT PENSION PLANS

(a) Municipal Employees' Retirement System (MERS) (continued)

Type of Investment	Target Allocation	Long-term expected real rate of return
Global Equity:	38.0%	-
U.S. Equity	-	6.93%
International Developed	-	7.32%
International Emerging Markets	-	9.52%
Equity Hedge Funds	8.0%	3.98%
Private Equity	7.0%	9.99%
Core Fixed Income	15.0%	2.18%
Absolute Return Hedge Funds	7.0%	3.98%
Infrastructure	3.0%	5.70%
Real Estate	8.0%	4.85%
Other Real Return Assets:	11.0%	-
Master Limited Partnerships	-	4.51%
Credit	-	4.51%
Inflation Linked Bonds	-	1.24%
Cash, Overlay, Money Market	3.0%	7.80%
	100.0%	

These return assumptions are then weighted by the target asset allocation percentage, factoring in correlation effects, to develop the overall long-term expected rate of return best-estimate on an arithmetic basis.

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

(concluded)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

NOTE 11- DEFINED BENEFIT PENSION PLANS

(a) Municipal Employees' Retirement System (MERS) (continued)

General Employees:

Changes in the Net Pension Liability (Asset)			
	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances as of June 30, 2014	\$40,690,085	\$31,524,902	\$9,165,183
Changes for the Year			
Service cost	726,120	-	726,120
Interest on the total pension liability	2,976,813	-	2,976,813
Changes in benefits	817,330	-	817,330
Difference between expected and actual experience	(474,099)	-	(474,099)
Changes in assumptions	-	-	-
Employer contributions	-	1,254,378	(1,254,378)
Employee contributions	-	162,213	(162,213)
Net investment income	-	721,793	(721,793)
Benefit payments, including employee refunds	(2,724,611)	(2,724,611)	-
Administrative expense	-	(28,933)	28,933
Other changes	-	(110,090)	110,090
Net changes	1,321,553	(725,250)	2,046,803
Balances as of June 30, 2015	\$42,011,638	\$30,799,652	\$11,211,986

Police:

Changes in the Net Pension Liability (Asset)			
	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances as of June 30, 2014	\$189,779	\$227,254	(\$37,475)
Changes for the Year			
Service cost	93,320	-	93,320
Interest on the total pension liability	17,733	-	17,733
Changes in benefits	16,739	-	16,739
Difference between expected and actual experience	37,616	-	37,616
Changes in assumptions	-	-	-
Employer contributions	-	56,198	(56,198)
Employee contributions	-	42,390	(42,390)
Net investment income	-	7,812	(7,812)
Benefit payments, including employee refunds	-	-	-
Administrative expense	-	(312)	312
Other changes	-	(1)	1
Net changes	165,408	106,087	59,321
Balances as of June 30, 2015	\$355,187	\$333,341	\$21,846

(concluded)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

NOTE 11- DEFINED BENEFIT PENSION PLANS

(a) Municipal Employees' Retirement System (MERS) (continued)

Fire:

Changes in the Net Pension Liability (Asset)			
	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances as of June 30, 2014	\$4,965,309	\$5,118,999	(\$153,690)
Changes for the Year			
Service cost	543,904	-	543,904
Interest on the total pension liability	390,096	-	390,096
Changes in benefits	187,802	-	187,802
Difference between expected and actual experience	(206,476)	-	(206,476)
Changes in assumptions	-	-	-
Employer contributions	-	330,728	(330,728)
Employee contributions	-	239,904	(239,904)
Net investment income	-	134,680	(134,680)
Benefit payments, including employee refunds	(71,970)	(71,970)	-
Administrative expense	-	(5,394)	5,394
Other changes	-	12	(12)
Net changes	843,356	627,960	215,396
Balances as of June 30, 2015	\$5,808,665	\$5,746,959	\$61,706

Total MERS:

Changes in the Net Pension Liability (Asset)			
	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances as of June 30, 2014	\$45,845,173	\$36,871,155	\$8,974,018
Changes for the Year			
Service cost	1,363,344	-	1,363,344
Interest on the total pension liability	3,384,642	-	3,384,642
Changes in benefits	1,021,871	-	1,021,871
Difference between expected and actual experience	(640,869)	-	(640,869)
Changes in assumptions	-	-	-
Employer contributions	-	1,641,304	(1,641,304)
Employee contributions	-	444,507	(444,507)
Net investment income	-	864,285	(864,285)
Benefit payments, including employee refunds	(2,769,581)	(2,769,581)	-
Administrative expense	-	(34,639)	34,639
Other changes	-	(110,079)	110,079
Net changes	2,330,317	8,797	2,321,520
Balances as of June 30, 2015	\$48,175,490	\$36,879,952	\$11,295,538

(concluded)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

NOTE 11- DEFINED BENEFIT PENSION PLANS

(a) Municipal Employees' Retirement System (MERS) (continued)

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

General:

1.00% Decrease (6.5%)	Current Discount Rate (7.5%)	1.00 Increase (8.5%)
\$15,698,696	\$11,211,986	\$7,539,316

Police:

1.00% Decrease (6.5%)	Current Discount Rate (7.5%)	1.00 Increase (8.5%)
\$57,731	\$21,846	(\$7,508)

Fire:

1.00% Decrease (6.5%)	Current Discount Rate (7.5%)	1.00 Increase (8.5%)
\$651,402	\$61,706	(\$420,745)

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

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

For the year ended June 30, 2016 the employer recognized pension expense of \$1,980,507 for General Employees, \$65,758 for Police and \$442,179 for Fire. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

General Employees:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to valuation date	\$ 515,994	\$ -
Difference in experience	-	362,839
Differences in assumptions	16,724	-
Excess(deficit) Investment Returns	<u>1,270,649</u>	<u>1,258,654</u>
Total	<u>\$ 1,803,367</u>	<u>\$ 1,621,493</u>

(concluded)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
 June 30, 2016

NOTE 11- DEFINED BENEFIT PENSION PLANS

(a) Municipal Employees' Retirement System (MERS) (continued)

Police:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date	\$ 147,834	\$ -
Difference in experience	35,399	-
Differences in assumptions	-	1,799
Excess(deficit) Investment Returns	10,334	11,752
Total	<u>\$ 193,567</u>	<u>\$ 13,551</u>

Fire:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date	\$ 376,633	\$ -
Difference in experience	-	192,109
Differences in assumptions	-	116,451
Excess(deficit) Investment Returns	214,194	219,108
Total	<u>\$ 590,827</u>	<u>\$ 527,668</u>

Total MERS:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date	\$ 1,040,461	\$ -
Difference in experience	35,399	554,948
Differences in assumptions	16,724	118,250
Excess(deficit) Investment Returns	1,495,177	1,489,514
Total	<u>\$ 2,587,761</u>	<u>\$ 2,162,712</u>

(concluded)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

NOTE 11- DEFINED BENEFIT PENSION PLANS

(a) Municipal Employees' Retirement System (MERS) (continued)

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

Year Ending June 30	General Employees Net Deferred Outflows (Inflows) of Resources	Police Net Deferred Outflows (Inflows) of Resources	Fire Net Deferred Outflows (Inflows) of Resources	Total MERS Net Deferred Outflows (Inflows) of Resources
2017	\$ (206,462)	\$ 772	\$ (42,678)	\$ (248,368)
2018	(206,462)	772	(42,678)	(248,368)
2019	(209,800)	771	(42,678)	(251,707)
2020	288,604	4,691	30,356	323,651
2021	-	2,106	(23,191)	(21,085)
Thereafter	-	23,070	(192,605)	(169,535)
Total	<u>\$ (334,120)</u>	<u>\$ 32,182</u>	<u>\$ (313,474)</u>	<u>\$ (615,412)</u>

(b) Teachers' Pension Plan - Employees' Retirement System

General Information about the Pension Plan

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

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

(concluded)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)

(b) Teachers' Pension Plan - Employees' Retirement System (continued)

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

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

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

Cost of living adjustments are provided but are currently suspended until the collective plans administered by ERSRI reach a funded status of 80%. Until the plans reach an 80% funded status, interim cost of living adjustments are provided at four-year intervals commencing with the plan year ending June 30, 2016.

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

Contributions - The funding policy, as set forth in the General Laws, Section 16-16-22, provides for actuarially determined periodic contributions to the plan. For fiscal 2015, Town of Johnston teachers were required to contribute 3.75% of their annual covered salary, except for teachers with twenty or more years of service as of June 30, 2012 must contribute 11% of their annual covered salary. The state and the Town of Johnston are required to contribute at an actuarially determined rate, 40% of which is to be paid by the state and the remaining 60% is to be paid by the Town of Johnston; the rates were 37.67% and 35.95% of annual covered payroll for the fiscal year ended June 30, 2016 for the state and Town of Johnston, respectively.

The Town of Johnston contributed \$3,113,231, \$2,968,073 and \$2,557,752 for the fiscal years ended June 30, 2016, 2015 and 2014, respectively, equal to 100% of the required contributions for each year.

(concluded)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
 June 30, 2016

NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)

(b) Teachers' Pension Plan - Employees' Retirement System (continued)

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

At June 30, 2016, the Town of Johnston reported a liability of \$37,498,898, its proportionate share of the net pension liability that reflected a reduction for contributions made by the state. The amount recognized by the Town of Johnston as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the Town of Johnston were as follows:

Town of Johnston proportionate share of the net pension liability	\$37,498,898
State's proportionate share of the net pension liability associated with the Town of Johnston	<u>\$25,618,070</u>
Total net pension liability	\$63,116,968

The net pension liability was measured as of June 30, 2015, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015. The Town of Johnston proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers and the State, actuarially determined. At June 30, 2015 the Town of Johnston's proportion was 1.36%.

For the year ended June 30, 2016 the Town of Johnston recognized gross pension expense of \$7,906,130 and revenue of \$3,110,731 for support provided by the State. At June 30, 2016 the Town of Johnston reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<i>Deferred outflows of resources</i>	
Contributions subsequent to the measurement date	\$ 3,113,231
Net difference between projected and actual earnings on pension plan investments	2,112,880
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>1,493,595</u>
Total	<u>\$ 6,719,706</u>

(concluded)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)

(b) Teachers' Pension Plan - Employees' Retirement System (continued)

Deferred inflows of resources

Difference between expected and actual experience	\$ 244,169
Changes in assumptions	1,008,098
Changes in proportion and differences between employer contributions and proportionate share of contributions	-
Net difference between projected and actual earnings on pension plan investments	2,141,169
Total	<u>\$ 3,393,436</u>

\$3,113,231 reported as deferred outflows of resources related to pensions resulting from the Town of Johnston contributions in fiscal year 2016 subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2017	\$ (158,645)
2018	(158,645)
2019	(158,645)
2020	555,078
2021	26,858
thereafter	<u>107,038</u>
Total	<u>\$ 213,039</u>

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

Inflation	2.75%
Salary increases	3.50% to 13.5%
Investment rate of return	7.50%

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

(concluded)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)

(b) Teachers' Pension Plan - Employees' Retirement System (continued)

The actuarial assumptions used in the June 30, 2014 valuation rolled forward to June 30, 2015 and the calculation of the total pension liability at June 30, 2015 were consistent with the results of an actuarial experience study performed as of June 30, 2013.

The long-term expected rate of return best-estimate on pension plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of pension plan investment expense and inflation) for each major asset class, based on a collective summary of capital market expectations from 23 sources. The June 30, 2015 expected arithmetic returns over the long-term (20 years) by asset class are summarized in the following table:

<u>Type of Investment</u>	<u>Target Allocation</u>	<u>Long-term expected real rate of return</u>
Global Equity	38.0%	-
U.S. Equity	-	6.93%
International Developed	-	7.32%
International Emerging Markets	-	9.52%
Equity Hedge Funds	8.0%	3.98%
Private Equity	7.0%	9.99%
Core Fixed Income	15.0%	2.18%
Absolute Return Hedge Funds	7.0%	3.98%
Infrastructure	3.0%	5.70%
Real Estate	8.0%	4.85%
Other Real Return Assets:	11.0%	-
Master Limited Partnerships	-	4.51%
Credit	-	4.51%
Inflation Linked Bonds	-	1.24%
Cash, Overlay, Money Market	3.0%	7.80%
	<u>100.0%</u>	

These return assumptions are then weighted by the target asset allocation percentage, factoring in correlation effects, to develop the overall long-term expected rate of return best-estimate on an arithmetic basis.

(concluded)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)

(b) Teachers' Pension Plan - Employees' Retirement System (continued)

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

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

1.00% Decrease (6.5%)	Current Discount Rate (7.5%)	1.00 Increase (8.5%)
\$47,023,316	\$37,498,898	\$29,701,813

(c) Police and Fire Pension Trust (Fiduciary Fund) GASB 68

GASB 67 & GASB 68 Requirements - The Town, as the government entity providing their employees with pension benefits, has reporting requirements under GASB 68 – Accounting and Financial Reporting for Pensions. The Town did not have the fiscal year 2016 pension expense from the actuary, therefore, the Town's government-wide financial statements include the 2015 pension expense and the Net Pension Liability as of June 30, 2016. For the disclosures to agree, the Town's GASB 68 disclosures are presented as of fiscal year ended June 30, 2016.

The Police and Fire Pension Trust (the Trust) has reporting requirements under GASB 67 – Financial Reporting for Pension Plans that are separate from the requirements of the Town. The Trust has provided footnote disclosures and Net Pension Liability for the year ending June 30, 2016.

These notes present GASB 67 & 68 disclosures separately since the information between the two reporting requirements overlap and the information is unchanged. Shared information is presented for both 2015 and 2016 year ends or with no mention of year ends. Some information has been presented twice, to ease the burden of the users of the financial statements from having to navigate back and forth between disclosures.

(concluded)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)

(c) Police and Fire Pension Trust (Fiduciary Fund) GASB 68 (continued)

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

Police and fire department employees are covered under this pay-as-you-go pension plan, except for firefighters hired after July 1, 1999 and police employees hired after July 1, 2010 who are covered under the State of Rhode Island MERS retirement system (described earlier). The pay-as-you-go retirement plans are considered, in the labor contracts, to be defined benefit plans although they currently are not set up to meet the specifications of a defined benefit plan.

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

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

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

The police officer pay-as-you-go plan provides retirement benefits as well as death and disability benefits. All members of the police department hired before July 1, 2010 are eligible to participate. Participants in the plan are eligible to retire after 18 years of service. Benefits are equal to a percentage of the employee’s final average salary, documented on the W-2 tax form, over a three-year period (see chart below). Employees are vested in their retirement benefits upon completion of 10 years of service. All police officers who retire on disability receive sixty-six and two-thirds percent of their salary as defined in their collective bargaining agreement, at the time of disability. For retirements prior to July 1, 2005, pensions for retirees are indexed to one-half of the negotiated base pay increases for active police after benefit commencement. For retirements after July 1, 2005, pensions for retirees shall increase by a 3.00% compounded Cost of Living Adjustment (COLA). The COLA shall begin in the 25th month following the date of the officer’s retirement.

(concluded)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)

(c) Police and Fire Pension Trust (Fiduciary Fund) GASB 68 (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	65.0%
26	66.0%
27	67.0%
28	68.0%
29	69.0%
30+	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 a percentage of the final average of the employee's three highest consecutive years of compensation based on the base salary, holiday, longevity, clothing allowance, clothing maintenance allowance, "severance pay" (unused sick and vacation pay distributed at retirement), and seventy-five percent of overtime pay (see chart below). Employees shall be able to accrue an addition 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 salary. Employees are vested in their retirement benefits on completion of 10 years of service and attainment of age 55. All firefighters who retire on disability receive sixty-six and two-thirds percent of their final average salary. Retirees receive a COLA of one-half of the negotiated pay increases for active firefighters.

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

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

(concluded)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)

(c) Police and Fire Pension Trust (Fiduciary Fund) GASB 68 (continued)

Contributions – The amount of employee contributions have been established under the plan. For the police department, employee contributions are equal to 8% of gross pay. Police employees terminated before retirement may withdraw the employee-provided account and forfeit their right to pension benefits. The Town of Johnston has adopted a policy to increase the prior year’s employer contribution 2.75% annually.

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

Net Pension Liability – The total net pension liability for the Police and Fire Pension Trust was determined by an actuarial valuation as of June 30, 2015, and *not* rolled forward to June 30, 2016 for GASB 67, using the following actuarial assumptions, applied to all periods included in the measurement.

Investment rate of return – For the year ended June 30, 2016, the annual money-weighted rate of return on the Police and fire Pension Plan investments, net of investment expenses, was (0.01)%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Actuarial assumptions - The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an experience study for the period July 1, 2011 to June 30, 2014. The total pension liability was determined by an actuarial valuation of June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement, with the results not rolled forward to June 30, 2016 for GASB 67:

Inflation	2.75%
Salary increases	4.00%
Investment rate of return	7.50%, net of pension plan investment expense, including inflation (3.02% blended rate used to determine total pension liability)

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

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

(concluded)

TOWN OF JOHNSTON, RHODE ISLAND

Notes to Financial Statements

June 30, 2016

NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)

(c) Police and Fire Pension Trust (Fiduciary Fund) GASB 68 (continued)

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

Police:

Changes in the Net Pension Liability (Asset)			
	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances as of June 30, 2015	\$114,717,915	\$17,142,437	\$97,575,478
Changes for the Year:			
Service cost	3,237,765	-	3,237,765
Interest on the total pension liability	5,320,690	-	5,320,690
Changes in benefits	-	-	-
Difference between expected and actual experience	1,627,147	-	1,627,147
Changes in assumptions	-	-	-
Employer contributions	-	2,786,367	(2,786,367)
Employee contributions	-	388,335	(388,335)
Net investment income	-	141,369	(141,369)
Benefit payments, including employee refunds	(3,982,881)	(3,982,881)	-
Administrative expense	-	(71,000)	71,000
Other changes	15,613,100	(40,576)	15,653,676
Net changes	21,815,821	(778,386)	22,594,207
Balances as of June 30, 2016	\$136,533,736	\$16,364,051	\$120,169,685

Fire:

Changes in the Net Pension Liability (Asset)			
	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances as of June 30, 2015	\$117,815,210	\$24,179,398	\$93,635,812
Changes for the Year:			
Service cost	1,991,455	-	1,991,455
Interest on the total pension liability	5,462,967	-	5,462,967
Changes in benefits	-	-	-
Difference between expected and actual experience	(2,195,103)	-	(2,195,103)
Changes in assumptions	-	-	-
Employer contributions	-	2,620,273	(2,620,273)
Employee contributions	-	295,539	(295,539)
Net investment income	-	199,661	(199,661)
Benefit payments, including employee refunds	(4,148,770)	(4,148,770)	-
Administrative expense	-	(71,000)	71,000
Other changes	12,115,339	-	12,115,339
Net changes	13,225,888	(1,104,297)	14,330,185
Balances as of June 30, 2016	\$131,041,098	\$23,075,101	\$107,965,997

(concluded)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)

(c) Police and Fire Pension Trust (Fiduciary Fund) GASB 68 (continued)

Total Police and Fire:

	Changes in the Net Pension Liability (Asset)		
		Increase (Decrease)	
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances as of June 30, 2015	\$232,533,125	\$41,321,835	\$191,211,290
Changes for the Year:			
Service cost	5,229,220	-	5,229,220
Interest on the total pension liability	10,783,657	-	10,783,657
Changes in benefits	-	-	-
Difference between expected and actual experience	(567,956)	-	(567,956)
Changes in assumptions	-	-	-
Employer contributions	-	5,406,640	(5,406,640)
Employee contributions	-	683,874	(683,874)
Net investment income	-	341,030	(341,030)
Benefit payments, including employee refunds	(8,131,651)	(8,131,651)	-
Administrative expense	-	(142,000)	142,000
Other changes	27,728,439	(40,576)	27,769,015
Net changes	35,041,709	(1,882,683)	36,924,392
Balances as of June 30, 2016	\$267,574,834	\$39,439,152	\$228,135,682

(concluded)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)

(c) Police and Fire Pension Trust (Fiduciary Fund) GASB 68 (continued)

For the year ended June 30, 2016, the Town of Johnston recognized gross pension expense of \$30,214,702. At June 30, 2016, Johnston reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Pension expense for the year ended June 30th, 2016		
Service cost	\$	5,229,220
Interest on TPL		10,783,657
Employee contributions		(683,874)
Administrative expenses		142,000
Other		40,576
Expected return on assets		(3,015,748)
Expensed portion of current year period differences between between expected and actual experience in TPL		(283,978)
Expensed portion of current year period assumption changes		13,864,220
Current year plan changes		-
Expensed portion of current year period differences between projected and actual investment earnings		534,942
Current year recognition of deferred inflows and outflows established in prior years		3,603,687
Total expenses	\$	<u>30,214,702</u>

Deferred Outflows and Inflows of Resources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 283,978
Changes of assumptions	13,864,219	-
Net difference between projected and actual earnings on pension plan investments	479,252	-
Total	\$ <u>14,343,471</u>	\$ <u>283,978</u>

(concluded)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)

(c) Police and Fire Pension Trust (Fiduciary Fund) GASB 68 (continued)

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

	Year Established	Balance at July 1, 2015	Amount Recognized During FYE June 30, 2016	Outstanding Balance at June 30, 2016	Deferred Outflows/(Inflows) Recognized in Future Years					
					2017	2018	2019	2020	2021	2022 and Thereafter
Fiscal Year Outflows										
Demographic	2015	\$ 2,872,023	\$ 2,872,023	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Demographic	2016	1,627,147	813,573	813,574	813,574	-	-	-	-	-
Investment	2016	1,109,823	221,963	887,860	221,965	221,965	221,965	221,965	-	-
Assumption Change	2016	15,613,100	7,806,550	7,806,550	7,806,550	-	-	-	-	-
Total Outflows		\$ 21,222,093	\$ 11,714,109	\$ 9,507,984	\$ 8,842,089	\$ 221,965	\$ 221,965	\$ 221,965	\$ -	\$ -
Fiscal Year Inflows										
Investment	2015	\$ 921,480	\$ 230,370	\$ 691,110	\$ 230,370	\$ 230,370	\$ 230,370	\$ -	\$ -	\$ -
Total Inflows		\$ 921,480	\$ 230,370	\$ 691,110	\$ 230,370	\$ 230,370	\$ 230,370	\$ -	\$ -	\$ -
Total		\$ 20,300,613	\$ 11,483,739	\$ 8,816,874	\$ 8,611,719	\$ (8,405)	\$ (8,405)	\$ 221,965	\$ -	\$ -

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).

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. Market value as of the end of the 2016 fiscal year was used to determine the fair value of the Plan's investments.

Rate of return

For the years ended June 30, 2016 the annual money-weighted rate of return on pension plan investments, net of pension plan expense was (0.01)% 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.

(concluded)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)

(c) Police and Fire Pension Trust (Fiduciary Fund) GASB 68 (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 real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016 are summarized in the following table (rates shown include the inflation component). These rates are applicable for the police and fire pension trust fund.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	40.0%	6.75%
International equity - developed markets	17.5%	7.45%
International equity - emerging markets	2.5%	9.85%
Fixed income - core	28.0%	1.75%
Fixed income - high yield	6.0%	4.95%
Real estate	5.0%	4.55%
Cash	1.0%	0.00%
Total	100%	

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, 2016:

<u>Investments</u>	<u>% of Pension Fiduciary Net Position</u>	<u>Fair Market Value</u>
Equities:		
Ishares Immediate Government	6.85%	\$ 2,516,257
Ishares MSCI EAFE Growth	5.52%	\$ 2,027,562
Ishares MSCI EAFE Value	5.27%	\$ 1,935,091
Ishares Russell 1000 Growth	5.43%	\$ 1,993,651
Ishares Russell Value	6.48%	\$ 2,379,555
Ishares Russell 2000 Growth	6.52%	\$ 2,393,517
Ishares Russell Mid-Cap Growth	6.29%	\$ 2,312,175
Ishares Russell Mid-Cap Value	6.89%	\$ 2,532,620
Ishares S&P Small Cap 600	7.56%	\$ 2,776,582
Ishares US Real Estate	5.62%	\$ 2,063,869
Fixed Income:		
Ishares Immediate Government	6.85%	\$ 2,516,257

(concluded)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)

(c) Police and Fire Pension Trust (Fiduciary Fund) GASB 68 (continued)

Net Pension Liability

The net pension liability consisted of the following components at June 30, 2016:

Component :	Police Pension Plan	Fire Pension Plan	Total Police and Fire Pension Trust Fund
Total pension liability	\$136,533,736	\$131,041,098	\$267,574,834
Plan fiduciary net position	16,364,051	23,075,101	39,439,152
Net pension liability	120,169,685	107,965,997	228,135,682
Plan fiduciary net position as a percentage of the total pension liability	11.99%	17.61%	14.74%

Discount Rate

The blended discount rate used to measure the total pension liability is 3.02%. 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 \$5.4 million for the fiscal year ending June 30, 2016 will increase 2.75% each year, unless otherwise provided. 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 eight periods of projected benefit payments and a 2.85% municipal bond rate was applied to all periods thereafter to determine the total pension liability. The 2.85% municipal bond rate is based on an index of 20-year, tax exempt general obligation bonds published weekly by the Federal Reserve. The chosen rate is the Bond Buyer 20-Bond GO Index rate published closest to, but not later than the measurement date of June 30, 2016.

Sensitivity of the net pension liability to changes in the discount rate – The following presents the net pension liability of the employers calculated using the discount of 3.02%, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.02%) or 1-percentage-point higher (4.02%) than the current rate:

Unit	1.00% Decrease (2.02%)	Current Discount Rate (3.02%)	1.00 Increase (4.02%)
Police	\$190,547,171	\$152,904,480	\$124,641,835
Fire	170,529,906	139,419,065	115,807,117
Total	\$361,077,077	\$292,323,545	\$240,448,952

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TOWN OF JOHNSTON, RHODE ISLAND

Notes to Financial Statements

June 30, 2016

NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)

(d) Teachers' Survivor Benefit

General Information about the Pension Plan

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

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

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

In January, a yearly cost-of-living adjustment for spouse's benefits is paid and based on the annual social security adjustment.

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

(concluded)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)

(d) Teachers' Survivor Benefit (continued)

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

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

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

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

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

The Johnston School Department contributed \$30,420, \$29,761 and \$28,320 for the fiscal years ended June 30, 2016, 2015 and 2014, respectively, equal to 100% of the required contributions for each year.

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

At June 30, 2016 the Johnston School Department reported an asset of \$4,604,566 for its proportionate share of the net pension asset related to its participation in TSB. The net pension asset was measured as of June 30, 2015, the measurement date, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015. The Johnston School Department proportion of the net pension asset was based on its share of contributions to the TSB for fiscal year 2015 relative to the total contributions of all participating employers for that fiscal year. At June 30, 2015 Johnston School Department proportion was 4.93%

For the year ended June 30, 2016 the Johnston School Department recognized pension expense of \$(326,460) – an increase in the net pension asset. At June 30, 2016 the Johnston School Department

(concluded)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)

(d) Teachers' Survivor Benefit (continued)

reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<i>Deferred outflows of resources</i>		
Contributions subsequent to the measurement date		\$ 30,420
Difference between expected and actual experience		1,064,572
Net difference between projected and actual earnings on pension plan investments		585,082
Changes in proportion and differences between employer contributions and proportionate share of contributions		-
<i>Total deferred outflows of resources</i>		\$ 1,680,074
<i>Deferred inflows of resources</i>		
Changes in proportion and differences between employer contributions and proportionate share of contributions		\$ 272,897
Net difference between projected and actual earnings on pension plan investments		601,864
<i>Total deferred inflows of resources</i>		\$ 874,761

\$30,420 reported as deferred outflows of resources related to pensions resulting from the Johnston School Department's contributions in fiscal year 2015 subsequent to the measurement date will be recognized as an addition to the net pension asset for the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

(concluded)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)

(d) Teachers' Survivor Benefit (continued)

Year ended June 30:	
2017	\$ 42,062
2018	42,062
2019	42,062
2020	242,684
2021	96,413
Thereafter	309,610
Total	\$ 774,893

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

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

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

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

The actuarial assumptions used in the June 30, 2014 valuation rolled forward to June 30, 2015 and the calculation of the total pension liability at June 30, 2015 were consistent with the results of an actuarial experience study performed as of June 30, 2013.

The long-term expected rate of return best-estimate on pension plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of pension plan investment expense and inflation) for each major asset class, based on a collective summary of capital market expectations from 23 sources. The June 30, 2015 expected arithmetic returns over the long-term (20 years) by asset class are summarized in the following table:

(concluded)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)

(d) Teachers' Survivor Benefit (continued)

<u>Type of Investment</u>	<u>Target Allocation</u>	<u>Long-term expected real rate of return</u>
Global Equity:	38.0%	-
U.S. Equity	-	6.93%
International Developed	-	7.32%
International Emerging Markets	-	9.52%
Equity Hedge Funds	8.0%	3.98%
Private Equity	7.0%	9.99%
Core Fixed Income	15.0%	2.18%
Absolute Return Hedge Funds	7.0%	3.98%
Infrastructure	3.0%	5.70%
Real Estate	8.0%	4.85%
Other Real Return Assets:	11.0%	-
Master Limited Partnerships	-	4.51%
Credit	-	4.51%
Inflation Linked Bonds	-	1.24%
Cash, Overlay, Money Market	3.0%	7.80%
	100.0%	

These return assumptions are then weighted by the target asset allocation percentage, factoring in correlation effects, to develop the overall long-term expected rate of return best-estimate on an arithmetic basis.

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

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

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TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)

(d) Teachers' Survivor Benefit (continued)

1.00% Decrease (6.5%)	Current Discount Rate (7.5%)	1.00 Increase (8.5%)
\$(3,575,798)	\$(4,604,566)	\$(5,446,470)

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

NOTE 12 – DEFINED BENEFIT CONTRIBUTION PLAN

Defined Contribution Plan Description:

Employees participating in the defined benefit plan with less than 20 years of service as of June 30, 2012, as described above, also participate in a defined contribution plan authorized by General Law Chapter 36-10.3. The defined contribution plan is established under IRS section 401(a) and is administered by TIAA-CREF. Employees may choose among various investment options available to plan participants. Employees contribute 5% of their annual covered salary and employers contribute between 1% and 1.5% of annual covered salary depending on the employee's total years of service as of June 30, 2012. Employee contributions are immediately vested while employer contributions and any investment earnings thereon are vested after three years of contributory service. Benefit terms and contributions required under the plan by both the employee and employer are established by the General Laws, which are subject to amendment by the General Assembly.

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

The Town of Johnston (including the School Department) recognized pension expense of \$1,019,668, for the fiscal year ended June 30, 2016. Of that amount, \$37,232 was for general employees, \$345,749 was for non-certified school employees, \$636,687 was for certified school employees.

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

(concluded)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

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

In addition to the pension benefits described in Note 11 and 12, the Town provides post employment health care benefits and life insurance in accordance with certain union contracts. These benefits are currently recognized on a pay-as-you-go basis. A description of these OPEB benefits, by employee group, is described below:

Eligibility

Town general employees are eligible for benefits after 10 years of service and age 58, or after 26 years of service at any age. For Laborers' Local 808, only employees hired prior to April 19, 2012 are eligible for retiree health benefits. Firefighters are eligible at 20 years of service. Police officers are eligible after 18 years of service. However, officers who retire after 18 years of service (early retirement) will receive benefits that were in existence on July 1, 2012, whereas those who retire after 20 years of service will receive benefits in existence on July 1, 2010. School department certified employees are eligible at 20 years of service. Retirees electing spousal coverage are required to pay full incremental spousal cost. No spousal coverage is available once the retiree has reached Medicare eligibility. School department non-certified employees are eligible at 15 years of service and age 58, or 25 years of service at any age. However, if hired after September 1, 1999, the employee must have at least 20 years of service and have attained age 60 or 25 years of service and age 55. There is no spousal coverage available at retirement.

Benefit Types: Medical, Prescription Drug, and Vision

Duration of Coverage: Lifetime

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

Additional information on the description of benefits and coverage is provided in the Town's GASB 45 - Financial Report – Fiscal year ended June 30, 2016. This report can be obtained by contacting the Town's Finance Department.

Funding Policy

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

The annual OPEB cost for governmental activities for the fiscal year ended June 30, 2016 was \$15,245,396 and represents \$3,654,530 and \$11,590,866, for School and Town personnel respectively. The OPEB report for 2015 was unavailable therefore; the annual OPEB cost has been rolled forward from the previous year.

(concluded)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

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

The current year expenditures for these post-retirement benefits are recognized on a pay-as-you-go basis, as the monthly cost for the benefits become due. During the year ended June 30, 2015, expenditures of approximately \$4,281,000 were recognized for the post-retirement benefits. Of this amount approximately \$2,854,000 was paid for 294 Town and \$1,427,000 was paid for 261 School retirees. Current year expenditures represent approximately 28.1% of ARC.

As noted above the Town did not comply with the funding requirements for the fiscal year ended June 30, 2016 which were determined by the actuarial valuation report with a valuation date of June 30, 2016. As a result, the government-wide financial statements include a long-term liability of \$78,741,780 and an expense for this Net OPEB Obligation (NOO) of \$9,077,979.

The NOO at June 30, 2016 was calculated as follows:

	<u>Governmental Activities</u>
Annual Required Contribution	\$16,032,814
Interest on existing NOO	2,755,962
Adjustment to ARC	<u>(3,543,380)</u>
Annual OPEB cost	15,245,396
Contribution made during fiscal year 2016	<u>(6,167,417)</u>
Net increase in NOO	9,077,979
NOO at June, 30, 2015	<u>78,741,780</u>
NOO at June 30, 2016	\$87,819,759

Trend Information – Governmental Activities

Fiscal Year Ended	Annual OPEB Cost	Contributions Made	% of OPEB Contributed	Net OPEB Obligations
6/30/2016	\$ 15,245,396	\$ 6,167,417	40.5%	\$87,819,759
6/30/2015	\$ 14,172,819	\$ 5,869,747	41.4%	\$ 78,741,780
6/30/2014	\$ 14,824,478	\$ 4,764,265	32.1%	\$ 70,989,313

** Information in the above tables may not be comparable to the Town's prior year financial statements. The information provided in the current year disclosure is based upon the latest available information provided to the Town by the actuary on a biennial basis.*

(concluded)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

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

Funded Status of Plan

The required supplementary information which follows the notes to the financial statements presents multiyear trend information to the actuarial accrued liability for benefits. Listed below are the details of the funding progress of the OPEB Plan with a valuation date of June 30, 2016 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 – (\$1,000,000)
- Actuarial accrued liability (AAL) - \$202,003,521
- Unfunded actuarial accrued liability (UAAL) -\$201,003,521
- Funded ratio – 0.5%
- Annual covered payroll – NA
- UAAL as percent of payroll – NA

Actuarial calculation are based on the benefits provided under the terms of the substantive plan in effect at the time of the valuation and on the pattern of the sharing costs between the employer and plan members. The projection of benefits does not incorporate the potential effect of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

Actuarial calculations reflect a long-term perspective, and the methods and assumptions use techniques designed to reduce short term volatility in accrued liabilities and the actuarial value of assets, if any. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and the actuarially determined amounts are subject to continual revision as actual results are compared to past exceptions and new estimates are made about the future.

Actuarial Assumptions:

- a. Valuation Date: June 30, 2016
- b. Actuarial Cost Method: Projected Unit Credit
- c. Amortization Method: Payments increase at 3.5%
- d. Amortization Period: 30 year closed (23 years remaining at June 30, 2016)
- 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%

Number of participants:

At June 30, 2016 the total number of participants under the plan was 1,197. The plan participants include 555 current retirees and spouses (Town and School) and 642 active employees (Town and School).

(concluded)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
 June 30, 2016

NOTE 14 – FUND BALANCES (DEFICITS)

Fund Balances

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

At June 30, 2016 non-spendable fund balance consisted of the following:

General Fund:	
Prepaid	\$ 783,836
School Unrestricted Fund	
Prepaid	323,216
Total Non-spendable fund Balance	<u>\$1,107,052</u>

At June 30, 2016 restricted fund balance consisted of the following:

Other Governmental Funds:

Special Revenue Funds:

Education	\$ 144,602
Community Development	11,161
Law Enforcement	96,339
Parks and Recreation	34,066
Historical Records Preservation	65,314
Fire Prevention and Education	26,094
Library Renovations	129,700
Champlin Grant	8,200
Subtotal Special Revenue Funds	<u>\$ 515,476</u>

Capital Project Funds

School Renovations	133,710
Parks and Recreation	2,580,675
Other Capital Projects	3,272,224
School Athletic Complex	12
Subtotal Capital Project Funds	<u>\$5,986,621</u>
Total Restricted fund balance	<u>\$6,502,097</u>

At June 30, 2016 committed fund balance consisted of the following:

School Unrestricted Fund:

Committed for Education	\$4,842,847
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Other Governmental Funds:

Fire Department Expenses	93,581
Fire Equipment and Apparatus	497,431
Subtotal Other Governmental Funds	<u>591,012</u>
Total Committed fund balance	<u>\$5,433,859</u>

(concluded)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

NOTE 14 – FUND BALANCES (DEFICITS) (continued)

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

Fund Deficits

The following individual funds incurred operating deficits for the year ended June 30, 2016 as follows:

Non-Major Governmental Funds:

Special Revenue Funds:

Community Development Block Grant	4,141
Blue Riptide Grant	3,889
Historical Trust Fund	14,547
Fire Prevention	3,636
Memorial Library Fund	11,408

Capital Project Fund:

Rainone Gym Renovations	12,121
Capital Improvements	2,513
School Athletic Complex	16
Capital Projects	845,094
Capital Project 2013 Series A	811,970
Capital Lease 2014	13,648
School Wireless Classroom Initiative	<u>18,638</u>

Total deficits non-major governmental activities for

The year ended June 30, 2016 \$1,741,621

Proprietary Funds

Cafeteria Fund \$ 182,667

Total deficits proprietary activities for

The year ended June 30, 2016 \$ 182,667

The results of operations amounted to fund operating deficits in certain funds. Capital Projects and Capital Project 2013 Series A amounted in operating deficits due to expenditures exceeding revenues. These are multiyear funds and therefore the deficit will be evaluated when the Capital Projects are completed. Cafeteria fund operating expenditures also exceeded revenues derived from state aid and food sales.

(concluded)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

NOTE 14 – FUND BALANCES (DEFICITS) (continued)

At June 30, 2016 deficit fund balance consisted of the following:

Other Government Funds:	
Special Revenue Funds:	
Title II	\$ 3,841
Education	<u>29,971</u>
Total	<u>\$ 33,812</u>

NOTE 15 – RISK MANAGEMENT AND HEALTHCARE MANAGEMENT FUND

Healthcare

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

The Town currently maintains stop loss insurance to protect the taxpayers from catastrophic loss resulting from excessive health insurance claims. At June 30, 2016 the stop loss insurance contract covered all claims exceeding \$250,000 per individual on an annual basis. In addition, specific stop loss maximum for the Town for the year is maintained at approximately \$1,750,000.

The Town's finance department oversees the self-insured program for all Town employees and claims payment services are provided by Blue Cross and Blue Shield of Rhode Island and Delta Dental of Rhode Island (Plan Administration). All funds of the Town make payments to the Healthcare Management Fund (an Internal Service Fund) based on actual claims of based on estimated working rates. Healthcare claims incurred by the Healthcare Management Fund for the fiscal year ended June 30, 2016 were approximately \$14,830,000. At June 30, 2016 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, 2016 as follows:

	<u>2016</u>	<u>2015</u>
IBNR at beginning of year	\$ 690,534	\$ 724,435
Claims incurred during the year	11,538,547	14,788,416
Claims paid during the year	<u>(11,718,737)</u>	<u>(14,822,317)</u>
IBNR at June 30	<u>\$ 510,344</u>	<u>\$ 690,534</u>

Unemployment

The Town is self-insured for unemployment benefits.

(concluded)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

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

Other Insurance

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

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

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

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

NOTE 16 – OTHER AGREEMENTS

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

The terms of the agreement are as follows:

1. The Town received \$3,150,000 in April 1996 as settlement of all disputed amounts owed to the Town by the Corporation from the beginning of time up to the effective date of the agreement.
2. Annual payments shall be made to the Town in the amount of \$1,500,000 plus 3 ½% of the Corporation's gross revenue. However, the annual payment must not be less than \$1,500,000 nor greater than 10% of the corporation's gross revenue.
3. The annual payments are due on a quarterly basis beginning July 1996. If the corporation fails to make a payment within thirty (30) days after the due date, interest shall accrue from the expiration of the due date at the rate of six percent (6%) per annum.
4. For the contract year beginning April 1, 2001, and every five (5) years shall be increased ten percent (10%)

(concluded)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

NOTE 16 – OTHER AGREEMENTS (continued)

5. Total revenue recognized under this agreement and recorded in the General Fund for the year ended June 30, 2016 was approximately \$3,691,000. In addition to the \$3.69 million, the Town also recognized revenue for Tipping Fees of approximately \$549,000 during the fiscal year ended June 30, 2016.

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

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

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

Total revenue of \$2,500,000 was received under the terms of the previous agreement and where recorded as tax revenue in the General Fund for the year ended June 30, 2016.

NOTE 17 – COMMITMENTS, CONTINGENCIES AND LITIGATION

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

Liabilities for legal cases and other claims against governmental funds are recorded in the governmental funds when the ultimate liability can be estimated and such cases are expected to be settled with available expendable financial resources. At June 30, 2016, the Town (including the School Department) had several lawsuits pending. These lawsuits include personal injury and property damage claims, automobile claims, zoning appeals, grievances, and tax valuation matters. The total maximum damages being sought from the Town are not known as the Town's insurance carrier is expected to incur most of the costs of these claims. At June 30, 2016, 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

(concluded)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

NOTE 17 – COMMITMENTS, CONTINGENCIES AND LITIGATION (continued)

amounts, if any, to be immaterial.

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

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

In February 2008, the Town received a commitment from RICWFA to finance the Town's Community Septic Systems Loan Program. The Loan agreement provides the Town with an additional \$250,000 non-restoring line of credit, with the same terms and purpose as the loan received in 2003 (as described above). As of June 30, 2016 all the funds under these programs had been drawn down by the community.

In October 2006, the Town reached an agreement with a former employee for payments of retirement compensation. Under the terms of the agreement, the Town will make a monthly payment of approximately \$700 for the remainder of the employee's life. The Town estimated the original present value of this long-term liability to be approximately \$14,864. The present value of this obligation at June 30, 2015 was approximately \$14,282. The liability has been recorded in the Government-Wide Statements at June 30, 2015. The liability is not recorded in the Fund Statements as it is not expected to be paid with the current measurable and available resources.

The Town was named in as the defendant in a case involving the pension obligation to three retirees. In fiscal 2012 the Town was unsuccessful in its defense but has appealed the verdict to the Rhode Island Supreme Court. The estimated obligation resulting from this case including interest in accordance with the initial judgement was estimated to be \$826,810. This potential obligation has been reported as a liability in the Police and Fire Pension Trust Fund (a Fiduciary Fund) as of June 30, 2015. The obligation is reported in the Police and Fire Pension Trust Fund since the assets related to this obligation are a component of the assets which comprise the Trust fund. At June 30, 2015, the Town

(concluded)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

NOTE 17 – COMMITMENTS, CONTINGENCIES AND LITIGATION (continued)

has established a letter of credit for the potential interest owed on the judgement and deposited funds equal to that letter of credit into separate restricted cash accounts. In addition, the initial judgement of approximately \$199,130 has been placed on deposit with the State of Rhode Island Superior Court and is currently being held in escrow pending the outcome of the Town's appeal.

NOTE 18 – TAX INCREMENTAL FINANCING BOND

Tax incremental financing (TIF), is an economic development tool in which a municipality earmarks a portion of its property taxes to help finance development in a particular area or site. During fiscal year 2016, the Town of Johnston participated in a tax incremental financing agreement with a local real estate developer to advance empty space along Hartford Avenue. The types of businesses that have been or will be completed on this site include: a supermarket, a bank, two restaurants, and a gasoline station. All of the bond proceeds will go toward site improvements.

The TIF assumes the following assumptions:

Date Bonds Issued Into Escrow	November 4, 2011
Date Bonds Released From Escrow	February 15, 2017
Bonds Held by	Developer
Total Bonds Issued	\$1,400,000
Coupon Rate	4.66%
Bond Interest Payment Due Dates	December 15 and June 15, annually
Bond Principal Payment Due Dates	June 15, annually
Term	25 Years

The scheduled debt service is as follows:

Fiscal Year	Principal	Interest	Gross Debt Service	District Operations	Net Annual Debt Service
2017	\$ 9,000	\$ 21,747	\$ 30,747	\$ 7,500	\$ 38,247
2018	9,000	64,820	73,820	7,650	81,740
2019	17,000	64,402	81,402	7,803	89,205
2020	19,000	63,610	82,610	7,959	90,569
2021	22,000	62,724	84,724	8,118	92,842
<u>Thereafter</u>	<u>1,324,000</u>	<u>822,069</u>	<u>2,146,069</u>	<u>201,197</u>	<u>2,347,268</u>
Total	\$ 1,400,000	\$ 1,099,372	\$ 2,499,372	\$ 240,227	\$ 2,739,599

(concluded)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

NOTE 18 – TAX INCREMENTAL FINANCING BOND (continued)

Tax Increment Payments available for debt service payment for the first year without capitalized interest (June 15, 2017):

Total estimated aggregate taxable valuation of the Tax Increment Area for bond year ending June 15, 2017	\$8,640,800
Aggregate taxable valuation of the Tax Increment Area as of December 31, 2008	<u>(6,929,100)</u>
Estimated aggregate incremental aggregate taxable valuation of the Tax Increment Area for bond year ending June 15, 2017	1,711,700
Real property tax rate	<u>27.490</u>
Estimated Tax Increment Payments for bond year ending June 15, 2017	47,055
Percent available for debt service for bond year ending June 15, 2017	100%
Total estimated Tax Increment Payments for bond year ending June 15, 2017	47,055
Debt service payment for the first full year without capitalized interest (June 15, 2017)	30,747
Estimated debt service coverage for the first year without capitalized interest	153%

NOTE 19 – SUBSEQUENT EVENTS

Management has evaluated subsequent events for recognition and disclosure through April 26, 2017, the date the financial statements were available to be issued. On November 16, 2016, the Town entered into General Obligation Bonds, Series 2016B for \$1,238,000 for the purpose of financing improvements in energy efficiency for municipal and school buildings. The bond carries a coupon rate of 2.63%.

(concluded)

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF JOHNSTON, RHODE ISLAND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND - BUDGETARY BASISFOR THE YEAR ENDED JUNE 30, 2016
UNAUDITED

	Original & Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Tax revenues:			
Current year	\$ 69,018,875	\$ 71,463,243	\$ 2,444,368
1st preceding year	1,690,000	1,506,206	(183,794)
2nd preceding year	-	673,663	673,663
All other preceding years	-	481,611	481,611
Abatements	(100,000)	(106,885)	(6,885)
Power plant tax treaty	3,000,000	3,000,000	-
National Grid reliability project	-	-	-
Total revenues	73,608,875	77,017,838	3,408,963
Departmental fees and revenue:			
Business licenses and registration	65,000	63,415	(1,585)
Non business licenses and fees	100,000	99,935	(65)
Infrastructure fees	15,000	9,048	(5,952)
Inspection fees:	-	-	-
Mechanical	25,000	-	(25,000)
Plumbing	35,000	63,955	28,955
Building	175,000	374,269	199,269
Electrical	65,000	73,303	8,303
Engineering fees	3,500	2,323	(1,177)
Demolition permit	-	800	800
Public works	150,000	-	(150,000)
DPW - release and discharge of liens	35,000	15,216	(19,784)
Military surplus proceeds	-	31,001	31,001
Zoning board	45,000	55,311	10,311
Planning board fees	45,000	76,055	31,055
Tax collector's fees	25,000	28,320	3,320
Investment and interest income	85,000	136,811	51,811
Municipal court fees	300,000	158,071	(141,929)
Recreation program fees	2,500	-	(2,500)
Recreation Day Camp revenues	-	40,323	40,323
Entertainment licenses	2,500	2,500	-
Marriage, death, and birth certificates	25,000	30,836	5,836
Stamps	175,000	242,544	67,544
Advertising	15,000	16,301	1,301
Dog licenses	500	855	355
Other	12,000	13,478	1,478
Recording/probate land evidence	240,000	225,466	(14,534)
Probate fees	35,000	35,060	60
Police fees	3,500	8,727	5,227
VIN number checks	25,000	48,551	23,551
BCI Fees	-	1,985	1,985
Police department reimbursement	175,000	220,000	45,000
Pistol permit fees	-	1,285	1,285
Fire department revenues	500	409	(91)
Fire plan review fees	35,000	35,000	-
Annual PILOT Ridgewood/RIRRC	450,000	348,975	(101,025)
Tipping fees	300,000	548,895	248,895
Cell phone towers	150,000	193,881	43,881
Interest and penalties on property tax	550,000	1,064,184	514,184
Rescue services reimbursement	950,000	1,000,000	50,000
Housing authority	28,000	30,049	2,049
Total departmental fees and revenue	4,343,000	5,297,137	954,137

(Continued)

TOWN OF JOHNSTON, RHODE ISLAND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND - BUDGETARY BASISFOR THE YEAR ENDED JUNE 30, 2016
UNAUDITED

	Original & Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
State and federal aid grants:			
State aid - school	13,924,289	13,985,769	61,480
School housing aid	325,000	315,118	(9,882)
Motor vehicle phase out	422,956	422,637	(319)
Solid waste in lieu of taxes	3,412,232	3,691,227	278,995
Public service corporation tax	390,714	373,181	(17,533)
Meal and beverage tax distribution	514,948	586,497	71,549
Library aid	116,751	116,107	(644)
Total state and federal aid grants	19,106,890	19,490,536	383,646
Miscellaneous	640,000	559,368	(80,632)
School miscellaneous	860,000	1,024,252	164,252
Total revenues before other financing sources	98,558,765	103,389,131	4,830,366
Other financing sources:			
Transfer from other funds	-	-	-
Total other financing sources	-	-	-
Total revenues and other financing sources	98,558,765	103,389,131	4,830,366

(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, 2016
UNAUDITED

	Original & Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Legislative, judicial and general administrative:			
Town Council:			
Salaries	32,700	32,700	-
FICA	2,885	2,885	-
Retirement town's share	1,181	708	475
Department	100	-	100
Telephone	2,000	1,852	148
Office	100	-	100
Town Sargent salary	2,400	2,400	-
Claims	2,000	-	2,000
Contingency	4,000	22,796	(18,796)
Total Town Council	47,166	63,139	(15,973)
Mayor:			
Mayor's salary	75,000	75,577	(577)
Chief of Staff salary	32,500	37,330	(4,830)
Full time salaries	50,000	50,370	(370)
FICA	12,049	12,325	(276)
Health insurance	37,133	37,133	-
Life insurance	337	190	147
Retirement town's share	8,545	8,846	(301)
Office	3,750	1,678	2,072
Equipment lease	2,295	1,974	321
Telephone	500	-	500
Department expense	3,000	7,293	(4,293)
Total Mayor	225,109	232,716	(7,607)
Courts:			
Probate court	7,500	7,558	(58)
FICA	574	578	(4)
Health Insurance	6,388	6,389	(1)
Life Insurance	-	-	-
Department	100	100	-
Total Courts	14,562	14,625	(63)
Canvassers:			
Board salaries	6,000	5,875	125
Full time salaries	44,703	53,101	(8,398)
Overtime salaries	-	670	(670)
FICA	3,879	4,563	(684)
Health Insurance	1,296	1,296	-
Life Insurance	118	145	(27)
Retirement town's share	7,633	7,801	(168)
Office	3,355	3,284	71
Department expense	500	-	500
Equipment lease	1,200	1,242	(42)
Election expense	10,000	7,504	2,496
Total Canvassers	78,684	85,481	(6,797)
Legal:			
Salaries	52,000	55,992	(3,992)
Health insurance	20,358	20,358	-
Life Insurance	-	-	-
Retirement town's share	-	-	-
FICA	3,978	4,009	(31)
Hourly billings	350,000	582,934	(212,934)
Contingency: judgments	50,000	95,116	(45,116)
Legal services	20,000	50,374	(30,374)
Office	450	343	107
Total Legal	496,786	789,126	(292,340)

(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, 2016
UNAUDITED

	Original & Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Legislative, judicial and general administrative (continued):			
Town Clerk:			
Town Clerk Salary	71,581	71,854	(273)
Deputy Clerk	5,250	4,601	649
Full Time Salaries	85,531	86,159	(628)
Overtime salaries	10,000	11,578	(1,578)
FICA	12,421	13,105	(684)
Health insurance	48,419	48,419	-
Life insurance	353	248	105
Retirement town's share	26,850	27,126	(276)
Stenographer	15,000	5,725	9,275
Department expense	1,500	1,455	45
Office	17,700	19,872	(2,172)
Equipment lease	2,000	1,894	106
Operating	4,000	2,919	1,081
Total town clerk	300,605	294,955	5,650
Zoning Board:			
Board salaries	8,800	9,182	(382)
FICA	673	702	(29)
Life insurance	-	-	-
Postage	200	331	(131)
Bidding and Advertising	500	1,140	(640)
Stenographer	5,100	4,756	344
Total zoning board	15,273	16,111	(838)
Total legislative, judicial, and general administrative	1,178,185	1,496,153	(317,968)
Financial Administration:			
Finance:			
Salaries	515,333	533,809	(18,476)
Severance	9,590	78,832	(69,242)
Overtime	-	13,991	(13,991)
FICA	40,157	49,901	(9,744)
Health insurance	136,985	136,985	-
Life insurance	1,123	807	316
Retirement town's share	85,404	86,652	(1,248)
Office	5,250	3,389	1,861
Audit	50,000	30,250	19,750
Consulting fee	73,000	69,996	3,004
Department expense	19,900	17,470	2,430
Dues, publications, and subscriptions	1,000	835	165
Payroll processing	33,075	41,785	(8,710)
Training	3,200	1,055	2,145
Fiscal advisor	5,000	-	5,000
Computer service contracts	20,200	12,218	7,982
Postage	12,500	9,636	2,864
Bank and bond fees	5,000	5,847	(847)
Telephone	5,000	4,770	230
Tax collection fees	8,000	17,239	(9,239)
Equipment lease purchase	1,000	1,567	(567)
Total financial administration	1,030,717	1,117,034	(86,317)
Assessor:			
Full-time salaries	134,399	133,321	1,078
Part time & overtime salaries	6,350	8,436	(2,086)
FICA	10,767	10,576	191
Health insurance	48,419	48,419	-
Life insurance	353	248	105
Retirement town's share	22,969	22,631	338
Processing tax roll	35,000	43,101	(8,101)
Computer service contracts	16,000	7,025	8,975
Consulting fee	4,500	-	4,500
Equipment service contract	1,500	1,593	(93)
Office	6,350	46,289	(39,939)
Department expense	1,250	545	705
Dues, publications, and subscriptions	250	-	250
Equipment lease	1,000	-	1,000
Full real estate tax valuation	273,000	53,100	219,900
Total assessor	562,107	375,284	186,823

(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, 2016
UNAUDITED

	Original & Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Public safety:			
Police Department:			
Salaries	4,396,967	4,481,906	(84,939)
Overtime salaries	850,000	1,285,346	(435,346)
JARE overtime salaries	125,000	95,202	29,798
Civilian overtime salaries	30,000	49,445	(19,445)
Part time salaries	49,660	57,476	(7,816)
Holiday salaries	235,008	244,460	(9,454)
Training and college	40,000	37,387	2,613
Training and accreditation	5,000	4,911	89
FICA	481,845	531,527	(49,682)
Health insurance	1,097,874	1,097,874	-
Life insurance	15,546	14,338	1,208
Severance pay	150,000	9,902	140,098
Longevity	306,896	306,514	382
Gasoline	100,000	80,367	19,633
Arms and ammunition	16,000	15,945	55
Clothing and maintenance	137,000	132,300	4,700
Firearm allowance	33,000	34,000	(1,000)
Police pension	2,211,164	2,211,164	-
Bureau of criminal investigation	17,000	20,415	(3,415)
Office	16,450	15,846	604
Police chief department expense	3,000	2,510	490
Retirement	735,408	725,558	9,848
Retiree health insurance	1,089,097	1,089,097	-
Retiree life insurance	17,119	19,617	(2,498)
Dues and publications	2,700	2,948	(248)
Radio maintenance	4,000	2,853	1,147
Vehicle repair deductible	12,000	32,407	(20,407)
Equipment rental	5,300	4,367	933
Computer service contracts	30,000	29,382	618
Equipment maintenance	10,000	14,208	(4,208)
Explorer	9,000	6,775	2,225
Utilities	61,500	40,289	21,211
Telephone	46,500	34,719	11,781
Rent	-	-	-
Department expense	17,000	32,348	(15,348)
Recruits expense	8,235	8,241	(6)
Animal control	10,000	5,067	4,933
Grant matching funds	10,500	(19,069)	29,569
Capital purchases	-	-	-
Injured on duty TPA	5,000	4,900	100
Information technology	3,500	3,288	212
SWAT Team (Special Response Team)	3,000	2,928	72
Military surplus	-	-	-
Medicare	297,621	297,621	-
Building Maintenance	10,000	34,400	(24,400)
Total police department	12,704,886	13,100,779	(395,893)
Municipal Court:			
Full time salaries	77,357	78,790	(1,433)
Part time salaries	40,000	41,437	(1,437)
Overtime salaries	1,500	525	975
Auxiliary judge	1,000	2,250	(1,250)
FICA	8,978	9,064	(86)
Health insurance	37,133	37,133	-
Life insurance	225	169	56
Retirement town's share	13,220	13,518	(298)
Office	3,000	2,056	944
Building maintenance	3,000	2,771	229
Heat	2,000	1,923	77
Electric	4,800	4,028	772
Telephone	1,500	1,673	(173)
Water	1,200	1,074	126
Service contracts	6,000	5,909	91
Department	4,000	2,842	1,158
Equipment lease	1,500	910	590
Total municipal court	206,413	206,072	341

(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, 2016
UNAUDITED

	Original & Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Public safety (continued):			
Fire department:			
Department salaries	5,758,049	5,049,747	708,302
Part-time salaries	5,250	4,667	583
Call-back and overtime salaries	1,253,850	2,701,071	(1,447,221)
Longevity	829,776	575,779	53,997
Holiday salaries	331,886	316,450	15,436
Unused sick day bonus	18,000	17,704	296
FICA	549,861	666,673	(116,812)
Health insurance	1,332,016	1,332,016	-
Life insurance	17,225	15,354	1,871
Severance pay	150,000	426,677	(276,677)
Radio maintenance	14,500	17,373	(2,873)
Fire prevention	6,000	5,445	555
Sanitary supplies	18,000	17,165	835
Clothing and allowance	154,800	159,400	(4,600)
Fire alarm	10,000	8,127	1,873
First aid and ambulance service	70,000	90,913	(20,913)
Gasoline	75,000	22,507	52,493
Office	9,050	6,469	2,581
Haz-Mat stipend	67,080	68,412	(1,332)
Fire pension	2,243,712	2,243,712	-
SCBA operations	9,000	7,427	1,573
Utilities	95,000	84,927	10,073
Telephone	40,000	65,906	(25,906)
Rent	1,800	-	1,800
Hydrants	188,000	188,422	(422)
Hazardous materials	3,500	1,403	2,097
Fire chief contracted expense	3,280	1,744	1,536
Fire chief department expense	1,000	1,398	(398)
Retirement	731,812	700,069	31,743
Retiree health insurance	1,083,488	1,083,488	-
Training	15,000	13,142	1,858
Training and college	20,000	29,712	(9,712)
Equipment rental	2,000	1,494	506
Department expense	6,000	22,230	(16,230)
Building maintenance	15,000	47,825	(32,825)
Fire fighter equipment and supplies	71,000	96,159	(25,159)
Injured on duty TPA	7,200	7,400	(200)
Grant matching funds	47,500	37,131	10,369
Vehicle repairs	70,000	147,003	(77,003)
Medicare	168,938	168,940	(2)
Total fire department	15,293,573	16,451,481	(1,157,908)
Emergency Management:			
Salaries	10,000	5,000	5,000
FICA	765	765	-
Total emergency management	10,765	5,765	5,000
Total public safety	28,215,637	29,764,097	(1,548,460)

(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, 2016
UNAUDITED

	Original & Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Public works department:			
Streets and highways:			
Salaries	579,240	564,487	14,753
Part-time salaries	-	1,216	(1,216)
Overtime	65,000	88,781	(23,781)
FICA	49,288	49,910	(624)
Health insurance	178,872	178,872	-
Life insurance	1,404	1,084	320
Severance pay	-	10,512	(10,512)
Retirement town's share	96,848	82,576	14,272
Snow removal	125,000	97,249	27,751
Drainage	12,000	8,039	3,961
Street lighting	500,000	1,748,976	(1,248,976)
Street and traffic control	20,000	10,583	9,417
Street and highway materials	60,000	66,558	(6,558)
Equipment maintenance	2,500	832	1,668
Total streets and highways	1,690,150	2,909,675	(1,219,525)
Building maintenance:			
Salaries	130,281	128,173	2,108
Part-time salaries	7,800	6,530	1,270
Overtime	7,100	3,557	3,543
FICA	11,106	10,435	671
Health insurance	37,133	37,133	-
Life insurance	338	218	120
Retirement town's share	22,265	30,576	(8,311)
Building maintenance	20,000	19,455	545
Building supplies	800	-	800
Department expense	500	-	500
Capital purchases	1,000	-	1,000
Total building maintenance	238,323	236,077	2,246
Public Works Administration:			
Salaries	187,439	205,349	(17,910)
Overtime	1,000	3,222	(2,222)
Severance pay	-	-	-
FICA	14,416	15,711	(1,295)
Health insurance	62,718	62,718	-
Life insurance	449	538	(89)
Retirement town's share	32,034	37,787	(5,753)
Bidding and advertising	600	431	169
Garbage collections	1,480,000	1,400,833	79,167
Recycling bins	6,000	1,417	4,583
Safety equipment	7,000	5,598	1,402
Tree removal	18,000	16,660	1,340
Gasoline	100,000	87,045	12,955
Equipment lease	10,000	9,653	347
Telephone	12,000	8,797	3,203
Utilities	32,800	39,172	(6,372)
Office expense	7,700	4,632	3,068
Department	4,000	3,777	223
Uniforms	6,500	6,373	127
Dams escrow agreement	250,000	250,000	-
Capital purchases	7,000	41,046	(34,046)
Total public works administration	2,239,656	2,200,759	38,897
Sewer Department:			
Salaries	30,000	30,172	(172)
Part-time salaries	-	26,331	(26,331)
Overtime salaries	-	1,476	(1,476)
Town engineer	25,000	-	25,000
FICA	4,208	4,355	(147)
Health insurance	18,566	18,566	-
Life insurance	112	83	29
Retirement town's share	5,127	6,501	(1,374)
Department	500	2,355	(1,855)
Dues, publications and subscriptions	-	-	-
Computer service contract	9,800	4,678	5,122
Total sewer department	93,313	94,517	(1,204)

(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, 2016
UNAUDITED

	Original & Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Public works department (Continued):			
Waste water management:			
Part time salaries	-	5,008	(5,008)
FICA	536	905	(369)
Postage	250	214	36
Bidding and advertising	200	-	200
Board salaries	7,000	6,827	173
Total waste water management	7,986	12,954	(4,968)
Fleet maintenance:			
Salaries	190,283	171,086	19,197
Overtime salaries	10,000	10,064	(64)
Severance	-	41,876	(41,876)
FICA	15,322	16,861	(1,539)
Health insurance	44,152	44,152	-
Life insurance	449	331	118
Retirement town's share	32,263	29,529	2,734
Vehicle repair - Police	45,000	54,990	(9,990)
Vehicle repair - Highway	60,000	139,207	(79,207)
Vehicle repair - Inspectors	1,000	1,930	(930)
Department expense	1,000	322	678
Total fleet maintenance	399,469	510,348	(110,879)
Inspector's fees:			
Salaries	34,778	20,845	13,933
Overtime	2,500	1,216	1,284
Severance	-	2,661	(2,661)
Plumbing inspector's salary	15,000	25,911	(10,911)
Building inspector's salary	12,000	-	12,000
Electrical inspector's salary	15,000	6,565	8,435
CDBG coordinator	65,000	65,500	(500)
Mechanical inspector	-	-	-
Building official	70,000	90,928	(20,928)
FICA	16,392	16,233	159
Health Insurance	25,585	25,585	-
Life Insurance	337	228	109
Retirement town's share	29,015	24,354	4,661
Dues, publications and subscriptions	150	40	110
Office	4,000	1,815	2,185
Department expense	3,000	561	2,439
Total inspector's office	292,757	282,442	10,315

(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, 2016
UNAUDITED

	Original & Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Public works department (Continued):			
Parks and recreation:			
Director salary	63,479	64,455	(976)
Park salaries	443,684	332,701	110,983
Recreation salaries	129,928	131,520	(1,592)
Overtime salaries	5,000	20,494	(15,494)
Part time salaries	65,000	56,108	8,892
Part time seasonal salaries	-	20,929	(20,929)
Severance pay	-	11,902	(11,902)
FICA	54,092	48,077	6,015
Health insurance	213,267	213,267	-
Life insurance	1,635	1,101	534
Retirement town's share	108,879	79,360	29,519
Equipment maintenance	4,000	3,602	398
Park maintenance	25,000	28,912	(3,912)
Vehicle repairs	6,500	6,859	641
Equipment lease	1,000	1,493	(493)
Recreation supplies	500	-	500
Utilities	37,000	37,189	(189)
Gasoline	15,000	15,088	(88)
Telephone	7,500	5,846	1,654
Uniforms	3,000	1,760	1,240
Office	1,500	1,025	475
Office fire expense	-	-	-
Day camp	1,000	9,624	(8,624)
Rainone gym parking rental	5,000	5,000	-
Department	4,000	4,860	(860)
Building maintenance	5,000	7,690	(2,690)
Total parks and recreation	1,200,964	1,107,862	93,102
Total public works	6,162,618	7,354,634	(1,192,016)
Municipal land trust:			
FICA	551	452	99
Board salaries	7,200	5,914	1,286
Water	-	26	(26)
Total municipal land trust	7,751	6,392	1,359
Human resources:			
General Public Assistance:			
Salaries	2,400	2,400	-
FICA	184	184	-
Department	50	-	50
Food stamps and holidays	1,000	-	1,000
Total general public assistance	3,634	2,584	1,050
Personnel:			
Full time salaries	34,778	38,530	(3,752)
Overtime salaries	-	2,257	(2,257)
FICA	2,660	3,053	(393)
Health insurance	18,566	18,566	-
Life insurance	112	83	29
Retirement town's share	5,945	6,582	(637)
Postage	100	269	(169)
Training	1,000	-	1,000
Department expense	600	339	261
Total personnel	63,761	69,679	(5,918)
Total human resources	67,395	72,263	(4,868)

(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, 2016
UNAUDITED

	Original & Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Miscellaneous appropriations:			
General liability insurance	617,924	593,236	24,688
Workers compensation insurance	267,410	199,457	67,953
FICA	16,740	459	16,281
Health insurance retirees	377,803	377,803	-
Declination - health & dental insurance	212,218	29,737	182,481
Retirement town's share	9,604	3,201	6,403
Unemployment compensation	6,500	3,032	3,468
Stop - loss health insurance	300,000	300,000	-
Dues, publications, and subscriptions	3,000	-	3,000
Sealer of weights and measures	8,000	6,000	-
Tree warden	600	-	600
Contingency	10,000	34,709	(24,709)
Human needs program	5,000	5,000	-
Rent	3,800	3,800	-
Police / fire pension actuarial	30,000	12,600	17,400
Tri-Town	35,000	35,000	-
Utilities	16,300	11,006	5,294
Medicare	538,411	538,411	-
ACA Fed Govt Costs	-	47,990	(47,990)
Johnston Senior Citizen Center, Inc.	225,949	221,605	4,344
Building maintenance - town hall	24,100	15,937	8,163
Total miscellaneous appropriations	2,706,359	2,438,983	267,376
Planning and Assessment Board:			
Planning Board:			
Town Planner	25,000	-	25,000
Full time salaries	36,865	32,133	4,732
Part time salaries	-	17,173	(17,173)
Overtime	2,500	2,775	(275)
Severance Pay	-	-	-
Board salaries	7,200	8,543	(1,343)
FICA	5,459	4,578	881
Health Insurance	18,566	18,566	-
Life insurance	113	83	30
Retirement town's share	6,301	5,365	936
Stenographer	4,500	3,464	1,036
Department expense	1,500	768	732
Office	1,000	1,044	(44)
Bidding and advertising	2,000	3,187	(1,187)
Dues, publications and subscriptions	2,000	913	1,087
Total planning board	113,004	98,592	14,412
Assessment Board:			
Board salaries	195	185	10
FICA	2,550	2,415	135
Total assessment board	2,745	2,600	145
Total planning and assessment board	115,749	101,192	14,557

(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, 2016
UNAUDITED

	Original & Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Library:			
Full time salaries	249,171	248,887	284
Part time salaries	117,960	107,730	10,230
Overtime	500	15	485
Severance	-	1,970	(1,970)
FICA	27,390	26,922	468
Health insurance	106,871	106,871	-
Life insurance	786	573	213
Retirement town's share	42,582	40,810	1,772
Books and media	20,000	19,144	856
Dues and publications	300	300	-
Bidding and advertising	250	63.00	187
Computer service contracts	27,500	27,534	(34)
Auto expense	500	185	315
Conferences	200	190	10
Printing	500	524	(24)
Training	500	300	200
Utilities	27,000	22,940	4,060
Telephone	2,000	1,028	972
Building maintenance	10,000	10,372	(372)
Office	10,300	8,538	1,762
Department expense	3,000	3,416	(416)
Total library	647,310	628,312	18,998
Debt service:			
Bond interest expense	928,954	684,640	244,314
Master lease interest expense	25,791	30,449	(4,658)
Bonded debt payments	2,298,725	2,049,555	247,170
Master lease principal payments	539,951	526,880	13,071
Fund balance restoration	1,760,212	1,760,212	-
Total debt service	5,551,633	5,051,736	499,897
Total expenditures before other financing uses:	46,245,461	48,406,080	(2,160,619)
Other budgeted financing uses:			
Transfer to School - Town appropriation	37,529,015	37,529,015	-
Transfer to School - State aid and miscellaneous receipts	14,784,289	15,010,021	(225,732)
Total other budgeted financing uses	52,313,304	52,539,036	(225,732)
Total expenditures and other budgeted financing uses	98,558,765	100,945,116	(2,386,351)
Net change in fund balance	\$ -	2,444,015	\$ 2,444,015
<i>Investment earnings on restoration fund not part of budget</i>		10,847	
<i>Inclusion of net income of Police Detail Fund with the General Fund, for GAAP purposes, not part of budget</i>		53,849	
<i>Inclusion of net income of Fire Dept Detail Fund with the General Fund, for GAAP purposes, not part of budget</i>		2,066	
<i>Expenditure recorded for fund balance restoration not considered to be a GAAP basis expenditure</i>		1,780,212	
<i>Contribution to OPEB Trust Fund not part of general fund budget</i>		(2,000,000)	
Net Change in Fund Balances - GAAP Basis (Exhibit B-2)		\$ 2,270,789	

(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, 2016
UNAUDITED**

REVENUES

Total General Fund revenues and other financing sources, from Exhibit B-2	\$ 91,002,247
Adjustments:	
School State Aid budgeted in General Fund	13,985,769
School Medicaid reimbursement budgeted in General Fund	901,981
School's miscellaneous income budgeted in General Fund	122,271
Inclusion of revenue of Police Detail Fund with the General Fund, for GAAP purposes, not part of budget	(842,452)
Inclusion of revenue of Fire Dept. Detail Fund with the General Fund, for GAAP purposes, not part of budget	(9,626)
Inclusion of revenue of "Fund Balance Restoration" with the General Fund, for GAAP purposes, not part of budget (includes transfers in)	(771,059)
Inclusion of revenue of "Funding Improvement" with the General Fund, for GAAP purposes, not part of budget	(1,000,000)
Total budgetary basis revenues and other financing sources from RSI-1 (pg. 91)	<u>\$ 103,389,131</u>

EXPENDITURES

Total General Fund expenditures and other financing uses, from Exhibit B-2	\$ 88,731,458
Adjustments:	
School State Aid budgeted in General Fund	13,985,769
School Medicaid reimbursement budgeted in General Fund	901,981
School's miscellaneous income budgeted in General Fund	122,271
Inclusion of expenditures of Police Detail Fund with the General Fund, for GAAP purposes, not part of budget (includes transfers out)	(788,803)
Inclusion of expenditures of Fire Dept. Detail Funds with the General Fund, for GAAP purposes, not part of budget	(7,560)
Inclusion of expenditures of "Funding Improvement" with the General Fund, for GAAP purposes, not part of budget	(2,000,000)
Total budgetary basis expenditures and other financing uses, from RSI-1 (pg. 100)	<u>\$ 100,945,116</u>

(CONCLUDED)

TOWN OF JOHNSTON, RHODE ISLAND

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

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues:	\$ -	\$ -	\$ -
Expenditures:			
Salaries	27,718,047	28,363,929	(645,882)
Employee benefits	12,763,039	12,835,597	(72,558)
Purchased services	9,695,985	9,661,137	34,848
Supplies and materials	2,136,233	1,155,164	981,069
Other	-	-	-
Capital outlay	-	510,843	(510,843)
Total expenditures	<u>52,313,304</u>	<u>52,526,670</u>	<u>(213,366)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(52,313,304)</u>	<u>(52,526,670)</u>	<u>(213,366)</u>
Other financing sources (uses):			
Transfer from Town of Johnston General Fund	37,529,015	37,529,015	-
Transfer from Town General Fund - State Aid	13,924,289	13,985,769	61,480
Transfer from Town General Fund - Miscellaneous Revenues	860,000	1,024,252	164,252
Total other financing sources (uses)	<u>52,313,304</u>	<u>52,539,036</u>	<u>225,732</u>
 NET CHANGE IN FUND BALANCES	 <u>\$ -</u>	 12,366	 <u>\$ 12,366</u>
 <i>Less fiscal 2015 encumbrances considered expenditures for GAAP</i>		<u>(483,493)</u>	
<i>Add back fiscal 2016 encumbrances not considered expenditures for GAAP</i>		<u>300,141</u>	
 Net Change in Fund Balances - GAAP Basis (Exhibit B-2)		 <u>\$ (170,986)</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, 2016
UNAUDITED**

REVENUES

Total School Unrestricted revenues and other financing sources, from Exhibit B-2	\$ 54,735,430
Adjustments:	
State on behalf pension contribution not budgeted	(2,196,394)
Total budgetary basis revenues and other financing sources from RSI-2	<u>\$ 52,539,036</u>

EXPENDITURES

Total School Unrestricted expenditures and other financing uses, from Exhibit B-2	\$ 54,906,416
Adjustments:	
Prior year encumbrances	(483,493)
Current year encumbrances	300,141
State on behalf pension contribution not budgeted	(2,196,394)
Total budgetary basis expenditures and other financing uses, from RSI-2	<u>\$ 52,526,670</u>

(CONCLUDED)

TOWN OF JOHNSTON, RHODE ISLAND

**Schedule of Funding Progress for OPEB Plans
Pay-As-You-Go Assumptions
June 30, 2016
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.....	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
	7/1/2015	\$989,678	\$ 149,840,484	\$ (148,850,806)	0.5%	N/A	N/A
School Department employees....	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
	7/1/2015	\$0	\$ 50,600,195	\$ (50,600,195)	0%	N/A	N/A
Total Governmental Activities:							
	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
	7/1/2015	\$989,678	\$ 200,440,679	\$ (199,451,001)	0.5%	N/A	N/A
Business-Type Activities:							
Water Department employees.....	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
	7/1/2015	\$10,322	\$ 1,562,842	\$ (1,552,520)	0.5%	N/A	N/A

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

TOWN OF JOHNSTON, RHODE ISLAND
Required Supplementary Information
For the Year Ended June 30, 2016
Police and Fire Trust (Fiduciary Fund)

Schedule of Contributions Multiyear
Last 2 Fiscal Years

FY Ending June 30,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributins as a Perecentage of Covered Employee Payroll
2016	\$ 13,805,159	\$ 5,360,260	\$ 8,444,899	\$ 7,260,074	73.83%
2015	12,910,527	5,377,624	7,532,903	8,027,576	66.99%
2014	12,959,095	5,417,483	7,541,612	7,596,208	71.32%

TOWN OF JOHNSTON, RHODE ISLAND
Required Supplementary Information
For the Year Ended June 30, 2016
Police and Fire Trust (Fiduciary Fund)

RSI-4

Schedule of Changes in Net Pension Liability and Related Ratios Multiyear

Last 10 Fiscal Years (to be built prospectively)

Measurement period ending June 30, (2016 rolled forward from 2015 measurement)	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Total Pension Liability										
Service Cost	\$ 6,669,262	\$ 5,963,935	\$ 5,695,125							
Interest on the Total Pension Liability	10,689,224	10,783,657	10,028,915							
Benefit Changes	-	-	-							
Difference Between Expected and Actual Experience	(964,907)	-	8,314,389							
Assumption Changes	53,677,065	-	-							
Benefit Payments	(8,586,915)	(8,131,651)	(7,964,640)							
Net Change in Total Pension Liability	\$ 61,483,729	\$ 8,615,941	\$ 16,073,789							
Total Pension Liability - Beginning	267,574,834	232,533,125	216,459,336							
Total Pension Liability - Ending (a)	\$ 329,058,563	\$ 241,149,066	\$ 232,533,125							
Plan Fiduciary Net Position										
Employer Contributions	\$ 5,360,260	\$ 5,377,624	\$ 5,417,483							
Employee Contributions	627,636	623,955	726,409							
Pension Plan Net Investment income	50,542	341,029	5,529,774							
Benefit Payments	(8,586,915)	(8,131,651)	(7,964,640)							
Pension Plan Administrative Expense	(155,657)	(142,000)	(254,635)							
Other Changes in Plan Fiduciary Net Position	-	-	-							
Net Change in Plan Fiduciary Net Position	\$ (2,704,134)	\$ (1,931,043)	\$ 3,454,391							
Plan Fiduciary Net Position - Beginning	39,439,152	41,321,835	37,867,444							
Plan Fiduciary Net Position - Ending (b)	\$ 36,735,018	\$ 39,390,792	\$ 41,321,835							
Net Pension Liability/(Asset) - Ending (a) - (b)	\$ 292,323,545	\$ 201,758,274	\$ 191,211,290							
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	11.16%	16.33%	17.77%							
Covered Employee Payroll	\$ 7,260,074	\$ 8,027,573	\$ 7,596,208							
Net Pension Liability as a Percentage of Covered Employee Payroll	4026.45%	2513.32%	2517.19%							

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

June 30, 2016

Valuation date	Actuarial determined contribution rates are calculated as of July 1 two years prior to the end of the fiscal year in which contributions are reported.
Methods and used assumptions to determine contribution rate:	
Actuarial cost method	Entry age
Amortization method	Closed level dollar for remaining unfunded liability
Remaining amortization period	20 years remaining as of June 30, 2016 21 years remaining as of June 30, 2015
Asset valuation method	Market Value

Actuarial assumptions:	
Investment rate of return	7.5-%, net pension plan investment expense, including inflation
Inflation rate	2.75%
Projected salary increases	4.00%
Cost-of-living adjustments	Police retirements prior to July 1, 2005 - 1.625% Police retirements on and after July 1, 2005 - 3.0% Firefighters retirements - 1.625%
Retirement rates	See the July 1, 2014 actuarial valuation report for the summary of assumption and for the history of changes to this assumption, if any.
Mortality	See the July 1, 2014 actuarial valuation report for the summary of assumption and for the history of changes to this assumption, if any.

TOWN OF JOHNSTON, RHODE ISLAND

Required Supplementary Information
For the Year Ended June 30, 2016
Police and Fire Trust (Fiduciary Fund)
Schedule of Deferred Inflows and Outflows

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

A. Pension expense for the year ended June 30, 2016

Service Cost	\$	5,229,220	
Interest on the TPL		10,783,657	
Employee contributions		(683,874)	
Administrative expenses		142,000	
Other		40,576	
Expected return on assets		(3,015,748)	
Expensed portion of current year period differences between expected and actual experience in TPL		(283,978)	
Expensed portion of current year period assumption changes		13,864,220	
Current year plan changes		-	
Expensed portion of current year period differences between projected and actual investment earnings		534,942	
Current year recognition of deferred inflows and outflows established in prior years		3,603,687	
Total expense			\$ 30,214,702

B. Deferred outflows/inflows of resources related to pensions

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 283,978
Changes in assumption	13,864,219	-
Net difference between projected and actual earnings on pension plan investments	196,750	-
Total	\$ 14,343,471	\$ 283,978

TOWN OF JOHNSTON, RHODE ISLAND
Required Supplementary Information
For the Year Ended June 30, 2016
Police and Fire Trust (Fiduciary Fund)
Schedule of Deferred Inflows and Outflows

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

Recognition of deferred outflows/inflows					Deferred Outflows/(Inflows) Recognized in Future Years					
	Year	Outstanding	Amount	Outstanding						
	Established	Balance at	Recognized	Balance at	2017	2018	2019	2020	2021	2022 and
		July 1, 2015	During FYE	June 30,						Thereafter
			June 30,	June 30,						
			2016	2016						
Fiscal Year Outflows										
Demographic	2015	\$ 2,872,023	\$ 2,872,023	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Demographic	2016	1,627,147	813,573	813,574	813,574	-	-	-	-	-
Investment	2016	1,109,823	221,963	887,860	221,965	221,965	221,965	221,965	-	-
Assumption Change	2016	15,613,100	7,806,550	7,806,550	7,806,550	-	-	-	-	-
Total Outflows		\$ 21,222,093	\$ 11,714,109	\$ 9,507,984	\$ 8,842,089	\$ 221,965	\$ 221,965	\$ 221,965	\$ -	\$ -
Fiscal Year Inflows										
Investment	2015	\$ 921,480	\$ 230,370	\$ 691,110	\$ 230,370	\$ 230,370	\$ 230,370	\$ -	\$ -	\$ -
Total Inflows		\$ 921,480	\$ 230,370	\$ 691,110	\$ 230,370	\$ 230,370	\$ 230,370	\$ -	\$ -	\$ -
Total		\$ 20,300,613	\$ 11,483,739	\$ 8,816,874	\$ 8,611,719	\$ (8,405)	\$ (8,405)	\$ 221,965	\$ -	\$ -

TOWN OF JOHNSTON, RHODE ISLAND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURN
JUNE 30, 2016
Police and Fire Trust (Fiduciary Fund)

	<u>Annual money-weighted rate of return</u>
2014	14.72%
2015	0.53%
2016	-0.01%
2017	
2018	
2019	
2020	
2021	
2022	
2023	

TOWN OF JOHNSTON
REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM (MERS) - General Employees
6/30/2016

Schedule of the Town of Johnston's Proportionate Share of the Net Pension Liability

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
A. Total pension liability										
1. Service Cost	\$ 726,120	\$ 742,315								
2. Interest on the Total Pension Liability	2,976,813	2,908,421								
3. Changes of benefit terms	817,330	-								
4. Difference between expected and actual experience of the Total Pension Liability	(474,099)	-								
5. Changes of assumptions	-	30,100								
6. Benefit payments, including refunds of employee contributions	(2,724,611)	(2,797,073)								
7. Net change in total pension liability	1,321,553	883,763								
8. Total pension liability – beginning	40,690,085	39,806,322								
9. Total pension liability – ending (a)	<u>\$ 42,011,638</u>	<u>\$ 40,690,085</u>								
B. Plan fiduciary net position										
1. Contributions – employer	\$ 1,254,378	\$ 1,050,131								
2. Contributions – employee	162,213	145,488								
3. Net investment income	721,793	4,198,765								
4. Benefit payments, including refunds of employee contributions	(2,724,611)	(2,797,073)								
5. Pension Plan Administrative Expense	(28,933)	(26,293)								
6. Other	(110,090)	253,162								
7. Net change in plan fiduciary net position	(725,250)	2,824,180								
8. Plan fiduciary net position – beginning	31,524,902	28,700,722								
9. Plan fiduciary net position – ending (b)	<u>\$ 30,799,652</u>	<u>\$ 31,524,902</u>								
C. Net pension liability - ending (a) - (b)	<u>\$ 11,211,986</u>	<u>\$ 9,165,183</u>								
D. Plan fiduciary net position as a percentage of the total pension liability	73.31%	77.48%								
E. Covered employee payroll	\$ 7,996,917	\$ 7,748,594								
F. Net pension liability as a percentage of covered payroll	140.20%	118.28%								

*Schedule is a 10-year schedule to be built prospectively

TOWN OF JOHNSTON
REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM (MERS) - Police
6/30/2016

Schedule of the Town of Johnston's Proportionate Share of the Net Pension Liability

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
A. Total pension liability										
1. Service Cost	\$ 93,320	\$ 79,271								
2. Interest on the Total Pension Liability	17,733	10,616								
3. Changes of benefit terms	16,739	-								
4. Difference between expected and actual experience of the Total Pension Liability	37,616	-								
5. Changes of assumptions	-	(2,021)								
6. Benefit payments, including refunds of employee contributions	-	(7)								
7. Net change in total pension liability	165,408	87,859								
8. Total pension liability – beginning	189,779	101,920								
9. Total pension liability – ending (a)	<u>\$ 355,187</u>	<u>\$ 189,779</u>								
B. Plan fiduciary net position										
1. Contributions – employer	\$ 56,198	\$ 35,823								
2. Contributions – employee	42,390	35,823								
3. Net investment income	7,812	30,268								
4. Benefit payments, including refunds of employee contributions	-	(7)								
5. Pension Plan Administrative Expense	(312)	(190)								
6. Other	(1)	37,680								
7. Net change in plan fiduciary net position	106,087	139,397								
8. Plan fiduciary net position – beginning	227,254	87,857								
9. Plan fiduciary net position – ending (b)	<u>\$ 333,341</u>	<u>\$ 227,254</u>								
C. Net pension liability - ending (a) - (b)	<u>\$ 21,846</u>	<u>\$ (37,475)</u>								
D. Plan fiduciary net position as a percentage of the total pension liability	93.85%	119.75%								
E. Covered employee payroll	\$ 605,582	\$ 511,759								
F. Net pension liability as a percentage of covered payroll	3.61%	-7.32%								

*Schedule is a 10-year schedule to be built prospectively

TOWN OF JOHNSTON
REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM (MERS) - Fire
6/30/2016

Schedule of the Town of Johnston's Proportionate Share of the Net Pension Liability

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
A. Total pension liability										
1. Service Cost	\$ 543,904	\$ 516,218								
2. Interest on the Total Pension Liability	390,096	340,281								
3. Changes of benefit terms	187,802	-								
4. Difference between expected and actual experience of the Total Pension Liability	(206,476)	-								
5. Changes of assumptions	-	(134,099)								
6. Benefit payments, including refunds of employee contributions	(71,970)	(72,130)								
7. Net change in total pension liability	843,356	650,270								
8. Total pension liability – beginning	4,965,309	4,315,039								
9. Total pension liability – ending (a)	<u>\$ 5,808,665</u>	<u>\$ 4,965,309</u>								
B. Plan fiduciary net position										
1. Contributions – employer	\$ 330,728	\$ 276,573								
2. Contributions – employee	239,904	231,191								
3. Net investment income	134,680	681,794								
4. Benefit payments, including refunds of employee contributions	(71,970)	(72,130)								
5. Pension Plan Administrative Expense	(5,394)	(4,269)								
6. Other	12	(1)								
7. Net change in plan fiduciary net position	627,960	1,113,158								
8. Plan fiduciary net position – beginning	5,118,999	4,005,841								
9. Plan fiduciary net position – ending (b)	<u>\$ 5,746,959</u>	<u>\$ 5,118,999</u>								
C. Net pension liability - ending (a) - (b)	<u>\$ 61,706</u>	<u>\$ (153,690)</u>								
D. Plan fiduciary net position as a percentage of the total pension liability	98.94%	103.10%								
E. Covered employee payroll	\$ 3,427,246	\$ 3,302,741								
F. Net pension liability as a percentage of covered payroll	1.80%	-4.65%								

**Schedule is a 10-year schedule to be built prospectively*

TOWN OF JOHNSTON, RHODE ISLAND
SCHEDULE OF THE TOWN OF JOHNSTON'S CONTRIBUTIONS
MERS (Municipal Employee's Retirement System)
June 30, 2016

Schedule of General Employees' Contributions

	<u>Fiscal 2016</u>	<u>Fiscal 2015</u>	<u>Fiscal 2014</u>	<u>Fiscal 2013</u>	<u>Fiscal 2012</u>	<u>Fiscal 2011</u>	<u>Fiscal 2010</u>	<u>Fiscal 2009</u>	<u>Fiscal 2008</u>	<u>Fiscal 2007</u>
Actuarially determined contribution	\$ 1,179,635	\$ 1,237,686								
Contributions in relation to the actuarially determined contribution	1,179,635	1,237,686								
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>								
Covered-employee payroll	\$ 7,996,917	\$ 7,873,321								
Contributions as a percentage of covered-employee payroll	14.75%	15.72%								

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

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

TOWN OF JOHNSTON, RHODE ISLAND
SCHEDULE OF THE TOWN OF JOHNSTON'S CONTRIBUTIONS
MERS (Municipal Employee's Retirement System)
June 30, 2016

Schedule of Police Employees' Contributions

	<u>Fiscal 2016</u>	<u>Fiscal 2015</u>	<u>Fiscal 2014</u>	<u>Fiscal 2013</u>	<u>Fiscal 2012</u>	<u>Fiscal 2011</u>	<u>Fiscal 2010</u>	<u>Fiscal 2009</u>	<u>Fiscal 2008</u>	<u>Fiscal 2007</u>
Actuarially determined contribution	\$ 147,834	\$ 55,529								
Contributions in relation to the actuarially determined contribution	147,834	55,529								
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>								
Covered-employee payroll	\$ 605,582	\$ 598,373								
Contributions as a percentage of covered-employee payroll	24.41%	9.28%								

1.) Employers participating in the Municipal Employee's Retirement System are required by RI General Laws, Section 45-21-42,

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

TOWN OF JOHNSTON, RHODE ISLAND
SCHEDULE OF THE TOWN OF JOHNSTON'S CONTRIBUTIONS
MERS (Municipal Employee's Retirement System)
June 30, 2016

Schedule of Fire Employees' Contributions

	Fiscal 2016	Fiscal 2015	Fiscal 2014	Fiscal 2013	Fiscal 2012	Fiscal 2011	Fiscal 2010	Fiscal 2009	Fiscal 2008	Fiscal 2007
Actuarially determined contribution	\$ 376,633	\$ 331,292								
Contributions in relation to the actuarially determined contribution	376,633	331,292								
Contribution deficiency (excess)	\$ -	\$ -								
Covered-employee payroll	\$ 3,427,246	\$ 3,433,078								
Contributions as a percentage of covered-employee payroll	10.99%	9.65%								

1.) *Employers participating in the Municipal Employee's Retirement System are required by RI General Laws, Section 45-21-42,*

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

TOWN OF JOHNSTON, RHODE ISLAND
NOTES TO SCHEDULE
MERS (Municipal Employees' Retirement System)
June 30, 2016

	Notes to Schedule
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	20 years
Inflation	2.75%
Salary Increases	General Employees - 3.50% to 7.50%
	Police & Fire Employees - 4.00% to 14.00%
Investment rate of return	7.50%
Retirement age	Varies depending on Years of Service and Age
Mortality	Male Employees, MERS General and MERS P&F: 115% of RP-2000 Combined Healthy for Males with White Collar adjustments, projected with Scale AA from 2000.
	Female Employees, MERS General and MERS P&F: 95% of RP-2000 Combined Healthy for Females with White Collar adjustments, projected with Scale AA from 2000.

**TOWN OF JOHNSTON
REQUIRED SUPPLEMENTARY INFORMATION
EMPLOYEES' RETIREMENT SYSTEM (ERS)
6/30/2016**

Schedule of the Town of Johnston's Proportionate Share of the Net Pension Liability

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Employer's proportion of the net pension liability	1.40%	1.30%								
Employer's proportionate share of the net pension liability	\$ 37,498,898	\$ 31,616,141								
State's proportionate share of the net pension liability associated with the school district	<u>25,618,070</u>	<u>21,680,644</u>								
Total	<u>\$ 63,116,968</u>	<u>\$ 53,296,785</u>								
Employer's covered employee payroll	\$ 22,674,661	\$ 26,384,676								
Employer's proportionate share of the net pension liability as a percentage of its covered employee payroll	165.38%	119.83%								
Plan fiduciary net position as a percentage of the total pension liability	57.55%	59.32%								

**Schedule is a 10-year schedule to be built prospectively*

Schedule of the Town of Johnston's Contributions to the Employees' Retirement System (ERS)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Actuarially determined contribution	\$ 3,113,231	\$ 3,538,185								
Contributions in relation to the actuarially determined contribution	3,113,231	3,538,185								
Contribution deficiency (excess)	<u>-</u>	<u>-</u>								
Covered-employee payroll	\$ 22,674,661	\$ 26,384,676								
Contributions as a percentage of covered-employee payroll	13.73%	13.41%								

**Schedule is a 10-year schedule to be built prospectively*

**TOWN OF JOHNSTON
REQUIRED SUPPLEMENTARY INFORMATION
Teacher's Survivors Benefit Plan
6/30/2016**

Schedule of the Town of Johnston's Proportionate Share of the Net Pension Asset

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Employer's proportion of the net pension asset	4.93%	4.65%								
Employer's proportionate share of the net pension asset	\$ 5,779,628	\$ 5,779,628								
Employer's covered employee payroll	\$ 22,674,661	\$ 26,384,676								
Employer's proportionate share of the net pension asset as a percentage of its covered employee payroll	25.49%	21.91%								
Plan fiduciary net position as a percentage of the total pension liability	146.6%	173.3%								

Notes:

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

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

TOWN OF JOHNSTON
REQUIRED SUPPLEMENTARY INFORMATION
Teacher's Survivors Benefit Plan
6/30/2016

Schedule of the Town of Johnston's Contributions

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined contribution	\$ 30,420	\$ 29,256								
Contributions in relation to the actuarially determined contribution	30,420	29,256								
Contribution deficiency (excess)	-	-								
Covered-employee payroll	\$ 22,674,661	\$ 26,384,676								
Contributions as a percentage of covered- employee payroll	0.13%	0.11%								

Notes:

1.) Employers participating in the Teachers' Survivor's Benefit Plan contribute at a rate established by the RI General Laws, Section 16-16-35.

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

SUPPLEMENTARY INFORMATION

Non-major Governmental Funds

Town of Johnston, Rhode Island

Non-major Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purpose other than debt service or capital projects. The following funds are considered Special Revenue Funds at June 30, 2016:

****School Restricted Funds**

Community Development Block Grant

Police Special Account

Memorial Park Recreation Fields Restoration

Substance Abuse Prevention Grant

Blue Riptide Grant

BHDDH RI Partnership For Success

Historical Trust Fund

Fire Plan Review

Fire Prevention

Memorial Library Fund

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

EDS Technology

PTO Donations

Title III

Target Grant

Verizon Foundation

RISCA

Scholarship America

RI Education Foundation

Walmart Grant

Donation & Miscellaneous Grant

Perkins Vocational

General Assembly

Student Equity

Feinstein Elementary

Festival Fete

Full Day Kindergarten

RIDHS Rising Star

RI Spark Grant

Exxon Mobil

SEAC

Industrial Arts

Town of Johnston, Rhode Island

Non-major Governmental Funds

Capital Projects Funds

Capital Projects Funds are used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Funding sources include debt proceeds, intergovernmental sources, third party contributions and General Fund operating transfers. The following funds are considered Capital Project Funds at June 30, 2016:

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

Fire Equipment
Capital Project Fund
Capital Lease 2014
Capital Lease 2015
Capital Project 2013 A
School Athletic Complex
Johnston Indoor Rec Center
School Wireless Classroom Initiative

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2016

SPECIAL REVENUE FUNDS

	School Restricted Fund	Community Development Block Grant	Police Special Account	Memorial Park Rec Fields Restoration	Substance Abuse Prevention Grant	Blue Riptide Grant	BHDDH RI Partnership For Success
ASSETS							
Cash and cash equivalents	\$ 273	\$ 21,053	\$ 76,063	\$ 35,821	\$ -	\$ -	\$ -
Due from federal & state governments	816,816	48,600	-	-	-	-	-
Due from other funds	83,235	-	-	-	10,799	3,821	38,536
TOTAL ASSETS	\$ 900,324	\$ 69,653	\$ 76,063	\$ 35,821	\$ 10,799	\$ 3,821	\$ 38,536
LIABILITIES AND FUND BALANCE							
LIABILITIES							
Accounts payable	\$ 375	\$ -	\$ -	\$ -	\$ 10,799	\$ 3,821	\$ 38,536
Due to federal & state governments	-	-	10,515	-	-	-	-
Due to other funds	795,239	58,492	-	1,755	-	-	-
Unearned revenue	-	-	-	-	-	-	-
TOTAL LIABILITIES	795,614	58,492	10,515	1,755	10,799	3,821	38,536
FUND BALANCES							
Restricted	144,602	11,161	65,548	34,066	-	-	-
Committed	-	-	-	-	-	-	-
Unassigned	(39,892)	-	-	-	-	-	-
TOTAL FUND BALANCES	104,710	11,161	65,548	34,066	-	-	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 900,324	\$ 69,653	\$ 76,063	\$ 35,821	\$ 10,799	\$ 3,821	\$ 38,536

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2016

SPECIAL REVENUE FUNDS

	Historical Trust Fund	Fire Plan Review	Fire Prevention	Memorial Library Fund	Secure Our Schools	Champlin Grant	Total Special Revenue Fund
ASSETS							
Cash and cash equivalents	\$ 59,133	\$ -	\$ -	\$ 129,700	\$ -	\$ -	\$ 322,043
Due from federal & state governments	-	-	-	-	-	-	865,416
Due from other funds	6,181	93,581	26,094	-	30,791	8,200	301,238
TOTAL ASSETS	\$ 65,314	\$ 93,581	\$ 26,094	\$ 129,700	\$ 30,791	\$ 8,200	\$ 1,488,697
LIABILITIES AND FUND BALANCE							
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 53,531
Due to federal & state governments	-	-	-	-	-	-	10,515
Due to other funds	-	-	-	-	-	-	855,486
Unearned revenue	-	-	-	-	-	-	-
TOTAL LIABILITIES	-	-	-	-	-	-	919,532
FUND BALANCES							
Restricted	65,314	-	26,094	129,700	30,791	8,200	515,476
Committed	-	93,581	-	-	-	-	93,581
Unassigned	-	-	-	-	-	-	(39,892)
TOTAL FUND BALANCES	65,314	93,581	26,094	129,700	30,791	8,200	569,165
TOTAL LIABILITIES AND FUND BALANCES	\$ 65,314	\$ 93,581	\$ 26,094	\$ 129,700	\$ 30,791	\$ 8,200	\$ 1,488,697

(CONTINUED)

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2016

CAPITAL PROJECT FUNDS

	School Facilities Fund	Rainone Gym Renovations	Unobligated Capital Fund	DAM Renovations	Pezza Property Acquisition	Dams Escrow Fund	Capital Improvements	Fire Equipment	Capital Project Fund
ASSETS									
Cash and cash equivalents	\$ 133,710	\$ -	\$ -	\$ -	\$ 5,763	\$ 1,185,617	\$ -	\$ 655,567	\$ 109,905
Due from federal & state governments	-	-	-	-	-	-	-	-	-
Due from other funds	-	-	45,327	57,745	40	-	-	276,569	-
TOTAL ASSETS	\$ 133,710	\$ -	\$ 45,327	\$ 57,745	\$ 5,803	\$ 1,185,617	\$ -	\$ 932,136	\$ 109,905
LIABILITIES AND FUND BALANCE									
LIABILITIES									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,887	\$ -	434,705	\$ 7,381
Due to federal & state governments	-	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	250,000	-	-	-
TOTAL LIABILITIES	-	-	-	-	-	251,887	-	434,705	7,381
FUND BALANCES									
Restricted	133,710	-	45,327	57,745	5,803	933,730	-	-	102,524
Committed	-	-	-	-	-	-	-	497,431	-
Unassigned	-	-	-	-	-	-	-	-	-
TOTAL FUND BALANCES	133,710	-	45,327	57,745	5,803	933,730	-	497,431	102,524
TOTAL LIABILITIES AND FUND BALANCES	\$ 133,710	\$ -	\$ 45,327	\$ 57,745	\$ 5,803	\$ 1,185,617	\$ -	\$ 932,136	\$ 109,905

(CONTINUED)

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2016

CAPITAL PROJECT FUNDS

	Capital Lease 2014	Capital Lease 2015	Capital Project 2013 Series A	School Athletic Complex	Johnston Indoor Rec Center	School Wireless Classroom Initiative	Total Capital Project Funds	Total Nonmajor Government Funds
ASSETS								
Cash and cash equivalents	\$ 149,060	\$ 27,754	\$ 1,950,281	\$ 12	\$ 2,601,240	\$ -	\$ 6,818,909	\$ 7,140,952
Due from federal & state governments	-	-	-	-	-	182,842	182,842	1,048,258
Due from other funds	-	-	-	-	-	-	379,681	680,919
TOTAL ASSETS	\$ 149,060	\$ 27,754	\$ 1,950,281	\$ 12	\$ 2,601,240	\$ 182,842	\$ 7,381,432	\$ 8,870,129
LIABILITIES AND FUND BALANCE								
LIABILITIES								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 20,565	\$ -	\$ 464,538	\$ 518,069
Due to federal & state governments	-	-	-	-	-	-	-	10,515
Due to other funds	-	-	-	-	-	201,480	201,480	1,056,966
Unearned revenue	-	-	-	-	-	-	250,000	250,000
TOTAL LIABILITIES	-	-	-	-	20,565	201,480	916,018	1,835,550
FUND BALANCES								
Restricted	149,060	27,754	1,950,281	12	2,580,675	-	5,986,621	6,502,097
Committed	-	-	-	-	-	-	497,431	591,012
Unassigned	-	-	-	-	-	(18,638)	(18,638)	(58,530)
TOTAL FUND BALANCES	149,060	27,754	1,950,281	12	2,580,675	(18,638)	6,465,414	7,034,579
TOTAL LIABILITIES AND FUND BALANCES	\$ 149,060	\$ 27,754	\$ 1,950,281	\$ 12	\$ 2,601,240	\$ 182,842	\$ 7,381,432	\$ 8,870,129

(CONCLUDED)

**Combining Statement of Revenue, Expenditure, and Changes in Fund Balance
Nonmajor Government Funds
For the year ended June 30, 2016**

	SPECIAL REVENUE FUNDS						
	School Restricted Fund	Community Development Block Grant	Police Special Account	Memorial Park Rec Fields Restoration	Substance Abuse Prevention Grant	Blue Riptide Grant	BHDDH RI Partnership For Success
REVENUES							
Federal and state grants	\$ 2,200,056	\$ 8,338	\$ 6,236	\$ -	\$ 23,477	\$ 22,189	\$ 139,864
Investment income	-	-	-	134	-	-	-
Other	100,463	14,045	-	27,771	-	-	-
Total revenues	2,300,519	22,383	6,236	27,905	23,477	22,189	\$ 139,864
EXPENDITURES							
Current:							
Education	2,264,210	-	-	-	-	-	-
Other expenses	-	26,524	3,725	18,019	23,477	26,078	139,864
Capital outlays	-	-	-	-	-	-	-
Indirect costs	-	-	-	-	-	-	-
Bond issuance cost	-	-	-	-	-	-	-
Total expenditures	2,264,210	26,524	3,725	18,019	23,477	26,078	139,864
Excess (deficiency) of revenues over (under) expenditures	36,309	(4,141)	2,511	9,886	-	(3,889)	-
Other financing sources (uses):							
Issuance of bonds and lease purchase obligations	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources	-	-	-	-	-	-	-
Net change in fund balances	36,309	(4,141)	2,511	9,886	-	(3,889)	-
Fund balances (deficits) - July 1, 2015	68,401	15,302	63,037	24,180	-	3,889	-
Fund balances (deficits) - June 30, 2016	\$ 104,710	\$ 11,161	\$ 65,548	\$ 34,066	\$ -	\$ -	\$ -

**Combining Statement of Revenue, Expenditure, and Changes in Fund Balance
Nonmajor Government Funds
For the year ended June 30, 2016**

	SPECIAL REVENUE FUNDS						
	Historical Trust Fund	Fire Plan Review	Fire Prevention	Memorial Library Fund	Secure Our Schools	Champlin Grant	Total Special Revenue Fund:
REVENUES							
Federal and state grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,400,160
Investment income	304	-	-	-	-	-	438
Other	32,764	78,051	11,540	14,742	-	-	279,376
Total revenues	33,068	78,051	11,540	14,742	\$ -	\$ -	2,679,974
EXPENDITURES							
Current:							
Education	-	-	-	-	-	-	2,264,210
Other expenses	47,615	5,047	15,176	26,150	-	-	331,675
Capital outlays	-	-	-	-	-	-	-
Indirect costs	-	-	-	-	-	-	-
Bond issuance cost	-	-	-	-	-	-	-
Total expenditures	47,615	5,047	15,176	26,150	-	-	2,595,885
Excess (deficiency) of revenues over (under) expenditures	(14,547)	73,004	(3,636)	(11,408)	-	-	84,089
Other financing sources (uses):							
Issuance of bonds and lease purchase obligations	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	(35,000)	-	-	-	-	(35,000)
Total other financing sources	-	(35,000)	-	-	-	-	(35,000)
Net change in fund balances	(14,547)	38,004	(3,636)	(11,408)	-	-	49,089
Fund balances (deficits) - July 1, 2015	79,861	55,577	29,730	141,108	30,791	8,200	520,076
Fund balances (deficits) - June 30, 2016	\$ 65,314	\$ 93,581	\$ 26,094	\$ 129,700	\$ 30,791	\$ 8,200	\$ 569,165

(CONTINUED)

Combining Statement of Revenue, Expenditure, and Changes in Fund Balance
 Nonmajor Government Funds
 For the year ended June 30, 2016

CAPITAL PROJECT FUNDS									
	School Facilities Fund	Rainone Gym Renovations	Unobligated Capital Fund	DAM Renovations	Pezza Property Acquisition	Dams Escrow Fund	Capital Improvements	Fire Equipment	Capital Project Fund
REVENUES									
Federal and state grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investment income	541	-	-	-	-	4,100	-	2,286	996
Other	-	-	-	-	1	250,000	-	157,740	10,553
Total revenues	541	\$ -	\$ -	\$ -	\$ 1	254,100	-	160,026	11,549
EXPENDITURES									
Current:									
Education	-	-	-	-	-	-	-	-	-
Other expenses	-	49,547	-	-	-	155,855	2,513	434,705	-
Capital outlays	-	-	-	-	-	-	-	-	805,375
Indirect costs	-	-	-	-	-	-	-	-	-
Bond issuance cost	-	-	-	-	-	-	-	-	-
Total expenditures	-	49,547	-	-	-	155,855	2,513	434,705	805,375
Excess (deficiency) of revenues over (under) expenditures	541	(49,547)	-	-	1	98,245	(2,513)	(274,679)	(793,826)
Other financing sources (uses):									
Issuance of bonds and lease purchase obligations	-	-	-	-	-	-	-	-	-
Transfers in	-	37,426	-	-	-	-	-	276,569	-
Transfers out	-	-	-	-	-	-	-	-	(51,268)
Total other financing sources	-	37,426	-	-	-	-	-	276,569	(51,268)
Net change in fund balances	541	(12,121)	-	-	1	98,245	(2,513)	1,890	(845,094)
Fund balances (deficits) - July 1, 2015	133,169	12,121	45,327	57,745	5,802	835,485	2,513	495,541	947,618
Fund balances (deficits) - June 30, 2016	\$ 133,710	\$ -	\$ 45,327	\$ 57,745	\$ 5,803	\$ 933,730	\$ -	\$ 497,431	\$ 102,524

(CONTINUED)

Combining Statement of Revenue, Expenditure, and Changes in Fund Balance
 Nonmajor Government Funds
 For the year ended June 30, 2016

	CAPITAL PROJECT FUNDS							Total
	Capital	Capital	Capital	School	Johnston	School Wireless	Total	Nonmajor
	Lease 2014	Lease 2015	Project 2013	Athletic	Indoor	Classroom	Capital	Government
			Series A	Complex	Rec Center	Initiative	Project Funds	Funds
REVENUES								
Federal and state grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,400,160
Investment income	16	10	9,610	23	403	-	17,985	18,423
Other	-	-	-	-	142,857	-	561,151	840,527
Total revenues	16	10	9,610	23	143,260	-	579,136	3,259,110
EXPENDITURES								
Current:								
Education	-	-	-	-	-	18,638	18,638	2,282,848
Other expenses	1,000	4,535	-	-	-	-	648,155	979,830
Capital outlays	12,664	217,721	821,580	51,307	62,585	-	1,971,232	1,971,232
Indirect costs	-	-	-	-	-	-	-	-
Bond issuance cost	-	-	-	-	-	-	-	-
Total expenditures	13,664	222,256	821,580	51,307	62,585	18,638	2,638,025	5,233,910
Excess (deficiency) of revenues over (under) expenditures	(13,648)	(222,246)	(811,970)	(51,284)	80,675	(18,638)	(2,058,889)	(1,974,800)
Other financing sources (uses):								
Issuance of bonds and lease purchase obligations	-	250,000	-	-	2,500,000	-	2,750,000	2,750,000
Transfers in	-	-	-	51,268	-	-	365,263	365,263
Transfers out	-	-	-	-	-	-	(51,268)	(86,268)
Total other financing sources	-	250,000	-	51,268	2,500,000	-	3,063,995	3,028,995
Net change in fund balances	(13,648)	27,754	(811,970)	(16)	2,580,675	(18,638)	1,005,106	1,054,195
Fund balances (deficits) - July 1, 2015	162,708	-	2,762,251	28	-	-	5,460,308	5,980,384
Fund balances (deficits) - June 30, 2016	\$ 149,060	\$ 27,754	\$ 1,950,281	\$ 12	\$ 2,580,675	\$ (18,638)	\$ 6,465,414	\$ 7,034,579

(CONCLUDED)

TOWN OF JOHNSTON

EXHIBIT 3 (Continued)

Combining Balance Sheet
 School Restricted Funds
 Reported as Nonmajor Governmental Funds
 June 30, 2016

	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
ASSETS											
Cash and cash equivalents	\$ -	\$ -	\$ 270	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental receivable	10,507	357,747	375,658	4,614	-	-	2,641	-	58,005	-	-
Due from other funds	-	-	-	2,597	-	3,728	-	5,986	-	2,000	18,615
TOTAL ASSETS	\$ 10,507	\$ 357,747	\$ 375,928	\$ 7,211	\$ -	\$ 3,728	\$ 2,641	\$ 5,986	\$ 58,005	\$ 2,000	\$ 18,615
Liabilities:											
Accounts payable	\$ -	\$ -	\$ -	\$ 75	\$ -	\$ -	\$ -	\$ 300	\$ -	\$ -	\$ -
Due to other funds	10,507	346,183	330,367	-	29,827	-	2,641	-	61,846	-	-
Unearned revenue	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	10,507	346,183	330,367	75	29,827	-	2,641	300	61,846	-	-
Fund balances:											
Unassigned	-	-	-	-	(29,827)	-	-	-	(3,841)	-	-
Restricted	-	11,564	45,561	7,136	-	3,728	-	5,686	-	2,000	18,615
Total fund balances	-	11,564	45,561	7,136	(29,827)	3,728	-	5,686	(3,841)	2,000	18,615
TOTAL LIABILITIES AND FUND BALANCE	\$ 10,507	\$ 357,747	\$ 375,928	\$ 7,211	\$ -	\$ 3,728	\$ 2,641	\$ 5,986	\$ 58,005	\$ 2,000	\$ 18,615

TOWN OF JOHNSTON

EXHIBIT 3 (Continued)

**Combining Balance Sheet
School Restricted Funds
Reported as Nonmajor Governmental Funds
June 30, 2016**

SPECIAL REVENUE FUNDS

	Aramark Scholarships	EDS Technology	PTO Donations	Title III	Target Grant	Verizon Foundation	RISCA	Scholarship America	RI Education Foundation	Walmart Grant	Donation & Misc Grant
ASSETS											
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3	\$ -	\$ -	\$ -
Intergovernmental receivable	-	-	-	7,644	-	-	-	-	-	-	-
Due from other funds	-	4,565	-	-	2,431	3,512	1,607	-	150	150	12,498
TOTAL ASSETS	\$ -	\$ 4,565	\$ -	\$ 7,644	\$ 2,431	\$ 3,512	\$ 1,607	\$ 3	\$ 150	\$ 150	\$ 12,498
Liabilities:											
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	144	7,644	-	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	-	-	144	7,644	-	-	-	-	-	-	-
Fund balances:											
Unassigned	-	-	(144)	-	-	-	-	-	-	-	-
Restricted	-	4,565	-	-	2,431	3,512	1,607	3	150	150	12,498
Total fund balances	-	4,565	(144)	-	2,431	3,512	1,607	3	150	150	12,498
TOTAL LIABILITIES AND FUND BALANCE	\$ -	\$ 4,565	\$ -	\$ 7,644	\$ 2,431	\$ 3,512	\$ 1,607	\$ 3	\$ 150	\$ 150	\$ 12,498

(Continued)

TOWN OF JOHNSTON

EXHIBIT 3 (Concluded)

**Combining Balance Sheet
School Restricted Funds
Reported as Nonmajor Governmental Funds
June 30, 2016**

	SPECIAL REVENUE FUNDS											Total School Restricted Funds
	Perkins Vocational	General Assembly	Student Equity	Feinstein Elementary	Festival Fete	Full Day Kindergarten	RIDHS Rising Star	RI Spark Grant	Exxon Mobil	SEAC	Industrial Arts	
ASSETS												
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 273
Intergovernmental receivable	-	-	-	-	-	-	-	-	-	-	-	816,816
Due from other funds	-	2,719	7,683	6,272	8	-	2,000	7	270	5,472	965	83,235
TOTAL ASSETS	\$ -	\$ 2,719	\$ 7,683	\$ 6,272	\$ 8	\$ -	\$ 2,000	\$ 7	\$ 270	\$ 5,472	\$ 965	\$ 900,324
Liabilities:												
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 375
Due to other funds	6,080	-	-	-	-	-	-	-	-	-	-	795,239
Unearned revenue	-	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	6,080	-	-	-	-	-	-	-	-	-	-	795,614
Fund balances:												
Unassigned	(6,080)	-	-	-	-	-	-	-	-	-	-	(39,892)
Restricted	-	2,719	7,683	6,272	8	-	2,000	7	270	5,472	965	144,602
Total fund balances	(6,080)	2,719	7,683	6,272	8	-	2,000	7	270	5,472	965	104,710
TOTAL LIABILITIES AND FUND BALANCE	\$ -	\$ 2,719	\$ 7,683	\$ 6,272	\$ 8	\$ -	\$ 2,000	\$ 7	\$ 270	\$ 5,472	\$ 965	\$ 900,324

(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, 2016**

	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
Revenues:											
Federal and state grants	\$ 25,962	\$ 927,457	\$ 920,218	\$ -	\$ -	\$ -	\$ 30,042	\$ -	\$ 187,721	\$ -	\$ -
Other revenue	-	-	-	-	50,000	-	-	3,730	-	-	-
Total revenues	\$ 25,962	\$ 927,457	\$ 920,218	\$ -	\$ 50,000	\$ -	\$ 30,042	\$ 3,730	\$ 187,721	\$ -	\$ -
Expenditures:											
Current:											
Salaries	\$ 19,897	\$ 550,307	\$ 600,003	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 121,335	\$ -	\$ -
Employee benefits	6,065	291,938	176,401	-	-	-	-	-	39,724	-	-
Purchased services	-	58,585	9,269	-	-	-	30,042	400	20,508	-	-
Supplies and materials	-	8,145	33,662	-	57,592	-	-	1,799	3,264	-	-
Indirect costs	-	13,443	46,203	-	-	-	-	-	11,159	-	-
Capital outlays	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	25,962	922,418	865,538	-	57,592	-	30,042	2,199	195,990	-	-
Net change in fund balances	-	5,039	54,680	-	(7,592)	-	-	1,531	(8,269)	-	-
Fund balances, July 1, 2015	-	6,525	(9,119)	7,136	(22,235)	3,728	-	4,155	4,428	2,000	18,615
Fund balances, June 30, 2016	\$ -	\$ 11,564	\$ 45,561	\$ 7,136	\$ (29,827)	\$ 3,728	\$ -	\$ 5,686	\$ (3,841)	\$ 2,000	\$ 18,615

(Continued)

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 School Restricted Funds
 Reported as Nonmajor Governmental Funds
 For the year ended June 30, 2016

	SPECIAL REVENUE FUNDS										
	Aramark Scholarships	EDS Technology	PTO Donations	Title III	Target Grant	Verizon Foundation	RISCA	Scholarship America	RI Education Foundation	Walmart Grant	Donation & Misc Grant
Revenues:											
Federal and state grants	\$ -	\$ -	\$ -	\$ 14,008	\$ -	\$ -	\$ 576	\$ -	\$ -	\$ -	\$ -
Other revenue	-	15,875	-	-	1,618	-	-	-	-	-	-
Total revenues	\$ -	\$ 15,875	\$ -	\$ 14,008	\$ 1,618	\$ -	\$ 576	\$ -	\$ -	\$ -	\$ -
Expenditures:											
Current:											
Salaries	\$ -	\$ 450	\$ -	\$ 2,279	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee benefits	-	-	-	33	-	-	-	-	-	-	-
Purchased services	-	-	-	1,290	425	-	-	-	-	-	-
Supplies and materials	-	21,443	-	9,501	11	-	306	-	-	-	-
Indirect costs	-	-	-	905	-	-	-	-	-	-	-
Capital outlays	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	-	21,893	-	14,008	436	-	306	-	-	-	-
Net change in fund balances	-	(6,018)	-	-	1,182	-	270	-	-	-	-
Fund balances, July 1, 2015	-	10,583	(144)	-	1,249	3,512	1,337	3	150	150	12,498
Fund balances, June 30, 2016	\$ -	\$ 4,565	\$ (144)	\$ -	\$ 2,431	\$ 3,512	\$ 1,607	\$ 3	\$ 150	\$ 150	\$ 12,498

(Continued)

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 School Restricted Funds
 Reported as Nonmajor Governmental Funds
 For the year ended June 30, 2016

	SPECIAL REVENUE FUNDS											Total
	Perkins Vocational	General Assembly	Student Equity	Feinstein Elementary	Festival Fete	Full Day Kindergarten	RIDHS Rising Star	RI Spark Grant	Exxon Mobil	SEAC	Industrial Arts	School Restricted Funds
Revenues:												
Federal and state grants	\$ 17,037	\$ -	\$ -	\$ -	\$ -	\$ 74,300	\$ 2,000	\$ 735	\$ -	\$ -	\$ -	\$ 2,200,056
Other revenue	-	-	-	19,398	-	-	-	-	270	5,472	4,100	100,463
Total revenues	\$ 17,037	\$ -	\$ -	\$ 19,398	\$ -	\$ 74,300	\$ 2,000	\$ 735	\$ 270	\$ 5,472	\$ 4,100	\$ 2,300,519
Expenditures:												
Current:												
Salaries	\$ 22,607	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,316,878
Employee benefits	-	-	-	-	-	-	-	-	-	-	-	514,161
Purchased services	-	-	-	2,400	-	-	-	-	-	-	-	122,919
Supplies and materials	-	-	-	23,446	-	75,000	-	728	-	-	3,135	238,032
Indirect costs	510	-	-	-	-	-	-	-	-	-	-	72,220
Capital outlays												
Total expenditures	23,117	-	-	25,846	-	75,000	-	728	-	-	3,135	2,264,210
Net change in fund balances	(6,080)	-	-	(6,448)	-	(700)	2,000	7	270	5,472	965	36,309
Fund balances, July 1, 2015	-	2,719	7,683	12,720	8	700	-	-	-	-	-	68,401
Fund balances, June 30, 2016	\$ (6,080)	\$ 2,719	\$ 7,683	\$ 6,272	\$ 8	\$ -	\$ 2,000	\$ 7	\$ 270	\$ 5,472	\$ 965	\$ 104,710

(Concluded)

Private Purpose Trust Funds

Town of Johnston, Rhode Island

Private Purpose Trust Funds

Private Purpose Trust Funds are used to account for resources legally held in trust for used by parties outside of the Town, and cannot be used at the Town 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, 2016:

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

Town of Johnston, Rhode Island

Private Purpose Trust 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
 Combining Statement of Net Position
 Private Purpose Trust Funds
 June 30, 2016

	Daniel Elder Burial Fund	Manton Perpetual Care	Celina Esterbrook	Sara Ivans	Kelly Burial Grounds	Nicholas Smith	Kimball Burial Ground	Richardson Burial Ground	C.T. Tourtelot	Total Private Purpose Funds
ASSETS										
Cash and cash equivalents	\$ 835	\$ 3,890	\$ 3,388	\$ 1,363	\$ 3,690	\$ 1,802	\$ 4,644	\$ 1,351	\$ 1,667	\$ 22,630
Due from other funds	40	40	40	40	40	40	40	40	40	360
TOTAL ASSETS	875	3,930	3,428	1,403	3,730	1,842	4,684	1,391	1,707	22,990
NET POSITION										
Held in trust for perpetual care	\$ 875	\$ 3,930	\$ 3,428	\$ 1,403	\$ 3,730	\$ 1,842	\$ 4,684	\$ 1,391	\$ 1,707	\$ 22,990

TOWN OF JOHNSTON

Combining Statement of Changes in Net Position
Private Purpose Trust Funds
For the year ended June 30, 2016

	Daniel Elder Burial Fund	Manton Perpetual Care	Celina Esterbrook	Sara Ivans	Kelly Burial Grounds	Nicholas Smith	Kimball Burial Ground	Richardson Burial Ground	C.T. Tourellet	Total Private Purpose Funds
REVENUES:										
Investment income	\$ -	\$ -	\$ 1	\$ -	\$ -	\$ -	\$ 1	\$ -	\$ -	\$ 2
EXPENDITURES:										
Bank fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
CHANGE IN NET POSITION	-	-	1	-	-	-	1	-	-	2
NET POSITION- JULY 1, 2015	875	3,930	3,427	1,403	3,730	1,842	4,683	1,391	1,707	22,988
NET POSITION- JUNE 30, 2016	\$ 875	\$ 3,930	\$ 3,428	\$ 1,403	\$ 3,730	\$ 1,842	\$ 4,684	\$ 1,391	\$ 1,707	\$ 22,990

Town of Johnston, Rhode Island

Other Exhibits

TOWN OF JOHNSTON, RHODE ISLAND

**Statement of Changes in Assets and Liabilities
Agency Funds
Year ended June 30, 2016**

	Beginning Balance	Additions	Deductions	Ending Balance
<u>STUDENT ACTIVITY FUNDS</u>				
Assets:				
Cash and cash equivalents	\$ 189,816	\$ 285,213	\$ 236,311	\$ 238,718
Total assets	\$ 189,816	\$ 285,213	\$ 236,311	\$ 238,718
Liabilities:				
Due to student groups	\$ 189,816	\$ 285,213	\$ 236,311	\$ 238,718
<u>PERFORMANCE BONDS</u>				
Assets:				
Cash and cash equivalents	\$ 240,693	\$ 64	\$ 40	\$ 240,717
Due to due from other funds	107,750	-	-	107,750
Other receivable	40	-	40	-
Total assets	\$ 348,483	\$ 64	\$ 80	\$ 348,467
Liabilities:				
Deposits held in custody for others	\$ 348,483	\$ 64	\$ 80	\$ 348,467
<u>Total - All Agency Funds</u>				
Assets:				
Cash and cash equivalents	\$ 430,509	\$ 285,277	\$ 236,351	\$ 479,435
Due to due from other funds	107,750	-	-	107,750
Other receivable	40	-	40	-
Total assets	\$ 538,299	\$ 285,277	\$ 236,391	\$ 587,185
Liabilities:				
Due to student groups	\$ 189,816	\$ 285,213	\$ 236,311	\$ 238,718
Deposits held in custody for others	348,483	64	80	348,467
Total liabilities	\$ 538,299	\$ 285,277	\$ 236,391	\$ 587,185

Tax Collector's Annual Report

**TOWN OF JOHNSTON, RHODE ISLAND
SCHEDULE OF PROPERTY TAXES RECEIVABLE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

<u>Calendar Year</u>	<u>Mill Rate</u>	<u>Property Taxes Receivable July 1, 2015</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, 2016</u>
2015			\$75,464,389	\$263,007	\$454,051	\$75,273,345	\$71,775,643	\$3,497,702
2014	\$28.99	3,721,033		\$3,149	\$146,095	\$3,578,087	\$2,104,850	\$1,473,237
2013	\$28.75	1,621,586		\$3,516	\$19,995	\$1,605,107	\$1,007,810	\$597,297
2012	\$24.75	926,942		\$2,951	\$10,772	\$919,121	\$408,355	\$510,766
2011	\$24.75	589,419		\$3,147	\$8,949	\$583,617	\$61,879	\$521,738
2010	\$23.81	473,192		\$2,766	\$4,068	\$471,890	\$32,820	\$439,070
2009	\$19.49	292,187		\$4,235	\$3,198	\$293,224	\$10,829	\$282,395
2008	\$18.91	274,475		\$1,050	\$519	\$275,006	\$3,635	\$271,371
2007	\$17.84	258,433		\$1,050	\$353	\$259,130	\$2,884	\$256,246
2006	\$17.41	237,153			\$251	\$236,902	\$5,163	\$231,739
2005	\$16.99	238,845				\$238,845	\$1,745	\$237,100
2004	\$16.40	262,483				\$262,483	\$1,628	\$260,855
2003	\$26.30	32,622				\$32,622	\$0	\$32,622
2002	\$25.10	28,707				\$28,707		\$28,707
2001	\$23.79	20,722				\$20,722	\$0	\$20,722
2000	\$27.06	12,427				\$12,427	\$0	\$12,427
1999	\$27.06	14,422				\$14,422	\$13	\$14,409
1998	\$25.89	13,435				\$13,435	\$0	\$13,435
1997	\$20.90	8,563				\$8,563	\$0	\$8,563
1996	\$20.90	3,342				\$3,342	\$51	\$3,291
1995	\$20.90	3,555				\$3,555	\$0	\$3,555
1994	\$20.90	2,520				\$2,520	\$0	\$2,520
1993	\$34.64	7,123			\$1	\$7,122	\$0	\$7,122
1992	\$32.90	3,545				\$3,545	\$0	\$3,545
Subtotal		9,046,731	75,464,389	284,871	648,252	84,147,739	75,417,305	8,730,434
Less: estimated allowance for uncollectable accounts		(5,637,840)						(5,577,895)
Net property taxes receivable		\$ 3,408,891						\$ 3,152,539

(CONTINUED)

**TOWN OF JOHNSTON, RHODE ISLAND
SCHEDULE OF PROPERTY TAXES RECEIVABLE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Schedule of Net Assessed Property Value by Category			Reconciliation of Current Year Property Tax Revenue	
Description of Property	Assessed December 31, 2014			
	Valuations (000's)	Levy		
Real property	\$ 2,280,472	\$ 55,918,541	Collections net of refunds in 2016	\$ 75,417,305
Motor vehicles	261,510	9,184,057	Revenue received 60 days subsequent to fiscal year ending June 30, 2016	<u>785,895</u>
Tangible property	173,535	10,361,791	Subtotal	<u>76,203,200</u>
Wholesale and retail inventory	-	-	Withholding Established for Johnston TIF Bonds	(800,000)
Total	2,715,517	75,464,389	Prior year revenue received in current year (2015 60 day rule)	<u>(1,385,362)</u>
Exemptions and adjustments	391,569	-	Current year property tax revenue	74,017,838
Net assessed value	<u>\$ 2,323,948</u>	<u>\$ 75,464,389</u>	Power Plant Tax Treaty	<u>3,000,000</u>
			Revenue as reported on page 15 of this report	<u>\$ 77,017,838</u>

(CONCLUDED)

TOWN OF JOHNSTON, RHODE ISLAND

SINGLE AUDIT SECTION

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Johnston (Town), Rhode Island as of and for the year fiscal ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and as of April 26, 2017, this report replaces our previous report thereon dated December 23, 2016, which should not be relied upon.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in the internal control that we consider to be a significant deficiency. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weakness. We consider the deficiency described in the accompanying schedule of findings and questioned costs, item 2016-001, to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The Town of Johnston's Response to Findings

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

Purpose of this Report

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

Reissued Financial Statements

As of May 11, 2017, the Town's financial statements report was reissued. The report for the Town of Johnston, Rhode Island Financial Statements, for the year ended June 30, 2016 dated December 23, 2016 should not be relied upon. The purpose of the change was to separate the OPEB Trust Fund from the General Fund and move it into the separately stated trust funds.

Parmelee Poirier & Associates LLP

Parmelee, Poirier & Associates, LLP
Warwick, Rhode Island
May 11, 2017

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR A FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE
UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Johnston's (Town) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended June 30, 2016. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of federal awards applicable to each major federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Programs

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Johnston, (Town) Rhode Island as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Johnston, Rhode Island basic financial statements.

The auditor's report dated as of December 23, 2016 has been reissued and should not be relied upon. We issued our report thereon dated May 11, 2017 which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Reissued Financial Statements

As of May 11, 2017 the Town's financial statements report was reissued. The report for the Town of Johnston, Rhode Island Financial Statements, for the year ended June 30, 2016 dated December 23, 2016 should not be relied upon. The purpose of the change was to separate the OPEB Trust Fund from the General Fund and move it into the separately stated trust funds.

Parmelee Poirier & Associates LLP

Parmelee, Poirier & Associates, LLP
Warwick, Rhode Island
May 11, 2017

TOWN OF JOHNSTON, RHODE ISLAND

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	
U.S. Department of Education		
Pass through Rhode Island Department of Education:		
<i>IDEA Cluster:</i>		
IDEA Part B	84.027	\$ 922,417
IDEA Sec 619 - Preschool	84.173	25,962
Total IDEA Cluster		<u>948,379</u>
Title I	84.010	865,537
Title II	84.367	195,991
Title III	84.365	14,008
Total U.S. Department of Education		<u>2,023,915</u>
U.S. Department of Housing and Urban Development		
Pass Through State Governor's Office of Housing, Energy & Intergovernmental Relations:		
Community Development Block Grant	14.228	31,646
Total U.S. Department of Housing and Urban Development		<u>31,646</u>
U.S. Department of Agriculture		
Pass Through RI Department of Education:		
<i>School Lunch Cluster:</i>		
National School Lunch Program	10.555	569,144
National School Breakfast Program	10.553	111,047
Special Milk Program for Children	10.556	350
Summer Food Service Program for Children	10.559	43,677
Total School Lunch Cluster		<u>724,218</u>
Food Commodity	10.565	86,741
Fresh Fruit and Vegetable Program (FFVP)	10.582	30,041
Total U.S. Department of Agriculture		<u>841,000</u>
U.S. Department of Transportation		
Pass Through Rhode Island Department of Transportation:		
National Highway Safety Traffic Administration Discretionary Safety Grants	20.614	2,086
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	187
Occupant Protection Incentive Grants	20.602	16,082
State and Community Highway Safety	20.600	1,217
Total U.S. Department of Transportation		<u>19,572</u>
U.S. Department of Homeland Security		
Assistance to Fire Fighter Grants	97.044	430,184
Total U.S. Department of Homeland Security		<u>430,184</u>
U.S. Department of Justice		
Pass Through Rhode Island Department of Public Safety		
Byrne Memorial Justice Assistance Grant	16.738	19,265
Total U.S. Department of Justice		<u>19,265</u>
U.S. Department of Health and Human Services		
Pass Through Rhode Island Division of Behavioral Healthcare, Developmental Disabilities, and Hospitals		
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	136,864
Total U.S. Department of Health and Human Services		<u>136,864</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u><u>\$ 3,502,446</u></u>

SEE NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2016

1. **General** - The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal programs of the Town of Johnston, Rhode Island. All federal awards received from federal agencies are included on the Schedule. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).
2. **Basis of Accounting** - The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting.
3. **Determination of Type A, Type B and Major Programs** - The determination of Type A and Type B federal programs was based upon the expenditures for all federal programs for the Town of Johnston. As such, the threshold for determining Type A vs. Type B programs is determined at the entity level. For the fiscal year-ended June 30, 2016, grants with expenditures exceeding \$750,000 were determined to be Type A programs and all other grants were considered Type B programs. For the fiscal year ended June 30, 2016, the following programs were considered a major program:

IDEA Cluster:	
IDEA Part B	CFDA #84.027
IDEA Sec 619 – Preschool	CFDA #84.173
Title 1	CFDA #84.010

TOWN OF JOHNSTON, RHODE ISLAND
Schedule of Findings and Questioned Costs
For The Fiscal Year Ended June 30, 2016

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness (es) identified? X yes ___ no

Significant deficiency (ies) identified that are not considered to be material weaknesses? ___ yes X none reported

Noncompliance material to financial statements noted? ___ yes X no

Federal Awards

Internal control over major programs:

Material weakness (es) identified? ___ yes X no

Significant deficiency (ies) identified that are not considered to be material weakness (es)? ___ yes X none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ___ yes X no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
CFDA #84.027	IDEA Part B
CFDA #84.173	IDEA Sec 619 Preschool
CFDA #84.010	TITLE 1

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Qualified as low risk auditee: ___ yes X no

TOWN OF JOHNSTON, RHODE ISLAND
Schedule of Findings and Questioned Costs
For The Fiscal Year Ended June 30, 2016

SECTION II – FINDINGS RELATING TO THE FINANCIAL STATEMENT AUDIT

CURRENT YEAR FINDINGS:

2016-001 Grant Agreements, Reports and Reconciliation:

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

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

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

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

PRIOR YEAR'S FINDINGS:

2015-001 – Grant Agreements, Reports and Reconciliation – During our audit process we noted that the Town does not have a central location for maintaining all grant agreements or related financial reports. In addition, we noted that certain grants were not properly reconciled, and in some instances, were not reconciled at all. **Status:** Repeated in current year finding 2016-001.

TOWN OF JOHNSTON, RHODE ISLAND
Schedule of Findings and Questioned Costs
For The Fiscal Year Ended June 30, 2016

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Current Year Findings:

None noted

Prior Year Findings:

None noted