



**Basic Financial Statements
And Supplementary Information**

For the year ended June 30, 2017

Prepared by:

Finance Department

Town of Johnston, Rhode Island

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

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2017***

Prepared by the Finance Department

PARMELEE POIRIER & ASSOCIATES, LLP

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**TOWN OF JOHNSTON, RHODE ISLAND
ANNUAL FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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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, 2017

MAYOR

Joseph M. Polisena

TOWN COUNCIL

Anthony A. Verardo, President

David J. Santilli, Vice President

Robert J. Civetti

Robert V. Russo, Esquire

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	

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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, 2017, 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, 2017, 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.

Emphasis of Matters

As described in Note 1 to the financial statements, in fiscal 2017, the Town of Johnston, Rhode Island adopted new accounting guidance, GASB Statement 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB). Our opinion is not modified with respect to this matter. As described in Note 20, the implementation of GASB Statement 75 resulted in the restatement of the net position of the Governmental Activities in the Government-wide Statements as of June 30, 2016. The net position was restated to include the net OPEB Liability at the beginning of the fiscal year. The net position as of June 30, 2016 was decreased by \$138,927,031 as a result of the implementation of GASB Statement 75.

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 4 through 12 and pages 95 through 124, 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 introductory section, combining and individual nonmajor fund financial statements, combining balance sheet and schedule of revenues, expenditures, and changes in fund balances for funds which comprise the Town's General Fund, schedule of property taxes receivable, annual supplemental transparency report (MTP2) and combining schedule of reportable governmental services with reconciliation to MTP2 municipal and education department are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards 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 also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, combining balance sheet and schedule of revenues, expenditures, and changes in fund balances for funds which comprise the Town's General Fund, schedule of property taxes receivable, annual supplemental transparency report (MTP2), combining schedule of reportable governmental services with reconciliation to MTP2 municipal and education department, and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the

Other Matters (Continued)

Other Information (Continued)

financial statements. Such 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 financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, combining balance sheet and schedule of revenues, expenditures, and changes in fund balances for funds which comprise the Town's General Fund, schedule of property taxes receivable, annual supplemental transparency report (MTP2), combining schedule of reportable governmental services with reconciliation to MTP2 municipal and education department, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole. The 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 February 28, 2018 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.

Parmelee Poirier & Associates, LLP

Parmelee Poirier & Associates, LLP
Warwick, Rhode Island
February 28, 2018

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Management's Discussion and Analysis

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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, 2017.

Financial Highlights

The assets of the Town of Johnston exceeded its liabilities and deferred inflows of resources as of June 30, 2017 by \$34,227,651. This represents an increase in total fund balance of \$2,487,265 from June 30, 2016.

As of June 30, 2017, the general fund balance includes non-spendable fund balance of \$1,611,483 and unassigned fund balance of \$23,130,051. The general fund balance reported an increase of \$5,201,790 from current operations.

As of June 30, 2017, the total fund balance of the School Unrestricted Fund was \$5,175,415. The School Unrestricted fund balance at June 30, 2016 was \$5,166,063. The net change in the School Unrestricted fund balance for 2017 was \$9,352.

As of June 30, 2017, the Town of Johnston's governmental wide activities reported total net position of (\$449,047,988). The net position is comprised of \$38,851,715 net investment in capital assets and an unrestricted net position deficit of (\$487,899,703). Also included in this deficit is the negative change in net position, (\$48,071,406), for the fiscal year ended June 30, 2017 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 2017, 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).

Overview of the Financial Statements (continued)

Government-wide Financial Statements (continued)

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 13 and 14 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 15 through 18 of this report. Details of the combined governmental funds can be found on pages 125 through 140.

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 six 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 and Health Care Management Internal Service Fund. The basic proprietary fund financial statements can be found on pages 19 through 22.

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 23 and 24 of this report and are detailed on pages 141 through 143.

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 25 through 94 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 95 through 124.

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 125 through 143. In addition, supplementary information also includes scheduled of property taxes receivable which are included on pages 144 and 145.

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 \$449,047,988 at the close of 2017.

Government-wide Financial Analysis (continued)

TOWN OF JOHNSTON, RHODE ISLAND

NET POSITION

(in 000's)

	Governmental Activities		Business Activities		Total	Total
	2017	2016	2017	2016	2017	2016
Current & other assets	\$ 54,497	\$ 52,387	\$ 5,640	\$ 6,505	\$ 60,137	\$ 58,892
Capital assets	53,962	51,925	12,741	11,215	66,703	63,140
Pension Asset	4,958	4,605	-	-	4,958	4,605
Total Assets	113,417	108,917	18,381	17,720	131,798	126,637
Deferred outflows of resources	55,439	31,046	41	47	55,480	31,093
Current liabilities	15,493	15,874	319	459	15,812	16,333
Long-term liabilities	589,469	393,478	2,950	3,254	592,419	396,732
Total Liabilities	604,962	409,352	3,269	3,713	608,231	413,065
Deferred inflows of resources	28,095	6,715	-	-	28,095	6,715
Net Position:						
Net investment in capital assets	29,239	26,575	9,613	9,306	38,852	35,881
Unrestricted	(493,441)	(302,679)	5,541	4,748	(487,900)	(297,931)
Total Net Position	\$ (464,202)	\$ (276,104)	\$ 15,154	\$ 14,054	\$ (449,048)	\$ (262,050)

The capital assets (eg., land, building improvements, vehicles, equipment and infrastructure) of the Governmental Activities of the Town of Johnston less outstanding debt equal \$29,239,289. 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 unrestricted net position of (\$487,899,703), a decrease of 64% from the prior year, is the change in resources available to fund Town programs to residents and debt obligations to creditors. The significant decrease in unrestricted net position from fiscal 2016 was the result of implementation of GASB Statement 75 related to OPEB.

The Town's net position reported a decrease of \$48,071,406 during the current fiscal year. Of this amount, governmental activities accounted for \$49,171,044 of the decrease while business-type activities accounted for an increase of \$1,099,638.

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 \$23,130,051 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, 2017, the Town of Johnston's governmental funds (page 15) reported combined ending fund balances of \$34,227,651.

The General Fund is the chief operating fund of the Town of Johnston, excluding its school department. As of June 30, 2017, the total fund balance of the general fund was \$24,741,534 of which \$23,130,051 was unassigned. The Town's General Fund also has \$1,611,483 of non-spendable fund balance as of June 30, 2017.

The fund balance of the General Fund increased by \$5,201,790 in fiscal year 2017 as reported on page 17 of the report. Actual revenues and other sources were more than budgeted revenues in the general fund by \$8,042,806 (see page 96). Increases in actual revenues versus budgeted revenues were realized in total tax revenues \$5,818,791, and in departmental revenues and fees \$1,701,917. Total expenditures and other financing uses were \$2,926,568 more than appropriated amounts (see page 105). The most significant departmental expenditures which exceeded budgeted expenditures was the Fire Department \$1,972,537 (call-back and overtime salaries of \$1,488,349).

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 \$56,946,068 including a state on-behalf payment to pension and transportation funds of \$2,745,488 on behalf of the school department. The School Unrestricted Fund expenditures, net of the state pension contribution, accounted for approximately 52% 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 \$259,123, Sewer Fund reported a surplus of \$699,778, Cafeteria Fund reported a surplus of \$137,287, Athletic Field reported a surplus of \$3,450, while the Summer School 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, 2017, amounts to \$65,498,311 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 positive \$2,358,243 comprised of acquisitions of capital assets of \$6,135,022 (net of transfers and construction in progress placed in service in 2016) less current year depreciation expense of \$3,776,779.

Additional information on the Town of Johnston’s capital assets can be found in Note 7 (page 43) 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 2017	Total 2016
	2017	2016	2017	2016		
Land	\$ 8,979	\$ 8,979	\$ 40	\$ 40	\$ 9,019	\$ 9,019
Construction in progress	196	55	17	63	213	118
Buildings, improvements, and land improvements	31,965	29,485	-	-	31,965	29,485
Vehicles and equipment	4,038	4,314	156	183	4,194	4,497
Water distributions	-	-	8,661	8,773	8,661	8,773
Infrastructure	8,784	9,092	2,663	2,156	11,447	11,248
Total	<u>\$ 53,962</u>	<u>\$ 51,925</u>	<u>\$ 11,537</u>	<u>\$ 11,215</u>	<u>\$ 65,499</u>	<u>\$ 63,140</u>

Major additions to the Town’s capital assets related to its governmental fund activities realized during the year, included: the purchase of police vehicles; the purchase of public works vehicles; and 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 \$25,182,185 entirely backed by the full faith and credit of the government. In addition, the Town had long-term notes payable commitments outstanding of \$37,329 and long-term lease commitments outstanding of \$1,411,500 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 \$73,630,527 based on a net assessed value of \$2,454,350,915 at December 31, 2015, 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 \$348,425,701 (for Governmental Activities) at June 30, 2017 an increase of \$71,304,418 from fiscal year ending June 30, 2016. Also included in long term debt is the June 30, 2017 net OPEB obligation of approximately \$212,933,059, a decrease of \$13,813,731 over last fiscal year's restated amount 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 (Restated)		Business Activities		Total 2017	Total (Restated) 2016
	2017	2016	2017	2016		
General Obligation Bonds	\$ 23,128	\$ 24,190	\$ 1,909	\$ 2,085	\$ 25,037	\$ 26,275
Premium on Bonds	145	156	-	-	145	156
Notes Payable	37	12	-	-	37	12
Capital Leases	1,412	1,346	-	57	1,412	1,403
Compensated Absences	8,246	7,667	-	-	8,246	7,667
Net Pension Liability	348,426	277,121	-	-	348,426	277,121
Net OPEB Obligation	212,933	226,747	-	-	212,933	226,747
Claims & Judgements	-	-	-	-	-	-
Total	<u>\$ 594,327</u>	<u>\$ 537,239</u>	<u>\$ 1,909</u>	<u>\$ 2,142</u>	<u>\$ 596,236</u>	<u>\$ 539,381</u>

Additional information on the Town of Johnston's long-term debt obligations can be found in Note 8 (pages 44 to 47) to the financial statements. In addition, details of the OPEB obligation can be found in Note 13, pages 81 through 85, 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.

Financial Improvement Plan

The Town's Financial Improvement Plan was implemented in fiscal year 2017. The financial Improvement Plan was accepted by the State of RI. In addition, the financial improvement plans are negotiated settlement agreements with members of the Local Police and Firefighters Local Pension Plan.

The Financial Improvement Plan resulted in resolving significant savings to the Local Police Officers and Firefighters Pension Plan:

For Police and Firefighters:

- COLA increases are suspended from July 1, 2017 to June 30, 2022. Commencing in July 1, 2022, retirees and beneficiaries will receive 1.25% increases compounded annually.
- The definition of pensionable earnings was amended to cap overtime at \$35,000 per year.

For Firefighters Only:

- The definition of pensionable earnings was amended to eliminate severance pay.

As a result of these changes, the total normal cost decreased by \$430,065 and the actuarial accrued liability decreased by \$24,211,900. The total impact was a decrease in the actuarial determined contribution of \$7,160,379. As a result, the town is now able to contribute 100% the actuarial determined contribution.

In addition, it is important to note the revenue enhancements made to the Plan by the Town that are part of the settlement agreements. The Town has committed to contribute to the Local Plan an amount of 3% more compounded annually in employer contributions each year, with the base amounts established in fiscal 2017.

The negotiated expense reductions and revenue enhancements are part of the settlement agreements of the Financial Improvement Plan. The Financial Improvement Plan was accepted by the State of Rhode Island and it is expected the local pension plan will emerge from critical status within the parameters established by the State of Rhode Island.

Please note the Town's Net Pension Liability was reduced from \$292.3 million to \$109.4 million, a reduction of \$182.9 million. This was a result of the changes in the implementation of the settlement agreements and the ability of the Town to now utilize a discount rate of 7.50% as opposed to 3.02%. Higher interest rates result in lower liabilities and the change in the discount rate used resulted in a \$159.5 million decrease in the Net Pension Liability.

The Town uses the one-year lag method as the measurement date for the local pension plan; as a result, the June 30, 2017 audited financial statements use the measurement date as of June 30, 2016. Thus, the long-term liabilities on the government-wide financials will show significant improvement for the Net Pension Liability in the June 30, 2018 audited financial statements.

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BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements

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TOWN OF JOHNSTON, RHODE ISLANDStatement of Net Position
June 30, 2017

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 47,943,248	\$ 437,196	\$ 48,380,444
Accounts and other receivables, net	4,839,530	1,356,906	6,196,436
Due from federal and state governments	3,133,242	136,523	3,269,765
Inventory	-	14,931	14,931
Prepays and deposits	2,275,869	-	2,275,869
Internal balances	(3,694,822)	3,694,822	-
Total Current Assets	54,497,067	5,640,378	60,137,445
Noncurrent assets:			
Accounts and other receivables, net	-	1,219,906	1,219,906
Capital Assets, not being depreciated	9,175,401	56,747	9,232,148
Capital Assets, net of accumulated depreciation	44,786,245	11,464,336	56,250,581
Net pension assets	4,958,163	-	4,958,163
Total Noncurrent Assets	58,919,809	12,740,989	71,660,798
TOTAL ASSETS	113,416,876	18,381,367	131,798,243
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred charge on refunding	310,221	41,037	351,258
Deferred pension amounts	52,385,669	-	52,385,669
Deferred OPEB amount	2,743,026	-	2,743,026
TOTAL DEFERRED OUTFLOWS OF RESOURCES	55,438,916	41,037	55,479,953
LIABILITIES:			
Current Liabilities:			
Accounts payable	2,255,983	140,275	2,396,258
Accrued expenses	6,010,912	-	6,010,912
Unearned advanced taxes	2,161,968	-	2,161,968
Due to federal and state governments	206,463	-	206,463
Current portion of compensated absences	2,000,000	-	2,000,000
Current portion of capital lease obligations	404,500	-	404,500
Current portion of bonds and notes payable	2,453,318	178,555	2,631,873
Total Current Liabilities	15,493,144	318,830	15,811,974
Noncurrent Liabilities:			
Unearned revenue - assessments	-	1,219,906	1,219,906
Compensated absences	6,245,654	-	6,245,654
Net pension Liabilities	348,425,701	-	348,425,701
Net OPEB Liability	212,933,059	-	212,933,059
Capital lease obligations	1,007,000	-	1,007,000
Bonds and notes payable	20,857,539	1,730,102	22,587,641
Total Noncurrent Liabilities	589,468,953	2,950,008	592,418,961
TOTAL LIABILITIES	604,962,097	3,268,838	608,230,935
DEFERRED INFLOWS OF RESOURCES:			
Deferred pension amounts	4,004,715	-	4,004,715
Deferred OPEB amount	24,090,534	-	24,090,534
TOTAL DEFERRED INFLOWS OF RESOURCES	28,095,249	-	28,095,249
NET POSITION:			
Net investment in capital assets	29,239,289	9,612,426	38,851,715
Unrestricted	(493,440,843)	5,541,140	(487,899,703)
TOTAL NET POSITION	\$ (464,201,554)	\$ 15,153,566	\$ (449,047,988)

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, 2017

Functions/Programs:	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for	Operating	Capital	Governmental	Business-type	Total
		Services, Fees, and Licenses	Grants and Contributions	Grants and Contributions			
Governmental activities:							
Legislative, judicial, and general administrative	\$ 56,799,625	\$ 324,180	\$ -	\$ -	\$ (56,475,445)		\$ (56,475,445)
Financial administration	997,153	29,356	-	-	(967,797)		(967,797)
Assessors office	316,936	-	-	-	(316,936)		(316,936)
Public safety	35,584,023	1,301,882	-	-	(34,282,141)		(34,282,141)
Public works	7,433,103	2,392,222	-	-	(5,040,881)		(5,040,881)
Human resources	71,537	-	-	-	(71,537)		(71,537)
Miscellaneous	2,655,543	1,062,317	736,642	-	(856,584)		(856,584)
Planning and assessment board	111,999	469,903	-	-	357,904		357,904
Library	737,821	-	122,855	-	(614,966)		(614,966)
Contribution to OPEB	250,000	-	-	-	(250,000)		(250,000)
Education	59,897,338	883,459	21,455,166	-	(37,558,713)		(37,558,713)
Other	1,163,200	1,487,819	-	-	324,619		324,619
Interest on long-term debt	779,944	-	-	-	(779,944)		(779,944)
Total governmental activities	166,798,222	7,951,138	22,314,663	-	(136,532,421)		(136,532,421)
Business-type activities:							
Water fund	978,901	1,238,024	-	-		\$ 259,123	259,123
Sewer fund	616,099	1,315,877	-	-		699,778	699,778
School cafeteria fund	1,141,505	1,277,986	-	-		136,481	136,481
Athletic field fund	-	3,450	-	-		3,450	3,450
Total business-type activities	2,736,505	3,835,337	-	-	-	1,098,832	1,098,832
Total	\$ 169,534,727	\$ 11,786,475	\$ 22,314,663	\$ -	(136,532,421)	1,098,832	(135,433,589)
General revenues:							
Property taxes					80,470,714	-	80,470,714
Other taxes					1,429,654	-	1,429,654
Grants and aid not restricted for a specific program					4,013,333	-	4,013,333
Unrestricted investment earnings					238,843	806	239,649
Miscellaneous					1,208,833	-	1,208,833
Total general revenues					87,361,377	806	87,362,183
Change in Net Position					(49,171,044)	1,099,638	(48,071,406)
Net Position - beginning (As Restated)					(415,030,510)	14,053,928	(400,976,582)
Net Position - ending					\$ (464,201,554)	\$ 15,153,566	\$ (449,047,988)

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, 2017

	General Fund	School Unrestricted Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash and cash equivalents	\$ 35,188,447	\$ 1,372,392	\$ 4,452,079	\$ 41,012,918
Accounts and other receivables, net	4,463,816	375,714	-	4,839,530
Due from federal and state governments	1,257,482	59,100	1,816,660	3,133,242
Prepays	1,611,483	304,394	-	1,915,877
Due from other funds	-	4,972,016	956,272	5,928,288
TOTAL ASSETS	\$ 42,521,228	\$ 7,083,616	\$ 7,225,011	\$ 56,829,855
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:				
LIABILITIES:				
Accounts payable	\$ 601,117	\$ 32,304	\$ 239,922	\$ 873,343
Accrued expenses	3,986,251	1,875,897	-	5,862,148
Unearned advanced taxes	1,911,968	-	-	1,911,968
Due to federal & state governments	196,875	-	9,588	206,463
Due to other funds	7,814,495	-	2,414,799	10,229,294
Unearned revenue - grants	-	-	250,000	250,000
TOTAL LIABILITIES	14,510,706	1,908,201	2,914,309	19,333,216
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenue - property taxes, fees and assessments	3,268,988	-	-	3,268,988
FUND BALANCES:				
Non-spendable	1,611,483	304,394	-	1,915,877
Restricted	-	-	3,299,403	3,299,403
Committed	-	4,871,021	1,036,817	5,907,838
Unassigned	23,130,051	-	(25,518)	23,104,533
TOTAL FUND BALANCES	24,741,534	5,175,415	4,310,702	34,227,651
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 42,521,228	\$ 7,083,616	\$ 7,225,011	\$ 56,829,855

(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, 2017

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

Total Fund Balances (B-1)	\$ 34,227,651
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and therefore are not reported in the funds.	53,961,646
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.	310,221
Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund statements.	(594,181,618)
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.	(145,153)
Unavailable revenues (net of an allowance for uncollectibles) are recorded in the fund statements, but are recognized as revenue under the measurement focus employed in the Statement of Net Position.	3,268,988
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.	6,513,866
Net deferred pension and OPEB outflows amounts are not reported in the governmental fund statements, but are reported on the Statement of Net Position.	55,128,695
Net deferred pension and OPEB inflows amounts are not reported in the governmental fund statements, but are reported on the Statement of Net Position.	(28,095,249)
Pension assets are not reported in the government fund statements, but are reported on the Statement of Net Position.	4,958,163
Accrued interest payable on long-term debt obligations is recorded in the Statement of Net Position for governmental activities, but is not recorded in the fund statements.	<u>(148,764)</u>
Total Net Position (A-1)	<u>\$ (464,201,554)</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, 2017**

	General Fund	School Unrestricted Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:				
Property taxes	\$ 80,010,837	\$ -	\$ -	\$ 80,010,837
Departmental fees and revenues	6,251,039	79,046	-	6,330,085
State and federal grants	5,920,900	15,793,725	3,205,096	24,919,721
Medicaid reimbursement	-	791,376	-	791,376
Investment income	179,720	8,058	22,347	210,125
State on behalf pension and transportation contributions	-	2,745,488	-	2,745,488
Other miscellaneous	1,156,014	8,712	869,459	2,034,185
TOTAL REVENUES	93,518,510	19,426,405	4,096,902	117,041,817
EXPENDITURES:				
Current:				
Legislative, judicial, and general administrative	1,675,608	-	-	1,675,608
Financial administration	997,153	-	-	997,153
Assessors office	316,936	-	-	316,936
Public safety	34,786,826	-	-	34,786,826
Public works	5,885,039	-	-	5,885,039
Human resources	71,537	-	-	71,537
Miscellaneous	2,473,231	-	-	2,473,231
Planning and assessment review	111,999	-	-	111,999
Library	634,079	-	-	634,079
Education	-	54,191,676	2,398,389	56,590,065
State on behalf pension and transportation contributions	-	2,745,488	-	2,745,488
Other	5,294	-	1,157,906	1,163,200
Debt Service:				
Principal	2,826,506	8,904	-	2,835,410
Interest	753,497	-	-	753,497
Capital:				
Capital expenditures	-	-	5,378,212	5,378,212
TOTAL EXPENDITURES	50,537,705	56,946,068	8,934,507	116,418,280
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	42,980,805	(37,519,663)	(4,837,605)	623,537
OTHER FINANCING SOURCES (USES)				
Issuance of bonds, notes and lease purchase obligations	-	-	1,863,728	1,863,728
Transfers in	-	37,529,015	254,382	37,783,397
Transfers out	(37,779,015)	-	(4,382)	(37,783,397)
TOTAL OTHER FINANCING SOURCES (USES)	(37,779,015)	37,529,015	2,113,728	1,863,728
NET CHANGE IN FUND BALANCES	5,201,790	9,352	(2,723,877)	2,487,265
FUND BALANCE AT BEGINNING OF YEAR	19,539,744	5,166,063	7,034,579	31,740,386
FUND BALANCE AT END OF YEAR	\$ 24,741,534	\$ 5,175,415	\$ 4,310,702	\$ 34,227,651

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, 2017**

Net Change in Fund Balances - Total Governmental Funds (B-2):	\$	2,487,265
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 Capital Outlays in excess of depreciation.		2,036,279
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.		(1,863,728)
Governmental funds report principal repayments on debt obligations as an expenditure. However, the repayment of principal has no effect on the net position.		2,835,410
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.		(33,781)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in governmental funds. Also, allowances 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 2016.		459,877
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.		(71,304,418)
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's restated balances is reflected in the Statement of Activities and change in net position.		13,813,731
Adjustment to compensated absences. 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.		(578,361)
The Internal Service Fund is used by management to charge the costs of Health and Dental Insurance to individual funds. The net revenues (expenses) of the Internal Service Fund is reported with Governmental Activities in the Government-Wide financial statements.		(451,854)
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.		353,597
Adjustment to deferred inflows related to pensions and OPEB not reported on the governmental funds are reported in the Government-wide Statement of Activities and change in net position.		(21,380,362)
Adjustment to deferred outflows related to pensions and OPEB not reported on the governmental funds are included in the Government-wide Statement of Activities and change in net position.		24,437,430
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.		17,871
Change in Net Position of Governmental Activities in the Statement of Activities (A-2)	\$	(49,171,044)

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

TOWN OF JOHNSTON, RHODE ISLAND

Statement of Net Position
Proprietary Funds
June 30, 2017

	Business-type Activities - Enterprise Funds						Governmental Activities
	Water Control Fund	Sewer Fund	Cafeteria Fund	Summer School	Athletic Field	Totals	Health Care Management Internal Service Fund
ASSETS:							
Current Assets:							
Cash and cash equivalents	\$ 215,183	\$ -	\$ 222,013	\$ -	\$ -	\$ 437,196	\$ 6,930,330
Accounts and other receivables, net	956,011	400,895	-	-	-	1,356,906	-
Intergovernmental receivables	-	-	136,523	-	-	136,523	-
Deposit	-	-	-	-	-	-	354,900
Prepaid expenses	-	-	-	-	-	-	5,092
Inventory	-	-	14,931	-	-	14,931	-
Due from other funds	3,575,546	174,490	-	19,571	8,971	3,778,578	606,184
Total Current Assets	4,746,740	575,385	373,467	19,571	8,971	5,724,134	7,896,506
Non-current Assets:							
Accounts and other receivables, net	-	1,219,906	-	-	-	1,219,906	-
Capital Assets, not being depreciated	40,000	16,747	-	-	-	56,747	-
Capital Assets, net of accumulated depreciation	8,661,160	2,779,515	23,661	-	-	11,464,336	-
Total Noncurrent Assets	8,701,160	4,016,168	23,661	-	-	12,740,989	-
TOTAL ASSETS	13,447,900	4,591,553	397,128	19,571	8,971	18,465,123	7,896,506
DEFERRED OUTFLOWS OF RESOURCES:							
Deferred charge on refunding	-	41,037	-	-	-	41,037	-
LIABILITIES:							
Current Liabilities:							
Accounts payable and accrued expenses	-	11,414	128,861	-	-	140,275	1,382,640
Due to other funds	-	-	75,629	8,127	-	83,756	-
Current portion of bonds payable	-	178,555	-	-	-	178,555	-
Total Current Liabilities	-	189,969	204,490	8,127	-	402,586	1,382,640
Non-current Liabilities:							
Unearned revenue - assessments	-	1,219,906	-	-	-	1,219,906	-
Bonds payable	-	1,730,102	-	-	-	1,730,102	-
Total Noncurrent Liabilities	-	2,950,008	-	-	-	2,950,008	-
	-	3,139,977	204,490	8,127	-	3,352,594	1,382,640
NET POSITION:							
Net investment in capital assets	8,701,160	887,605	23,661	-	-	9,612,426	-
Unrestricted:							
Unreserved	4,746,740	605,008	168,977	11,444	8,971	5,541,140	** 6,513,866
TOTAL NET POSITION	\$ 13,447,900	\$ 1,492,613	\$ 192,638	\$ 11,444	\$ 8,971	\$ 15,153,566	\$ 6,513,866

** - The unrestricted net position in the Health Care Management Fund represents 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	\$ 3,165,481
Town	3,348,385
	<u>\$ 6,513,866</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, 2017*

	Business-type Activities-Enterprise Funds					Governmental Activities	
	Water Control Fund	Sewer Fund	Cafeteria Fund	Summer School	Athletic Field	Totals	Health Care Management Internal Service Fund
OPERATING REVENUES:							
Charges for usage and service	\$ 1,220,534	\$ 1,315,877	\$ 432,022	\$ -	\$ 3,450	\$ 2,971,883	\$ 10,753,169
Intergovernmental revenue	-	-	845,964	-	-	845,964	-
Water system revenue	17,490	-	-	-	-	17,490	-
Total operating revenues	1,238,024	1,315,877	1,277,986	-	3,450	3,835,337	10,753,169
OPERATING EXPENSES:							
Salaries and benefits	-	286,845	3,469	-	-	290,314	-
Contracts	-	-	1,122,455	-	-	1,122,455	-
Repair and maintenance	5,413	69,480	-	-	-	74,893	-
Utilities	37,763	19,928	-	-	-	57,691	-
Office expense	6,773	1,700	-	-	-	8,473	-
Purchased water and state surcharges	572,133	-	-	-	-	572,133	-
Departmental expense	202,715	1,222	-	-	-	203,937	-
Health care management	-	-	-	-	-	-	10,983,741
OPEB Contributions	-	-	-	-	-	-	250,000
Other expenses	32,517	50,295	-	-	-	82,812	-
Depreciation	121,587	138,674	15,581	-	-	275,842	-
Total operating expenses	978,901	568,144	1,141,505	-	-	2,688,550	11,233,741
OPERATING INCOME (LOSS)	259,123	747,733	136,481	-	3,450	1,146,787	(480,572)
NONOPERATING REVENUES (EXPENSES):							
Investment income	-	-	806	-	-	806	28,718
Interest expense	-	(42,094)	-	-	-	(42,094)	-
Amortization	-	(5,861)	-	-	-	(5,861)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	-	(47,955)	806	-	-	(47,149)	28,718
INCOME (LOSS)	259,123	699,778	137,287	-	3,450	1,099,638	(451,854)
CHANGE IN NET POSITION	259,123	699,778	137,287	-	3,450	1,099,638	(451,854)
TOTAL NET POSITION - BEGINNING	13,188,777	792,835	55,351	11,444	5,521	14,053,928	6,965,720
TOTAL NET POSITION - ENDING	\$ 13,447,900	\$ 1,492,613	\$ 192,638	\$ 11,444	\$ 8,971	\$ 15,153,566	\$ 6,513,866

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, 2017

	Business-type Activities - Enterprise Funds					Governmental	
	Water Control Fund	Sewer Fund	Cafeteria Fund	Summer School	Athletic Field	Totals	Health Care Management Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES:							
Cash received for services provided	\$ 1,053,128	\$ 1,377,980	\$ 1,141,463	\$ -	\$ 3,450	\$ 3,576,021	\$ 10,753,169
Cash paid to suppliers	(857,314)	(144,524)	(1,206,367)	-	-	(2,208,205)	-
Cash paid to employees	-	(286,845)	(3,469)	-	-	(290,314)	-
Cash paid for OPEB contributions	-	-	-	-	-	-	(250,000)
Cash paid for claims	-	-	-	-	-	-	(10,778,653)
Net cash provided by (used for) operating activities	195,814	946,611	(68,373)	-	3,450	1,077,502	(275,484)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:							
(Increase) decrease Due from other funds	(185,573)	(98,815)	213,451	(7,573)	(3,450)	(81,960)	1,197,362
Increase (decrease) Due to other funds	-	-	75,629	7,573	-	83,202	-
Net cash provided by (used for) noncapital financing activities	(185,573)	(98,815)	289,080	-	(3,450)	1,242	1,197,362
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:							
Acquisition of capital assets	(9,325)	(572,899)	-	-	-	(582,224)	-
Principal paid on long-term debt	-	(232,803)	-	-	-	(232,803)	-
Interest paid on long-term debt	-	(42,094)	-	-	-	(42,094)	-
Net cash used for capital and related financing activities	(9,325)	(847,796)	-	-	-	(857,121)	-
CASH FLOWS FROM INVESTING ACTIVITIES:							
(Increase) decrease in deposits	-	-	-	-	-	-	(2,400)
Investment income	-	-	806	-	-	806	28,718
Net cash provided by investing activities	-	-	806	-	-	806	26,318
NET INCREASE IN CASH AND CASH EQUIVALENTS	916	-	221,513	-	-	222,429	948,196
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	214,267	-	500	-	-	214,767	5,982,134
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 215,183	\$ -	\$ 222,013	\$ -	\$ -	\$ 437,196	\$ 6,930,330

(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, 2017

	Business-type Activities - Enterprise Funds					Governmental Activities	
	Water Control Fund	Sewer Fund	Cafeteria Fund	Summer School	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)	\$ 259,123	\$ 747,733	\$ 136,481	\$ -	\$ 3,450	\$ 1,146,787	\$ (480,572)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:							
Depreciation	121,587	138,674	15,581	-	-	275,842	-
(Increase) decrease in accounts receivable	(184,896)	62,103	(136,523)	-	-	(259,316)	-
(Increase) decrease in prepaid expenses	-	-	-	-	-	-	(220)
Increase (decrease) in accounts payable and accrued expenses	-	(1,899)	(83,912)	-	-	(85,811)	205,308
Net cash provided by (used for) operating activities	\$ 195,814	\$ 946,611	\$ (68,373)	\$ -	\$ 3,450	\$ 1,077,502	\$ (275,484)

(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, 2017*

	Police and Fire Pension Trust Fund	OPEB Trust Fund	Private Purpose Trust Funds	Agency Funds
ASSETS:				
Cash and cash equivalents	\$ 307,015	\$ -	\$ 23,002	\$ 530,172
Restricted cash	199,729	-	-	-
Investments	39,943,857	2,447,319	-	-
Prepaid expenses	759,337	-	-	-
Funds held in escrow	827,430	-	-	-
Other receivables	72,889	-	-	107,750
TOTAL ASSETS	42,110,257	2,447,319	23,002	637,922
LIABILITIES:				
Accrued expenses	23,211	-	-	-
Due to student groups	-	-	-	289,353
Deposits held in custody for others	190,392	-	-	348,569
Claims and judgments	1,027,159	-	-	-
TOTAL LIABILITIES	1,240,762	-	-	637,922
NET POSITION:				
Held in trust for perpetual care	-	-	23,002	-
Held in trust for pension benefits	40,869,495	-	-	-
Held in trust for other post-employment benefits	-	2,447,319	-	-
TOTAL NET POSITION	\$ 40,869,495	\$ 2,447,319	\$ 23,002	\$ -

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, 2017*

	<u>Police and Fire Pension Trust Fund</u>	<u>OPEB Trust Fund</u>	<u>Private-Purpose Trust Funds</u>
Additions:			
Contributions:			
Employer	\$ 8,721,128	\$ 250,000	\$ -
Healthcare and Billed Reimbursements	-	5,793,237	
Plan members	612,207	-	-
Total contributions	<u>9,333,335</u>	<u>6,043,237</u>	<u>-</u>
Investment income (expense)			
Net dividends, interest, and change in fair value	4,037,715	102,793	12
Net investment income (expense)	<u>4,037,715</u>	<u>102,793</u>	<u>12</u>
Total additions and changes in fair value	<u>13,371,050</u>	<u>6,146,030</u>	<u>12</u>
Deductions:			
Administration and benefit expenses	217,559	5,466	-
Claims and benefits expenses	-	5,793,237	
Pension expenses	9,019,014	-	-
Total deductions	<u>9,236,573</u>	<u>5,798,703</u>	<u>-</u>
Change in net position	4,134,477	347,327	12
Net position - beginning of year	\$ 36,735,018	2,099,992	22,990
Net position - end of year	<u>\$ 40,869,495</u>	<u>\$ 2,447,319</u>	<u>\$ 23,002</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, 2017

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 2017:

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

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

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.

(continued)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2017

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.

(continued)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2017

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 five enterprise funds (Water Control Fund, Sewer Fund, School Cafeteria Fund, Summer School 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.

(continued)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2017

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.
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.

(continued)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2017

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 Town considers property taxes as available if they are collected within 60 days after year end. Grant revenue related to expenditure reimbursement grants of the governmental funds is generally recognized as revenue when earned as long as the payment is expected to be received within twelve months after year end. Substantially all other revenue (excluding municipal court fees and fines, and fire rescue services) of the governmental funds is recognized as it is earned and available. Municipal court fees and fines and fire rescue services are reported as receivable and unearned revenue until the amounts are collected.
- b. The proprietary funds and private purpose trust funds utilize “economic resources” measurement focus and the accrual basis of accounting. The accounting objectives of this measurement focus are the determination of net income, financial position and cash flow. All inflows of resources associated with their activities are reported. Fund equity is classified as net position.
- c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

(continued)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2017

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 & town 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.

(continued)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2017

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 \$6,799,239 at June 30, 2017. The allowance for uncollectable accounts includes \$5,947,296 for property taxes, \$124,061 for Municipal Court fees and traffic fines, \$535,818 for fire rescue services, \$192,064 for sewer (enterprise) assessment. Major receivable balances for the governmental activities include property taxes (70% 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 measurable 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 August 1 (levy date). Taxes may be paid in full or in equal installments on August 24, October 24, January 24, and April 24 following the levy date. Taxes due and unpaid after the respective due dates are subject to interest at a rate of 12% per annum calculated on the unpaid portion of the total tax. An automatic lien is placed on the taxpayer's property if payment has not been received by the tax due date. Property taxes levied are recorded as receivables in the fiscal year of the levy. Property tax revenues are recorded in accordance with the modified accrual basis of accounting in the fund financial statements.

(continued)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2017

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:

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

Fund Financial Statements

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

(continued)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2017

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, 2017, the Town had three items that qualified as a deferred outflow of resources; deferred charge on refunding and deferred pension amounts, all are reported on the Government-wide Statement of Net Position. The deferred charge on the refunding totaling \$351,258 (\$310,221 for government activities and \$41,037 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 and OPEB amount totaled \$52,480,108 and \$2,743,026 respectively and relate to contributions to pension and OPEB 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, 2017, the Town had two 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, 2015 and prior and are not collected within 60 days of June 30, 2017. Net unavailable property tax revenue, fines, and rescue billings included in the fund financial statements amounted to \$3,268,988 at June 30, 2017. 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 and OPEB amount totaled \$5,202,534 and \$24,090,534 respectively and represent amounts to be amortized as a component of pension and OPEB expense in future years. The deferred inflows of resources reported on the Government-wide Financial Statements are related to pension plan and OPEB plan reporting requirements in accordance with GASB Statement #68 and #75, respectively. These deferred inflows consisted of the difference between actual and expected experience; difference between projected & actual earnings; and changes in assumptions.

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.

(continued)

TOWN OF JOHNSTON, RHODE ISLAND

Notes to Financial Statements

June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Non-Reciprocal Inter-fund Activities:

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

Net Position/ Fund Balance Classifications

Government-Wide Statements

Net Position is classified and displayed in three components:

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

Fund Financial Statements

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

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

(continued)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2017

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.

(continued)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2017

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, 2017. The amount of earned but not unpaid vacation and sick leave relating to governmental fund employees is recorded as a long-term debt in the government-wide financial statements. Business type compensated absences are recorded in the enterprise fund accounts.

Estimates

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

Recent accounting pronouncements

During the fiscal year ended June 30, 2017, the Town implemented the following new accounting pronouncements:

- GASB Statement No. 74 – Financial Reporting for Postemployment Benefit Plans Other than Pension Plans.
- GASB Statement No. 75 – Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pension Plans.
- GASB Statement No. 77 – Tax Abatement Disclosures.
- GASB Statement No. 78 – Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans.
- GASB Statement No. 79 – Certain External Investment Pools and Pool Participants.
- GASB Statement No. 80 – Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14.
- GASB Statement No. 82 – Pension Issues – an amendment of GASB Statements No. 67, 68, and No. 73.

(continued)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The following are recently issued governmental accounting standards which will be applicable in future years:

- GASB Statement No. 81 – Irrevocable Split-Interest Agreements, effective for the fiscal year ending June 30, 2018.
- GASB Statement No. 83 – Certain Asset Retirement Obligations, effective for the fiscal year ending June 30, 2019.
- GASB Statement No. 84 – Fiduciary Activities, effective for the fiscal year ending June 30, 2020.
- GASB Statement No. 85 – Omnibus 2017, effective for the fiscal year ending June 30, 2018.
- GASB Statement No. 86 – Certain Debt Extinguishment Issues, effective for the fiscal year ending June 30, 2018.
- GASB Statement No. 87 – Leases, effective for the fiscal year ending June 30, 2021.

The impact of these pronouncements 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.

Postemployment Benefits Other than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources, and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Town of Johnston, Rhode Island’s OPEB Trust Fund (described in more detail in Note 13) and additions to/deductions from the OPEB Trust Fund’s fiduciary net position have been determined on the same basis as they have been reported by the Trust Fund. For this purpose, the OPEB Trust Fund recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments that have a maturity at the time of purchase of one year or less, which are reported at original cost.

(continued)

TOWN OF JOHNSTON, RHODE ISLAND

Notes to Financial Statements

June 30, 2017

NOTE 2 – BUDGETARY PROCESS

Adoption

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

General Fund

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

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 2017 were \$32,304 as compared to \$300,141 at June 30, 2016.

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	\$56,955,420
Adjustments:	
Payments from State on behalf pension and transportation contributions not budgeted	<u>(2,745,488)</u>
Total budgetary basis revenues and other financing sources	
From RSI - 2	\$54,209,932

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

(continued)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2017

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 is approximately \$73,630,527. As of June 30, 2017, the Town's debt subject to legal debt margin is \$25,037,032 and the Town is under the debt limit by \$48,593,495.

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, 2017, the carrying amount of the Town's deposits was \$49,240,633, (including Fiduciary Funds, but excluding restricted cash and funds held in escrow) while the bank balance was \$49,726,120. Of that balance, \$425,061 was covered by federal depository insurance, \$269,625 by Investor Protection Corporation, and \$49,031,434 was uninsured. The Town has entered into collateralization agreements with various financial institutions and as a result, the uninsured balance at June 30, 2017 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, 2017, the Fiduciary Funds reported restricted cash of \$199,729 representing five years' worth of post judgement statutory interest (at a rate of 12% per year) on \$827,430 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 \$827,430 are reported in the Fiduciary Funds at June 30, 2017. 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, 2017, the Town's investments totaled \$42,391,176 and included those held in the Fiduciary Funds and consisted of the following:

Description	Fair Value at 6/30/2017	Interest Rate	Maturity	Rating
Money Market:				
Wells Fargo Government	\$ 1,745,874	N/A	N/A	Not Rated
Mutual Funds:				
Vanguard Index-Based Mutual Funds	2,447,319	N/A	N/A	Not Rated
Bond Funds	12,334,498	N/A	N/A	Not Rated
Equity Funds -International	6,228,556	N/A	N/A	Not Rated
Equity Funds - Domestic	19,444,537	N/A	N/A	Not Rated
Single Premium Deferred Annuity	190,392	N/A	N/A	N/A
	<u>\$ 42,391,176</u>			

(continued)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2017

NOTE 4 – CASH AND INVESTMENTS (continued)

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.

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 and 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 6/30/2017	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	\$ 1,745,874	\$ 1,745,874	\$ -	\$ -
Mutual Funds:				
Vanguard Index-Based Mutual Funds	2,447,319	2,447,319	-	-
Bond Funds	12,334,498	12,334,498	-	-
Equity Funds -International	6,228,556	6,228,556	-	-
Equity Funds - Domestic	19,444,537	19,444,537	-	-
Single Premium Deferred Annuity	190,392	-	190,392	-
	\$ 42,391,176	\$ 42,200,784	\$ 190,392	\$ -

(continued)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2017

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, 2017, include delinquent installments of the current and prior years.

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

Net property taxes levied for the fiscal year 2017 were based on an assessed value of approximately \$2,454,350,914 at December 31, 2015, and amounted to approximately \$76,403,133. Total collections through June 30, 2017, on the 2017 tax levy, amounted to approximately \$73,028,951, which represents approximately 95.6% of the net tax levy. The 60 day receipts, applicable to the 2017 levy, amounted to approximately \$608,838, which is recognized as revenue and increases total collections to 96.4% of the net tax levy.

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

Unpaid property taxes amounted to \$9,075,083 as of June 30, 2017. The receivables are recorded, net of allowance for uncollectible property taxes of \$5,947,296.

The portion of the property tax receivable, which is not collected within the 60 days immediately following June 30, 2017 are recorded as unavailable revenue, net of the allowance of \$5,947,296 and amount to \$3,127,787 at June 30, 2017.

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, 2017 consisted of the following:

<u>Receivables:</u>	<u>General</u>	<u>Business-type Activities</u>	<u>Total</u>
2016 taxes	\$ 3,452,037	\$ -	\$ 3,452,037
2015 taxes	1,555,314	-	1,555,314
2014 taxes	550,935	-	550,935
2013 and prior years' taxes	3,516,797	-	3,516,797
Gross taxes receivable	9,075,083	-	9,075,083
Less: Uncollectable Taxes Receivable	(5,947,296)	-	(5,947,296)
Net Taxes Receivable	3,127,787	-	3,127,787
Other non-tax receivables, net	1,336,029	2,713,335	4,049,364
Net Receivables	\$ 4,463,816	\$ 2,713,335	\$ 7,177,151

(continued)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2017

NOTE 6 – INTERGOVERNMENTAL RECEIVABLE

Amounts due from the Federal Government and the State of Rhode Island consisted of the following at June 30, 2017:

General Fund:

Rhode Island Solid Management Corporation	\$1,183,481
State of Rhode Island - Miscellaneous grants and fees	<u>74,001</u>
Total General Fund	<u>1,257,482</u>

School Unrestricted Fund:

Rhode Island Department of Education	<u>59,100</u>
Total School Unrestricted Fund	<u>59,100</u>

Other Governmental Funds:

School Restricted Grant Funds	1,091,838
Community Development Block Grants (CDBG)	541,980
School Wireless Classroom Grant	<u>182,842</u>
Total Other Government Funds	<u>1,816,660</u>

Total Intergovernmental Receivables	<u><u>\$ 3,133,242</u></u>
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(continued)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
JUNE 30, 2017

NOTE 7 - CAPITAL ASSETS

	<u>Balance 7/1/2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/2017</u>
Governmental Activity:				
Nondepreciable Assets				
Land	\$ 8,979,477	\$ -	\$ -	\$ 8,979,477
Construction in progress	54,899	213,234	72,209	195,924
Depreciable Assets:				
Land improvements	3,305,584	50,480	-	3,356,064
Building & building improvements	45,873,160	3,604,309	-	49,477,469
Vehicles and equipment	13,315,376	588,107	-	13,903,483
Infrastructure	55,555,788	1,168,876	-	56,724,664
Total cost	<u>127,084,284</u>	<u>5,625,006</u>	<u>72,209</u>	<u>132,637,081</u>
Less accumulated depreciation for:				
Land improvements	106,514	67,359	-	173,873
Building & building improvements	19,586,733	1,107,897	-	20,694,630
Vehicles and equipment	9,001,262	864,932	-	9,866,194
Infrastructure	46,464,408	1,476,330	-	47,940,738
Total accumulated depreciation	<u>75,158,917</u>	<u>3,516,518</u>	<u>-</u>	<u>78,675,435</u>
Net capital assets for governmental activity	<u>\$ 51,925,367</u>	<u>\$ 2,108,488</u>	<u>\$ 72,209</u>	<u>\$ 53,961,646</u>
Business-type activities:				
Nondepreciable Assets				
Land	\$ 40,000	\$ -	\$ -	\$ 40,000
Construction in progress	62,561	16,747	62,561	16,747
Depreciable Assets:				
Infrastructure	2,806,246	618,713	-	3,424,959
Vehicles	309,377	-	-	309,377
Machinery & equipment	192,426	-	-	192,426
Water distributions	11,971,380	9,326	-	11,980,706
Total cost	<u>15,381,990</u>	<u>644,786</u>	<u>62,561</u>	<u>15,964,215</u>
Less accumulated depreciation for:				
Infrastructure	651,149	110,984	-	762,133
Vehicles	165,496	27,191	-	192,687
Machinery & equipment	152,685	499	-	153,184
Water distributions	3,197,959	121,587	-	3,319,546
Total accumulated depreciation	<u>4,167,289</u>	<u>260,261</u>	<u>-</u>	<u>4,427,550</u>
Business-type activities capital assets, net	<u>\$ 11,214,701</u>	<u>\$ 384,525</u>	<u>\$ 62,561</u>	<u>\$ 11,536,665</u>

Depreciation expense was charged to functions as follows:

Governmental activities:

Education	\$ 836,827
Public safety	797,197
Public works	1,548,064
Public libraries	103,742
Other	230,688
Total	<u>\$ 3,516,518</u>

Business-type activities:

Water fund	\$ 121,587
Sewer fund	138,674
School cafeteria fund	-
Total	<u>\$ 260,261</u>

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2017

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 \$73,630,527, based on the net assessed valuation at December 31, 2015 of \$2,454,350,914.

(continued)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
JUNE 30, 2017

NOTE 8: LONG-TERM DEBT (Continued)

(b) At June 30, 2017 the Town's long-term debt outstanding and activity consisted of the following:

Description	Date of Issue	Maturity Date	Amount of Issue	Interest Rate	(As Restated)				
					Balance June 30, 2016	Transfers in & Additions	Transfers out & Retirements	Balance June 30, 2017	Due within One year
Governmental Activities:									
General obligation bonds:									
2007 General Obligation Bond	9/13/2007	9/1/2019	\$ 2,277,000	5.05%	\$ 915,000	\$ -	\$ 210,000	\$ 705,000	\$ 225,000
2009 General Obligation Bond	9/9/2009	9/1/2029	4,430,000	3%-7%	3,535,000	-	185,000	3,350,000	195,000
2010 General Obligation Bond	6/29/2010	8/15/2018	3,120,000	2%-4%	1,260,000	-	405,000	855,000	420,000
2012 General Obligation Bond	(**) 5/29/2012	6/1/2024	6,224,725	2.85%	4,470,525	-	510,150	3,960,375	519,100
2013 General Obligation Bond	6/12/2013	6/1/2033	5,000,000	2%-4%	4,335,000	-	255,000	4,080,000	255,000
2014 General Obligation Bond	5/1/2014	5/1/2029	4,000,000	2.48%	3,600,000	-	215,000	3,385,000	225,000
2015 General Obligation Bond	3/5/2015	6/1/2025	3,990,000	1.89%	3,575,000	-	375,000	3,200,000	380,000
2016 General Obligation Bond	5/24/2016	6/1/2031	2,500,000	2.19%	2,500,000	-	145,000	2,355,000	145,000
2016B General Obligation Bond	11/16/2016	11/1/2031	1,238,000	2.63%	-	1,238,000	-	1,238,000	69,000
Premium on bonds					155,690	-	10,537	145,153	10,537
Total bonds outstanding			\$ 32,779,725		\$ 24,346,215	\$ 1,238,000	\$ 2,310,687	\$ 23,273,528	2,443,637
Note payable obligations									
Note payable obligation	9/30/2012	10/14/2017	\$ 21,000	6.99%	\$ 6,344	\$ -	\$ 4,708	\$ 1,636	\$ 1,636
Note payable obligation	10/16/2012	10/30/2017	18,792	6.74%	5,661	-	4,196	1,465	1,465
Note payable obligation	6/8/2017	6/8/2022	34,228	5.45%	-	34,228	-	34,228	6,580
Total notes payable obligations			\$ 74,020		\$ 12,005	\$ 34,228	\$ 8,904	\$ 37,329	\$ 9,681
Capital lease obligations									
Capital lease obligation	(**) 7/7/2011	7/7/2016	\$ 1,158,100	2.10%	\$ 241,356	\$ -	\$ 241,356	\$ -	\$ -
Capital lease obligation	9/27/2013	9/26/2018	425,000	1.66%	255,000	-	85,000	170,000	85,000
Capital lease obligation	8/1/2014	8/1/2019	750,000	1.65%	600,000	-	150,000	450,000	150,000
Capital lease obligation	9/30/2015	9/30/2020	250,000	1.86%	250,000	-	50,000	200,000	50,000
Capital lease obligation	12/22/2016	12/1/2021	591,500	1.65%	-	591,500	-	591,500	119,500
Total capital lease obligations			\$ 2,016,500		\$ 1,346,356	\$ 591,500	\$ 526,356	\$ 1,411,500	\$ 404,500
Compensated absences and severance estimate									
Net pension liability					\$ 7,667,293	\$ 578,361	\$ -	\$ 8,245,654	\$ 2,000,000
Net OPEB liability					277,121,283	71,304,418	-	348,425,701	-
Net OPEB liability					226,746,790	-	13,813,731	212,933,059	-
Claims and judgements					-	-	-	-	-
Total Governmental activities long-term liabilities					\$ 537,239,942	\$ 73,746,507	\$ 16,659,678	\$ 594,326,771	\$ 4,857,818
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%	\$ 1,241,000	\$ -	\$ 75,000	\$ 1,166,000	\$ 75,000
RI Clean Water Bond	4/25/2002	9/1/2022	750,000	0.661%	319,322	-	41,290	278,032	42,655
2012 General Obligation Refunding Bond	(**) 5/29/2012	6/1/2024	730,275	2.85%	524,475	-	59,850	464,625	60,900
Total general obligation bonds outstanding			\$ 3,980,275		\$ 2,084,797	\$ -	\$ 176,140	\$ 1,908,657	\$ 178,555
Capital lease obligation									
Capital lease obligation	(**) 7/7/2011	7/7/2016	271,900	2.10%	56,663	-	56,663	-	-
Total business-type activities long-term obligations					\$ 56,663	\$ -	\$ 56,663	\$ -	\$ -
Compensated absences									
Total business-type activities long-term obligations					\$ 2,141,460	\$ -	\$ 232,803	\$ 1,908,657	\$ 178,555

(**) 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, 2017

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 <u>June 30</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 2,847,281	\$ 701,413	\$ 3,548,694
2019	2,903,346	616,807	3,520,153
2020	2,447,737	537,747	2,985,484
2021	2,094,195	471,928	2,566,123
2022	2,097,920	416,802	2,514,722
2023-2027	7,808,725	1,292,050	9,100,775
2028-2032	4,123,000	350,363	4,473,363
2033	255,000	9,435	264,435
TOTALS	<u>\$ 24,577,204</u>	<u>\$ 4,396,545</u>	<u>\$ 28,973,749</u>

Fiscal Year Ended <u>June 30</u>	<u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 178,555	\$ 37,648	\$ 216,203
2019	181,540	34,585	216,125
2020	190,096	31,354	221,450
2021	193,176	27,948	221,124
2022	201,830	24,382	226,212
2023-2027	652,460	69,209	721,669
2028-2031	311,000	11,086	322,086
TOTALS	<u>\$ 1,908,657</u>	<u>\$ 236,212</u>	<u>\$ 2,144,869</u>

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2017

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, 2017 amounted to \$8,245,654 of which \$2,812,744 and \$5,432,910 are related to School and Town employees, respectively.

(f) Schedule of long-term debt by purpose at June 30, 2017 is as follows:

Governmental activities:

School, public improvement, and public safety		
Bonds and notes payable	\$23,165,704	4%
Town equipment and vehicle leases	1,411,500	<1%
Net pension liability	348,425,701	58%
Net OPEB Liability	212,933,059	36%
Compensated absences and severance	8,245,654	1%
Premium on Bonds	145,153	<1%
Total governmental activities	\$594,326,771	100%

Business-type activities

Sewer projects bonds	\$ 1,908,657	100%
Total business-type activities	\$ 1,908,657	100%

(continued)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2017

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, 2017.

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 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, 2017.

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, 2017.

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, 2017.

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>	
2018.....	\$ 78,582
2019.....	<u>54,118</u>
Total	<u>\$132,700</u>

(continued)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2017

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, 2017 is as follows:

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
Governmental Funds:		
General Fund	\$ -	\$ 8,530,538
School Unrestricted Fund	4,972,016	-
All non-Major funds	<u>956,272</u>	<u>1,698,756</u>
Total governmental fund	<u>5,928,288</u>	<u>10,229,294</u>
Proprietary Funds:		
Water Fund	3,575,546	-
Sewer Fund	174,490	-
Cafeteria Fund	-	75,629
Summer School Fund	19,571	8,127
Athletic Field	8,971	-
Internal Service Fund	<u>606,184</u>	<u>-</u>
	<u>4,384,762</u>	<u>83,756</u>
 TOTAL ALL FUNDS	 <u>\$ 10,313,050</u>	 <u>\$ 10,313,050</u>

The Composition of inter-fund transfers for the year ended June 30, 2017 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	\$ -	\$ 37,529,015	\$ 254,382	\$ -	\$ 37,783,397
Transfers Out	\$ (37,779,015)	\$ -	\$ (4,382)	\$ -	\$ 37,783,397

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.

(continued)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2017

NOTE 11- DEFINED BENEFIT PENSION PLANS

(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.

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

(continued)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2017

NOTE 11- DEFINED BENEFIT PENSION PLANS

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

determination of the total pension liability at the June 30, 2016 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.

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.

(continued)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2017

NOTE 11- DEFINED BENEFIT PENSION PLANS

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

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.

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.

(continued)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2017

NOTE 11- DEFINED BENEFIT PENSION PLANS

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

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 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.

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	202	0	2	204
Inactive, Nonretired				
Members	104	1	4	109
Active Members	<u>229</u>	<u>11</u>	<u>58</u>	<u>298</u>
Total	<u>535</u>	<u>12</u>	<u>64</u>	<u>611</u>

(continued)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2017

NOTE 11- DEFINED BENEFIT PENSION PLANS

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

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 \$627,937 to the General Employees Plan, \$67,906 to the Police Plan, and \$337,187 to the Fire Plan in the year ended June 30, 2017 which was 8.01% of General Employee annual covered payroll, 10% of Police annual covered payroll, and 8.45% of Fire annual covered payroll.

Net Pension Liability (Asset) - The total pension liability was determined by actuarial valuations performed as of June 30, 2015 and rolled forward to June 30, 2016, 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, 2016 measurement date (June 30, 2015 valuation rolled forward to June 30, 2016)	
Actuarial Cost Method	Entry Age Normal - the Individual Entry Age Actuarial Cost methodology is used.
Amortization Method	Level Percent of Payroll – Closed
Equivalent Single Remaining Amortization Period	19 Years at June 30, 2016
Asset Valuation Method	5 Year Smoothed Market
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.

(continued)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2017

NOTE 11- DEFINED BENEFIT PENSION PLANS

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

The actuarial assumptions used in the June 30, 2015 valuation rolled forward to June 30, 2016 and the calculation of the total pension liability at June 30, 2016 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 35 sources. The June 30, 2016 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%	-
U.S. Equity	-	6.98%
International Developed	-	7.26%
International Emerging Markets	-	9.57%
Equity Hedge Funds	8%	4.10%
Private Equity	7%	10.15%
Core Fixed Income	15%	2.37%
Asbsolute Return Hedge Funds	7%	4.10%
Infrastructure	3%	5.58%
Real Estate	8%	5.33%
Other Real Return Assets:	11%	-
Master Limited Partnerships	-	4.97%
Credit	-	4.97%
Inflation Linked Bonds	-	1.76%
Cash, Overlay, Money Market	3%	0.82%
Total	<u><u>100%</u></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.

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

(continued)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2017

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, 2015	\$42,011,638	\$30,799,652	\$11,211,986
Changes for the Year			
Service cost	724,766	-	724,766
Interest on the total pension liability	3,069,317	-	3,069,317
Changes in benefits	-	-	-
Difference between expected and actual experience	38,342	-	38,342
Changes in assumptions	-	-	-
Employer contributions	-	1,241,203	(1,241,203)
Employee contributions	-	220,343	(220,343)
Net investment income	-	8,614	(8,614)
Benefit payments, including employee refunds	(2,899,591)	(2,899,591)	-
Administrative expense	-	(46,174)	46,174
Other changes	-	(2)	2
Net changes	932,834	(1,475,607)	2,408,441
Balances as of June 30, 2016	\$42,944,472	\$29,324,045	\$13,620,427

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	\$355,187	\$333,341	\$21,846
Changes for the Year			
Service cost	110,120	-	110,120
Interest on the total pension liability	30,769	-	30,769
Changes in benefits	-	-	-
Difference between expected and actual experience	(8,279)	-	(8,279)
Changes in assumptions	-	-	-
Employer contributions	-	61,293	(61,293)
Employee contributions	-	61,429	(61,429)
Net investment income	-	(158)	158
Benefit payments, including employee refunds	-	-	-
Administrative expense	-	(425)	425
Other changes	-	(1)	1
Net changes	132,610	122,138	10,472
Balances as of June 30, 2016	\$487,797	\$455,479	\$32,318

(continued)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2017

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, 2015	\$5,808,665	\$5,746,959	\$61,706
Changes for the Year			
Service cost	657,278	-	657,278
Interest on the total pension liability	457,138	-	457,138
Changes in benefits	-	-	-
Difference between expected and actual experience	6,024	-	6,024
Changes in assumptions	-	-	-
Employer contributions	-	352,791	(352,791)
Employee contributions	-	341,251	(341,251)
Net investment income	-	(2,251)	2,251
Benefit payments, including employee refunds	(84,257)	(84,257)	-
Administrative expense	-	(6,055)	6,055
Other changes	-	136,054	(136,054)
Net changes	1,036,183	737,533	298,650
Balances as of June 30, 2016	\$6,844,848	\$6,484,492	\$360,356

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, 2015	\$48,175,490	\$36,879,952	\$11,295,538
Changes for the Year			
Service cost	1,492,164	-	1,492,164
Interest on the total pension liability	3,557,224	-	3,557,224
Changes in benefits	-	-	-
Difference between expected and actual experience	36,087	-	36,087
Changes in assumptions	-	-	-
Employer contributions	-	1,655,287	(1,655,287)
Employee contributions	-	623,023	(623,023)
Net investment income	-	6,205	(6,205)
Benefit payments, including employee refunds	(2,983,848)	(2,983,848)	-
Administrative expense	-	(52,654)	52,654
Other changes	-	136,051	(136,051)
Net changes	2,101,627	(615,936)	2,717,563
Balances as of June 30, 2016	\$50,277,117	\$36,264,016	\$14,013,101

(continued)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2017

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%)
\$18,218,985	\$13,620,427	\$9,856,106

Police:

1.00% Decrease (6.5%)	Current Discount Rate (7.5%)	1.00 Increase (8.5%)
\$81,507	\$32,318	(\$7,921)

Fire:

1.00% Decrease (6.5%)	Current Discount Rate (7.5%)	1.00 Increase (8.5%)
\$1,055,140	\$360,356	(\$208,068)

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, 2017 the employer recognized pension expense of \$1,617,454 for General Employees, \$56,525 for Police and \$234,371 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 measurement date	\$ 627,937	\$ -
Difference in experience	29,166	251,579
Differences in assumptions	10,036	-
Net Investment Returns	1,910,447	-
Total	<u>\$ 2,577,586</u>	<u>\$ 251,579</u>

(continued)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
 June 30, 2017

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	\$ 67,906	\$ -
Difference in experience	33,182	7,784
Differences in assumptions	-	1,688
Net Investment Returns	<u>23,712</u>	<u>-</u>
Total	<u>\$ 124,800</u>	<u>\$ 9,472</u>

Fire:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date	\$ 337,187	\$ -
Difference in experience	5,580	177,742
Differences in assumptions	-	107,627
Net Investment Returns	<u>383,385</u>	<u>-</u>
Total	<u>\$ 726,152</u>	<u>\$ 285,369</u>

Total MERS:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date	\$ 1,033,030	\$ -
Difference in experience	67,928	437,105
Differences in assumptions	10,036	109,315
Net Investment Returns	<u>2,317,544</u>	<u>-</u>
Total	<u>\$ 3,428,538</u>	<u>\$ 546,420</u>

(continued)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2017

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
2018	\$ 251,854	\$ 6,226	\$ 49,969	\$ 308,049
2019	248,516	6,225	49,969	304,710
2020	746,920	10,145	123,003	880,068
2021	450,780	7,560	69,456	527,796
2022	-	1,611	(22,747)	(21,136)
Thereafter	-	15,655	(166,054)	(150,399)
Total	<u>\$ 1,698,070</u>	<u>\$ 47,422</u>	<u>\$ 103,596</u>	<u>\$ 1,849,088</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.

(continued)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2017

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 2016, 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 9.95% and 13.18% of annual covered payroll for the fiscal year ended June 30, 2017 for the state and Town of Johnston, respectively.

The Town of Johnston contributed \$3,043,142, \$3,182,090 and \$2,968,073 for the fiscal years ended June 30, 2017, 2016 and 2015, respectively, equal to 100% of the required contributions for each year.

(continued)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2017

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, 2017, the Town of Johnston reported a liability of \$42,089,055, 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	\$ 42,089,055
State's proportionate share of the net pension liability associated with the Town of Johnston	<u>\$ 28,824,823</u>
Total net pension liability	<u>\$ 70,913,878</u>

The net pension liability was measured as of June 30, 2016, 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, 2015 rolled forward to June 30, 2016. 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, 2016 the Town of Johnston's proportion was 1.36%.

For the year ended June 30, 2017 the Town of Johnston recognized gross pension expense of \$6,364,093 and revenue of \$2,412,824 for support provided by the State. At June 30, 2017 the Town of Johnston reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred outflows of resources

Contributions subsequent to the measurement date	\$ 3,043,142
Net difference between projected and actual earnings on pension plan investments	3,284,435
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>2,451,875</u>
Total	<u>\$ 8,779,452</u>

(continued)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2017

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	\$ 830,440
Changes in assumptions	<u>871,853</u>
Total	<u>\$ 1,702,293</u>

\$3,043,142 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:

2018	\$ 701,256
2019	701,256
2020	1,440,435
2021	893,375
2022	112,972
thereafter	<u>184,723</u>
Total	<u>\$ 4,034,017</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.

(continued)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2017

NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)

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

The actuarial assumptions used in the June 30, 2016 valuation rolled forward to June 30, 2017 and the calculation of the total pension liability at June 30, 2017 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 35 sources. The June 30, 2016 expected arithmetic returns over the long-term (20 years) by asset class are summarized in the following table:

Type of Investment	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity:	38%	-
U.S. Equity	-	6.98%
International Developed	-	7.26%
International Emerging Markets	-	9.57%
Equity Hedge Funds	8%	4.10%
Private Equity	7%	10.15%
Core Fixed Income	15%	2.37%
Absolute Return Hedge Funds	7%	4.10%
Infrastructure	3%	5.58%
Real Estate	8%	5.33%
Other Real Return Assets:	11%	-
Master Limited Partnerships	-	4.97%
Credit	-	4.97%
Inflation Linked Bonds	-	1.76%
Cash, Overlay, Money Market	3%	0.82%
Total	<u>100%</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.

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

(continued)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2017

NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)

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

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

1.00% Decrease (6.5%)	Current Discount Rate (7.5%)	1.00 Increase (8.5%)
\$51,976,300	\$42,089,055	\$33,994,863

(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 2017 pension expense from the actuary, therefore, the Town's government-wide financial statements include the 2016 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, 2017.

These notes present GASB 67 & 68 disclosures separately where the information between the two reporting requirements overlap and the information is unchanged. Shared information is presented with for both 2016 and 2017 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.

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.

(continued)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2017

NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)

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

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

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

The police officer pay-as-you-go plan provides retirement benefits as well as death and disability benefits. All members of the police department hired before July 1, 2010 are eligible to participate. Participants in the plan are eligible to retire after 18 years of service. Benefits are equal to 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.

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 police and fire departments:

(continued)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2017

NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)

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

<u>Fire</u>		<u>Police</u>	
<u>Years of Service</u>	<u>Percentage of Final Average Salary</u>	<u>Years of Service</u>	<u>Percentage of Final Average Salary</u>
20	50.0%	18	45.0%
21	52.5%	19	47.5%
22	55.0%	20	50.0%
23	57.5%	21	52.5%
24	60.0%	22	55.0%
25	62.5%	23	57.5%
26	65.0%	24	60.0%
27	67.5%	25	65.0%
28	70.0%	26	66.0%
29	72.5%	27	67.0%
30+	75.0%	28	68.0%
		29	69.0%
		30+	70.0%

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, 2016, and *not* rolled forward to June 30, 2017 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, 2017, 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, 2017 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, 2016, using the following actuarial assumptions, applied to all periods included in the measurement, with the results not rolled forward to June 30, 2017 for GASB 67:

(continued)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2017

NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)

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

Inflation	2.75%
Salary increases	4.00%
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

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.

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.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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%	

(continued)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2017

NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)

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

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	170,259,906	139,419,065	115,807,117
Total	\$360,807,077	\$292,323,545	\$240,448,952

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

(continued)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2017

NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)

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

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	\$136,533,736	\$16,364,051	\$120,169,685
Changes for the Year:			
Service cost	4,354,675	-	4,354,675
Interest on the total pension liability	5,462,015	-	5,462,015
Changes in benefits	-	-	-
Difference between expected and actual experience	(3,200,839)	-	(3,200,839)
Changes in assumptions	29,239,726	-	29,239,726
Employer contributions	-	2,783,429	(2,783,429)
Employee contributions	-	394,051	(394,051)
Net investment income	-	21,130	(21,130)
Benefit payments, including employee refunds	(4,002,706)	(4,002,706)	-
Administrative expense	-	(77,828)	77,828
Other changes	-	-	-
Net changes	31,852,871	(881,924)	32,734,795
Balances as of June 30, 2016	\$168,386,607	\$15,482,127	\$152,904,480

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	\$131,041,098	\$23,075,101	\$107,965,997
Changes for the Year:			
Service cost	2,314,587	-	2,314,587
Interest on the total pension liability	5,227,209	-	5,227,209
Changes in benefits	-	-	-
Difference between expected and actual experience	2,235,932	-	2,235,932
Changes in assumptions	24,437,339	-	24,437,339
Employer contributions	-	2,576,831	(2,576,831)
Employee contributions	-	233,585	(233,585)
Net investment income	-	29,412	(29,412)
Benefit payments, including employee refunds	(4,584,209)	(4,584,209)	-
Administrative expense	-	(77,829)	77,829
Other changes	-	-	-
Net changes	29,630,858	(1,822,210)	31,453,068
Balances as of June 30, 2016	\$160,671,956	\$21,252,891	\$139,419,065

(continued)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2017

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	\$267,574,834	\$39,439,152	\$228,135,682
Changes for the Year:			
Service cost	6,669,262	-	6,669,262
Interest on the total pension liability	10,689,224	-	10,689,224
Changes in benefits	-	-	-
Difference between expected and actual experience	(964,907)	-	(964,907)
Changes in assumptions	53,677,065	-	53,677,065
Employer contributions	-	5,360,260	(5,360,260)
Employee contributions	-	627,636	(627,636)
Net investment income	-	50,542	(50,542)
Benefit payments, including employee refunds	(8,586,915)	(8,586,915)	-
Administrative expense	-	(155,657)	155,657
Other changes	-	-	-
Net changes	61,483,729	(2,704,134)	64,187,863
Balances as of June 30, 2016	\$329,058,563	\$36,735,018	\$292,323,545

For the year ended June 30, 2016, the Town of Johnston recognized gross pension expense of \$54,510,445. 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	\$ 6,669,262
Interest on TPL	10,689,224
Employee contributions	(627,636)
Administrative expenses	155,657
Other	-
Expected return on assets	(2,854,636)
Expensed portion of current year period differences between expected and actual experience in TPL	(482,453)
Expensed portion of current year period assumption changes	26,838,532
Current year plan changes	-
Expensed portion of current year period differences between projected and actual investment earnings	560,818
Current year recognition of deferred inflows and outflows established in prior years	13,561,677
Total expenses	<u>\$ 54,510,445</u>

(continued)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2017

NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)

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

Deferred Outflows and Inflows of Resources

		Deferred Outflows of Resources		Deferred Inflows of Resources
Contributions amounts subsequent to measurement date	\$	8,721,128	\$	-
Differences between expected and actual experience		-		482,454
Changes of assumptions		26,838,533		-
Net difference between projected and actual earnings on pension plan investments		<u>2,741,092</u>		<u>-</u>
Total	\$	<u>29,579,625</u>	\$	<u>482,454</u>

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	Initial Balance	Balance at July 1, 2016	Amount Recognized During FYE June 30, 2017	Outstanding Balance at June 30, 2017	Deferred Outflows/(Inflows) Recognized in Future Years					
						2018	2019	2020	2021	2022	2023 and Thereafter
Fiscal Year Outflows											
Investment	2016	\$2,674,718	\$2,139,776	\$534,944	\$1,604,832	\$534,944	\$534,944	\$534,944	--	--	--
Assumption change	2016	27,728,439	13,864,219	13,864,219	--	--	--	--	--	--	--
Investment	2017	2,804,094	2,804,094	560,818	2,243,276	560,819	560,819	560,819	560,819	--	--
Assumption change	2017	53,677,065	<u>53,677,065</u>	<u>26,838,532</u>	<u>26,838,533</u>	<u>26,838,533</u>	--	--	--	--	--
Total Outflows			\$72,485,154	\$41,798,513	\$30,686,641	\$27,934,296	\$1,095,763	\$1,095,763	\$560,819	--	--
Fiscal Year Inflows											
Investment	2013	\$2,767,542	\$1,660,524	\$553,508	\$1,107,016	\$553,508	\$553,508	--	--	--	--
Demographic	2016	567,956	283,978	283,978	--	--	--	--	--	--	--
Demographic	2017	964,907	<u>964,907</u>	<u>482,453</u>	<u>482,454</u>	<u>482,454</u>	--	--	--	--	--
Total Inflows			\$2,909,409	\$1,319,939	\$1,589,470	\$1,035,962	\$553,508	--	--	--	--
Total			\$69,575,745	\$40,478,574	\$29,097,171	\$26,898,334	\$642,255	\$1,095,763	\$560,819	--	--

(c) Police and Fire Pension Trust (Fiduciary Fund) GASB 67

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).

(continued)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2017

NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)

(c) Police and Fire Pension Trust (Fiduciary Fund) GASB 67 (continued)

Plan Administration

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

Schedules of Changes in Pension System's Net Pension Liability – Last Two Fiscal Years

Effective no later than June 30, 2017 the following changes have been made to the benefit provisions:

Police and Firefighters

- Suspend COLA increases beginning July 1, 2017 with COLA payments of 1.25% per year compounded, to return beginning July 1, 2022.
- Eliminate severance from pensionable earnings for future retirees.
- Cap overtime in pensionable earnings at \$35,000.

Firefighters Only

- During the period the COLA is suspended, provide an annual stipend of \$350 to retirees receiving less than \$40,000 annual in benefit payments.
- During the period the COLA is suspended, provide an annual stipend of \$350 to all beneficiaries, regardless of benefit amount.

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 2017 fiscal year was used to determine the fair value of the Plan's investments.

Rate of return

For the years ended June 30, 2017 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.

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, 2017 are summarized in the following table (rates shown include the inflation component). These rates are applicable for the police and fire pension trust fund.

(continued)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2017

NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)

(c) Police and Fire Pension Trust (Fiduciary Fund) GASB 67 (continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	40.0%	6.71%
International equity - developed markets	17.5%	7.71%
International equity - emerging markets	2.5%	9.81%
Fixed income - core	28.0%	2.11%
Fixed income - high yield	6.0%	4.61%
Real estate	5.0%	5.21%
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, 2017:

<u>Investments</u>	<u>% of Pension Fiduciary Net Position</u>	<u>Fair Market Value</u>
Equities:		
Ishares MSCI EAFE Growth	6.46%	\$ 2,569,592
Ishares MSCI EAFE Value	6.48%	\$ 2,575,953
Ishares Russell 1000 Growth	5.42%	\$ 2,156,047
Ishares Russell 1000 Value	6.24%	\$ 2,481,240
Ishares Russell 2000 Growth	7.05%	\$ 2,802,932
Ishares Russell Mid-Cap Growth	6.62%	\$ 2,633,450
Ishares Russell Mid-Cap Value	6.70%	\$ 2,663,214
Ishares S&P Small Cap 600	6.85%	\$ 2,723,134
Ishares EAFE Small Cap	5.51%	\$ 2,188,897
Fixed Income:		
Ishares Immediate Government	6.18%	\$ 2,456,985

(continued)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2017

NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)

(c) Police and Fire Pension Trust (Fiduciary Fund) GASB 67 (continued)

Net Pension Liability

The net pension liability consisted of the following components at June 30, 2017:

Component :	Police Pension Plan	Fire Pension Plan	Total Police and Fire Pension Trust Fund
Total pension liability	\$70,884,488	\$79,380,485	\$150,264,973
Plan fiduciary net position	18,225,367	22,644,128	40,869,495
Net pension liability	52,659,121	56,736,357	109,395,478
Plan fiduciary net position as a percentage of the total pension liability	25.71%	28.53%	27.20%

Discount Rate

The blended discount rate used to measure the total pension liability is 7.50%. 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, 2017 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, 2017.

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 7.50%, 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 (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

Unit	1.00% Decrease (6.50%)	Current Discount Rate (7.50%)	1.00% Increase (8.50%)
Police	\$61,326,644	\$52,659,121	\$45,522,374
Fire	65,885,280	56,736,357	49,172,147
Total	\$127,211,924	\$109,395,478	\$94,694,521

(continued)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2017

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.

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 Spouse'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

(continued)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2017

NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)

(d) Teachers' Survivor Benefit (continued)

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 \$26,146, \$31,982 and \$29,761 for the fiscal years ended June 30, 2017, 2016 and 2015, 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, 2017 the Johnston School Department reported an asset of \$4,958,163 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, 2016, 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, 2016 rolled forward to June 30, 2017. The Johnston School Department proportion of the net pension asset was based on its share of contributions to the TSB for fiscal year 2016 relative to the total contributions of all participating employers for that fiscal year. At June 30, 2016 Johnston School Department proportion was 4.98%

For the year ended June 30, 2017 the Johnston School Department recognized pension expense of \$(123,955) – an increase in the net pension asset. At June 30, 2017 the Johnston School Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

(continued)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2017

NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)

(d) Teachers' Survivor Benefit (continued)

<i>Deferred outflows of resources</i>	
Contributions subsequent to the measurement date	\$ 26,146
Difference between expected and actual experience	943,871
Net difference between projected and actual earnings on pension plan investments	906,909
<i>Total deferred outflows of resources</i>	\$ 1,876,926
<i>Deferred inflows of resources</i>	
Difference between expected and actual experience	\$ 985,672
Changes in proportion and differences between employer contributions and proportionate share of contributions	287,876
<i>Total deferred inflows of resources</i>	\$ 1,273,548

\$26,146 reported as deferred outflows of resources related to pensions resulting from the Johnston School Department's contributions in fiscal year 2017 subsequent to the measurement date will be recognized as an addition to the net pension asset for the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	\$ 134,118
2019	134,117
2020	336,659
2021	188,988
2022	(28,257)
Thereafter	(188,394)
Total	\$ 577,231

(continued)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2017

NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)

(d) Teachers' Survivor Benefit (continued)

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

Inflation	2.75%
Salary increases	3.50% to 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, 2016 valuation rolled forward to June 30, 2017 and the calculation of the total pension liability at June 30, 2016 were consistent with the results of an actuarial experience study performed as of June 30, 2014.

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 35 sources. The June 30, 2016 expected arithmetic returns over the long-term (20 years) by asset class are summarized in the following table:

Type of Investment	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity:	38%	-
U.S. Equity	-	6.98%
International Developed	-	7.26%
International Emerging Markets	-	9.57%
Equity Hedge Funds	8%	4.10%
Private Equity	7%	10.15%
Core Fixed Income	15%	2.37%
Absolute Return Hedge Funds	7%	4.10%
Infrastructure	3%	5.58%
Real Estate	8%	5.33%
Other Real Return Assets:	11%	-
Master Limited Partnerships	-	4.97%
Credit	-	4.97%
Inflation Linked Bonds	-	1.76%
Cash, Overlay, Money Market	3%	0.82%
Total	<u>100%</u>	

(continued)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2017

NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)

(d) Teachers' Survivor Benefit (continued)

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.

1.00% Decrease (6.5%)	Current Discount Rate (7.5%)	1.00 Increase (8.5%)
\$(3,934,360)	\$(4,958,163)	\$(5,795,821)

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.

(continued)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2017

NOTE 12 – DEFINED BENEFIT CONTRIBUTION PLAN (Continued)

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 \$972,486, for the fiscal year ended June 30, 2017. Of that amount, \$26,146 was for general employees, \$309,653 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>.

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

Plan Description

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 74/75 - Financial Report – Fiscal year ended June 30, 2017. This report can be obtained by contacting the Town's Finance Department.

(continued)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2017

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

At July 30, 2017, plan membership consisted of the following:

Active plan members	638
Retired plan members	<u>588</u>
 Total Participants	 <u>1,226</u>

Contributions- 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 expense for governmental activities for the fiscal year ended June 30, 2017 was \$13,577,014 and represents \$3,052,426 and \$10,524,588, for School and Town personnel respectively.

Investments

Investment Policy- OPEB Benefits Plan’s policy in regard to the allocation of invested assets is established and may be amended by the Town’s Board of Directors by a majority vote of its members. It is the policy of the Town to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The Town’s investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans.

Rate of Return- For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 3.56%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability of the Town

During the year, the Town implemented GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other than Pension Plans (OPEB). This Statement requires the net OPEB liability to be measured as the total OPEB liability, less the amount of the OPEB plan’s fiduciary net position. The components of the net OPEB liability of the Town at June 30, 2017, were as follows:

Total OPEB Liability	\$ 215,380,378
Plan Fiduciary Net Position	<u>(2,447,319)</u>
 Net OPEB Liability	 <u>\$ 212,933,059</u>
 Plan fiduciary net position as a Percentage of the total OPEB liability	 1.1%

(continued)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2017

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

The Town’s net OPEB liability will be required to be recorded on the Government-Wide Financial Statement of Net Position at June 30, 2018.

Actuarial assumptions- The total OPEB liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3%
Salary increase	3% per year
Investment rate of return	3.50%
Healthcare cost trend rates	8.00%, decreasing to 5%

Mortality rates were based on the RP-2014 adjusted to 2006 Total Dataset mortality Table, projected to the valuation date with Scale MP-2015. The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2015.

The long-term expected rate of return on OPEB plan investment is assumed to be 3.50%. This was determined using a building block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These expected future real rates of return are then combined to produce the long-term expected rate of return by weighting them based on the target asset allocation percentage and adding in expected inflation (1.90%). The best estimates of arithmetic real rates of return for each major asset class included in the OPEB Plan’s target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected ROR</u>
Domestic (US) Fixed income investment grade	72%	3.60%
Inflation Protected Securities	4%	0.70%
<u>International Fixed Income</u>	<u>24%</u>	<u>1.40%</u>
Total	100%	2.96%

(continued)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2017

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

Discount rate- The discount rate used when the OPEB plan investments are insufficient to pay for future benefit payments are selected from the range of indices as shown in the table below, where the range is given as the spread between the lowest and highest rate shown:

<u>Yield as of</u>	<u>July 1, 2016</u>	<u>June 30, 2017</u>
Bond Buyer Go 20-Bond Municipal Bond Index	2.85%	3.53%
S&P Municipal Bond 20-Year High Grade Rate Index	2.71%	3.13%
Fidelity 20-Year Go Municipal Bond Index	2.92%	3.56%
 Bond Index Range	 2.71%-2.92%	 3.13%-3.56%

Sensitivity of the net OPEB liability to changes in the discount rate- The following presents the net OPEB liability of the Town, as well as what the Town's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.75%) or 1 percentage point higher (7.75%) than the current discount rate:

	1% Decrease <u>(2.56%)</u>	Current Discount Rate <u>(3.56%)</u>	1% Increase <u>(4.56%)</u>
Net OPEB Liability	\$ 257,156,597	\$ 212,933,059	\$ 179,079,266

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates- The following presents the net OPEB liability of the Town, as well as what the Town's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (8.00% decreasing to 4.00%) or 1 percentage point higher (10.00% decreasing to 6.00%) than the current healthcare cost trend rates:

	1% Decrease (8% Decreasing to 4%)	Current Discount Rate (9% Decreasing to 5%)	1% Increase (10% Decreasing to 6%)
Net OPEB Liability	\$ 177,190,110	\$ 212,933,059	\$ 260,027,021

(continued)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2017

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

Deferred Outflows and Inflows of Resources Related to OPEB Plan:

		Deferred Outflows of Resources		Deferred Inflows of Resources
Differences between expected and actual experience	\$	2,743,026	\$	-
Changes of assumptions		-		(24,070,493)
Net difference between projected and actual earnings on pension plan investments		-		(20,041)
Total	\$	<u>2,743,026</u>	\$	<u>(24,090,534)</u>

Annual Amortization of Deferred Outflows/Inflows:

The balances of June 30, 2017 of the deferred outflows/(inflows) of resources will be recognized in OPEB expense in the future fiscal years as noted below.

Year ended June 30:		
2018	\$	(1,782,298)
2019		(1,782,298)
2020		(1,782,298)
2021		(1,782,299)
2022		(1,777,288)
Thereafter		(12,441,027)
Total	\$	(21,347,508)

(continued)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2017

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, 2017, non-spendable fund balance consisted of the following:

General Fund:	
Prepaid	\$ 1,611,483
School Unrestricted Fund	
Prepaid	304,394
Total Non-spendable fund Balance	<u>\$1,915,877</u>

At June 30, 2017, restricted fund balance consisted of the following:

Other Governmental Funds:

Special Revenue Funds:

Education	\$ 172,948
Community Development	88,238
Law Enforcement	84,802
Parks and Recreation	27,007
Mayors Scholarship	2
Indoor Athletic Complex	10,549
Historical Records Preservation	90,104
Fire Prevention and Education	26,937
Library Renovations	137,749
Champlin Grant	<u>663</u>
Subtotal Special Revenue Funds	\$ 638,999

Capital Project Funds

School Renovations	134,282
Other Capital Projects	<u>3,181,217</u>
Subtotal Capital Project Funds	<u>\$3,315,499</u>
Total Restricted fund balance	<u>\$3,954,498</u>

(continued)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2017

NOTE 14 – FUND BALANCES (DEFICITS) (continued)

At June 30, 2017, committed fund balance consisted of the following:

School Unrestricted Fund:	
Committed for Education	\$4,871,021
Other Governmental Funds:	
Fire Department Expenses	313,723
Fire Equipment and Apparatus	<u>723,094</u>
Subtotal Other Governmental Funds	<u>1,036,817</u>
Total Committed fund balance	<u>\$5,907,838</u>

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

Fund Deficits

The following individual funds incurred operating deficits for the year ended June 30, 2017 as follows:

Non-Major Governmental Funds:	
Special Revenue Funds:	
Police Special Account	\$ 11,537
Memorial Park Rec. Fields Restoration	7,059
Champlin Grant	7,537
Capital Project Funds:	
Unobligated Capital Fund	45,327
DAM Renovations	57,745
Capital Project Fund	102,372
Capital Lease 2014	782
Capital Lease 2015	971
Capital Project 2013 Series A	1,058,938
School Athletic Complex	12
Johnston Indoor Rec. Center	<u>3,235,770</u>
Total deficits non-major governmental activities for	
The year ended June 30, 2017	<u>\$4,528,050</u>

(continued)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2017

NOTE 14 – FUND BALANCES (DEFICITS) (continued)

The results of operations amounted to fund operating deficits in certain funds. Johnston Indoor Rec. Center and Capital Project 2013 Series A amounted in operating deficits, due to expenditures of the fund 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. Cafeteria fund does not have a fund balance deficit.

The Unobligated Capital, DAM Renovations and School Athletic Complex funds incurred deficits in the current year due to the final close out of each of these funds.

At June 30, 2017 deficit fund balance consisted of the following:

Other Government Funds:	
Special Revenue Funds:	
Title II	\$ 3,841
PTO Donations	144
Perkins	2,804
Pre K	91
Capital Project Funds:	
Johnston Indoor Rec Center	655,095
School Wireless Classroom Initiative	<u>18,638</u>
Total deficit fund balance for	
The year ended June 30, 2017	\$ <u>680,613</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, 2017 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.

(continued)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2017

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

Healthcare claims incurred by the Healthcare Management Fund for the fiscal year ended June 30, 2017 were approximately \$16,777,000. At June 30, 2017, 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, 2017 as follows:

	<u>2017</u>	<u>2016</u>
IBNR at beginning of year	\$ 510,344	\$ 690,534
Claims incurred during the year	16,776,978	11,538,547
Claims paid during the year	<u>(16,367,903)</u>	<u>(11,718,737)</u>
IBNR at June 30	<u>\$ 919,419</u>	<u>\$ 510,344</u>

Unemployment

The Town is self-insured for unemployment benefits.

Other Insurance

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

(continued)

TOWN OF JOHNSTON, RHODE ISLAND

Notes to Financial Statements

June 30, 2017

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%)

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 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 \$3,060,000 was received under the terms of the previous agreement and were recorded as tax revenue in the General Fund for the year ended June 30, 2017.

(continued)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2017

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, 2017, 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, 2017, the liability, if any resulting from these claims was not determinable.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally, the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.

The Town was named 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 Land 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 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 TREATY AGREEMENTS

The Town of Johnston, Rhode Island may, from time to time, enter into Stabilization and Payment in Lieu of Taxes (PILOT) agreements (tax treaty agreements) with local businesses in accordance with provisions of Rhode Island Public Laws, 1960, Chapter 7, and various provisions of the General Laws of the State of Rhode Island. In accordance with the applicable Public Law and the General Laws of the State of Rhode Island, the Town may enter into tax treaty agreements which provide stabilization of taxes as a means to induce businesses to locate to the Town of Johnston. These agreements are considered to be in the best public interest of the Town as they provide incentives for businesses to locate in the Town of Johnston which will result an increase in the tax base of the Town, provide increased tax revenue, enhance property values in Town, help the overall economic climate of the Town, and in some instances, create employment opportunity for the residents of the Town of Johnston.

(continued)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2017

NOTE 18 - TAX TREATY AGREEMENTS (Continued)

As of June 30, 2017, the Town of Johnston maintained two tax treaty/tax stabilization agreements, and three PILOT agreements. These agreements provided tax relief to businesses in the form of stabilization agreements for real and tangible property taxes, or Payment in Lieu of Taxes. Listed below is a summary of information pertaining to these agreements for the fiscal year ended June 30, 2017.

Tax Treaty Agreements

- Agreement with Citizens Bank National Association, entered into April 11th, 2016, regarding the stabilized tax agreement at a new development site. The agreement shall be for a time period of 20 years. The developer and/or any other successor Project Owner shall make stabilized tax payments to the Town in the amount of \$250,000 per tax year, in lieu of any and all other real and personal property taxes during the term. Abatement for the year is unknown, due to ongoing construction at the site.
- Agreement was entered into on March 21st, 2007 between the Town and A. Duie Pyle, Inc. regarding tax stabilization. The term of the agreement was for the period of 17 years. The corporation made a onetime payment of \$650,000 due during the 17-year period. The total taxes abated for the fiscal year ended June 30, 2017 were a total of \$61,885.

PILOT Agreements

- PILOT Agreement with WED SHUN I, LLC; WED SHUN II, LLC; WED GREEN HILL, LLC; and WED PLAINFIELD, LLC entered into as of June 29, 2017, regarding the PILOT for the four wind turbines these corporations built. A payment of \$20,000 per wind turbine, per year, will be due in lieu of the taxes. This agreement will be in effect for 20 years for the start of the agreement.
- A PILOT agreement between Johnston Clean Power, LLC and the Town was entered into on August 12th, 2015. This agreement is for the period of 20 years for the location of 70 Shun Pike, regarding the 225-megawatt power plant on the site. The Town council is empowered to determine an appropriate amount for the PILOT payment.
- Agreement entered into on March 16th, 2015 with ERISE, L.P. in regards to a PILOT agreement for a period of 20 years beginning in January 2015. The agreement regards the property acquired by ERISE in 2011 which contains a 550-megawatt, natural gas-powered power plant in the Town. The agreement states that the corporation will pay a stabilized tax payment of \$3,000,000 which will increase at a rate of 2% yearly thereafter. This payment will be in lieu of any, and all other real and personal property taxes during the term, at the plants location. The escalation rate shall be evaluated every fifth year beginning in 2021.

(continued)

TOWN OF JOHNSTON, RHODE ISLAND

Notes to Financial Statements

June 30, 2017

NOTE 19 – 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 2017, 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
2018	9,000	64,820	73,821	7,650	81,471
2019	17,000	64,402	81,401	7,803	89,204
2020	19,000	63,609	82,609	7,959	90,568
2021	22,000	62,724	84,724	8,118	92,842
2022	25,000	61,698	86,338	8,281	94,979
<u>Thereafter</u>	<u>1,299,000</u>	<u>760,372</u>	<u>2,059,732</u>	<u>192,916</u>	<u>2,252,288</u>
Total	\$ <u>1,391,000</u>	\$ <u>1,077,625</u>	\$ <u>2,468,625</u>	\$ <u>232,727</u>	\$ <u>2,701,352</u>

(continued)

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2017

NOTE 19 – 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 20 – RESTATEMENT

The net position of the Governmental Activities at June 30, 2016 has been restated to reflect the cumulative effect resulting from the implementation of GASB Statement #75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

The following reflects the effect of implementation of this new accounting standard::

Net Position, Governmental Activities:

Balance at June 30, 2016, as originally reported.....	\$(276,103,479)
Recorded Net OPEB Liability at June 30, 2016.....	(226,746,790)
Add back Net OPEB Obligation recorded at June 30, 2016...	<u>87,819,759</u>
Balance at June 30, 2016, as restated.....	<u>(415,030,510)</u>

Total Net Position, Government-wide Statement of Activities:

Balance at June 30, 2016, as originally reported.....	\$(262,049,551)
Net Decrease in net position as noted above.....	<u>(138,927,031)</u>
Balance at June 30, 2016, as restated.....	<u>(400,976,582)</u>

NOTE 21 – SUBSEQUENT EVENTS

Management has evaluated subsequent events for recognition and disclosure through February 28, 2018, the date the financial statements were available to be issued.

On August 16, 2017, the Town entered into General Obligation and Enterprise Fund Bonds, Series 2017A totaling \$2,435,000 for the purpose of financing improvements to athletic facilities, water lines, and water meters. The bond carries a coupon rate of 2.35%.

(continued)

BASIC FINANCIAL STATEMENTS

TOWN OF JOHNSTON, RHODE ISLAND**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND - BUDGETARY BASIS**FOR THE YEAR ENDED JUNE 30, 2017
UNAUDITED

	Original & Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Tax revenues:			
Current year	\$ 69,772,046	\$ 73,534,685	\$ 3,762,639
1st preceding year	1,700,000	2,269,963	569,963
2nd preceding year	-	840,726	840,726
All other preceding years	-	327,655	327,655
Abatements	(280,000)	(82,654)	197,346
Power plant tax treaty	3,000,000	3,060,000	60,000
Citizens Bank Tax Stabilization	-	60,462	60,462
Total revenues	74,192,046	80,010,837	5,818,791
Departmental fees and revenue:			
Business licenses and registration	67,000	66,167	(833)
Non business licenses and fees	100,000	100,357	357
Infrastructure fees	14,000	11,432	(2,568)
Inspection fees:	-	-	-
Mechanical	-	-	-
Plumbing	45,000	70,012	25,012
Building	250,000	844,940	594,940
Electrical	65,000	75,809	10,809
Engineering fees	4,000	7,770	3,770
Demolition permit	-	50	50
Public works	-	375	375
DPW - release and discharge of liens	30,000	114,048	84,048
Military surplus proceeds	-	-	-
Zoning board	45,000	123,208	78,208
Planning board fees	45,000	171,037	126,037
Tax collector's fees	25,000	29,356	4,356
Investment and interest income	95,000	166,720	71,720
Municipal court fees	265,000	206,022	(58,978)
Recreation program fees	-	-	-
Recreation Day Camp revenues	-	33,110	33,110
Entertainment licenses	2,500	2,300	(200.00)
Marriage, death, and birth certificates	26,000	31,373	5,373
Stamps	185,000	345,308	160,308
Advertising	16,000	13,235	(2,765)
Dog licenses	600	775	175
Other	13,000	15,469	2,469
Recording/probate land evidence	240,000	269,042	29,042
Probate fees	35,000	29,824	(5,176)
Police fees	4,500	-	(4,500)
VIN number checks	30,000	55,491	25,491
BCI Fees	-	2,405	2,405
Police department reimbursement	245,000	45,000	(200,000)
Pistol permit fees	600	3,875	3,275
Fire department revenues	500	3,602	3,102
Fire plan review fees	35,000	35,000	-
RI LFG Genco	450,000	435,691	(14,309)
Medical Reimbursements	300,000	383,626	83,626
FEMA Reimbursements	-	4,851	4,851
Annual PILOT Ridgewood/RIRRC	407,142	496,437	89,295
Tipping fees	-	-	-
Cell phone towers	150,000	179,685	29,685
Interest and penalties on property tax	550,000	1,062,317	512,317
Rescue services reimbursement	950,000	950,487	487
Housing authority	25,000	31,553	6,553
Total departmental fees and revenue	4,715,842	6,417,759	1,701,917

(Continued)

TOWN OF JOHNSTON, RHODE ISLAND**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND - BUDGETARY BASIS****FOR THE YEAR ENDED JUNE 30, 2017
UNAUDITED**

	Original & Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
State and federal aid grants:			
State aid - school	15,609,977	15,793,725	183,748
School housing aid	275,000	355,058	80,058
Motor vehicle phase out	422,000	437,352	15,352
Public service corporation tax	357,000	363,489	6,489
Meal and beverage tax distribution	600,000	628,813	28,813
Host Community agreement	4,018,654	4,013,333	(5,321)
Library aid	109,000	122,855	13,855
Total state and federal aid grants	21,391,631	21,714,625	322,994
Miscellaneous	37,500	264,290	226,790
School miscellaneous	911,145	883,459	(27,686)
Total revenues before other financing sources	101,248,164	109,290,970	8,042,806
Other financing sources:			
Transfer from other funds	-	-	-
Total other financing sources	-	-	-
Total revenues and other financing sources	101,248,164	109,290,970	8,042,806

(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, 2017
UNAUDITED

	Original & Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Legislative, judicial and general administrative:			
Town Council:			
Salaries	32,700	32,700	-
FICA	2,685	2,685	-
Retirement town's share	1,181	813	368
Department	100	-	100
Telephone	2,000	2,026	(26)
Office	100	63	37
Town Sargent salary	2,400	2,400	-
Claims	2,000	-	2,000
Contingency	4,000	2,000	2,000
Total Town Council	47,166	42,687	4,479
Mayor:			
Mayor's salary	75,000	75,289	(289)
Chief of Staff salary	37,700	40,845	(3,145)
Full time salaries	55,000	55,192	(192)
FICA	12,829	12,942	(113)
Health insurance	37,424	37,424	-
Life insurance	337	278	59
Retirement town's share	9,400	9,678	(278)
Office	3,750	2,130	1,620
Equipment lease	2,285	1,536	759
Telephone	500	-	500
Department expense	3,000	4,494	(1,494)
Total Mayor	237,235	239,808	(2,573)
Courts:			
Probate court	7,500	7,529	(29)
FICA	574	576	(2)
Health Insurance	15,242	15,242	-
Life Insurance	-	-	-
Department	100	-	100.00
Total Courts	23,416	23,347	69
Canvassers:			
Board salaries	6,000	5,500	500
Full time salaries	44,703	55,763	(11,060)
Part time salaries	5,000	-	5,000
Overtime salaries	-	1,611	(1,611)
Severance Pay	-	75,000	(75,000)
FICA	4,261	10,548	(6,287)
Health Insurance	1,220	1,220	-
Life Insurance	112	93	19
Retirement town's share	7,640	7,774	(134)
Office	3,400	4,077	(677)
Department expense	500	19	481
Equipment lease	1,200	865	335
Election expense	45,000	36,566	8,434
Total Canvassers	119,036	199,036	(80,000)
Legal:			
Salaries	52,000	52,200	(200)
Health insurance	18,712	18,712	-
Life insurance	-	-	-
Retirement town's share	-	-	-
FICA	3,978	3,972	6
Hourly billings	350,000	680,561	(330,561)
Contingency: judgments	50,000	48,086	1,914
Legal services	25,000	28,965	(3,965)
Office	450	219	231
Total Legal	500,140	832,715	(332,575)

(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, 2017
UNAUDITED

	Original & Final <u>Budget</u>	Actual Budgetary <u>Basis</u>	Variance Positive <u>(Negative)</u>
Legislative, judicial and general administrative (continued):			
Town Clerk:			
Town Clerk Salary	75,876	75,454	422
Deputy Clerk	5,250	4,389	861
Full Time Salaries	85,531	85,836	(305)
Overtime salaries	10,000	11,072	(1,072)
FICA	13,514	13,296	218
Health insurance	44,500	44,500	-
Life insurance	337	278	59
Retirement town's share	27,584	27,640	(56)
Stenographer	15,000	11,832	3,168
Department expense	1,500	1,088	412
Office	3,200	4,684	(1,484)
Advertising	15,000	13,421	1,579
Training	500	320	180
Equipment lease	-	1,567	(1,567)
Operating	25,000	23,177	1,823
Total town clerk	322,792	318,554	4,238
Zoning Board:			
Board salaries	8,800	10,428	(1,628)
FICA	673	798	(125)
Life insurance	-	-	-
Postage	200	-	200
Bidding and Advertising	500	3,368	(2,868)
Stenographer	5,100	4,867	233
Total zoning board	15,273	19,461	(4,188)
Total legislative, judicial, and general administrative	1,265,058	1,675,608	(410,550)
Financial Administration:			
Finance:			
Salaries	446,910	456,068	(9,158)
Severance	-	-	-
Overtime	11,500	15,514	(4,014)
FICA	37,991	34,133	3,858
Health insurance	93,559	93,559	-
Life insurance	899	781	118
Retirement town's share	72,856	71,326	1,530
Office	5,250	3,057	2,193
Audit	50,000	27,216	22,784
Consulting fee	80,000	70,004	9,996
Department expense	19,700	11,631	8,069
Dues, publications, and subscriptions	1,000	1,070	(70)
Payroll processing	60,000	75,912	(15,912)
Training	3,200	3,058	142
Fiscal advisor	5,000	-	5,000
Computer service contracts	13,400	16,566	(3,166)
Postage	12,500	32,592	(20,092)
Bank and bond fees	5,000	7,737	(2,737)
Telephone	5,000	4,719	281
Tax collection fees	10,000	70,772	(60,772)
Equipment lease purchase	2,000	1,438	562
Total financial administration	935,765	997,153	(61,388)
Assessor:			
Full-time salaries	142,131	136,468	5,663
Part time & overtime salaries	6,350	16,883	(10,533)
FICA	11,359	11,463	(104)
Health insurance	44,500	44,500	-
Life insurance	337	278	59
Retirement town's share	24,290	23,186	1,104
Processing tax roll	45,000	72,432	(27,432)
Training & College	250	-	250
Computer service contracts	10,000	3,900	6,100
Consulting fee	4,500	-	4,500
Equipment service contract	1,700	1,210	490
Office	5,000	6,047	(1,047)
Maps and Reproduction Supplies	850	285	565
Department expense	1,250	304	946
Dues, publications, and subscriptions	250	-	250
Bidding and Advertising	250	-	250
Equipment lease	1,000	-	1,000
Full real estate tax valuation	100,000	-	100,000
Total assessor	399,017	316,936	82,081

(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, 2017
UNAUDITED

	Original & Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Public safety:			
Police Department:			
Salaries	4,563,056	4,502,724	60,332
Overtime salaries	850,000	1,142,863	(292,863)
JARE overtime salaries	125,000	54,160	70,840
Civilian overtime salaries	30,000	62,417	(32,417)
Part time salaries	51,610	54,405	(2,795)
Holiday salaries	245,766	246,933	(1,167)
Training and college	40,000	36,076	3,924
Training and accreditation	10,250	9,402	848
FICA	498,699	561,907	(63,208)
Health insurance	1,284,615	1,284,615	-
Life insurance	15,979	14,939	1,040
Severance pay	150,000	308,597	(158,597)
Longevity	333,705	323,568	10,137
Gasoline	65,000	86,674	(21,674)
Arms and ammunition	20,000	19,896	104
Clothing and maintenance	129,050	125,880	3,170
Firearm allowance	34,000	33,245	755
Medical Examinations	-	2,500	(2,500)
Police pension	2,864,929	2,892,646	(27,717)
Bureau of criminal investigation	20,000	20,169	(169)
Office	14,700	13,618	1,082
Police chief department expense	3,000	1,814	1,186
Retirement	761,019	734,785	26,234
Retiree health insurance	1,092,301	1,252,301	(160,000)
Retiree life insurance	28,508	33,805	(5,297)
Dues and publications	3,500	3,578	(78)
Bids and Advertising	1,750	460	1,290
Radio maintenance	4,000	4,527	(527)
Vehicle repair deductible	25,000	18,916	6,084
Equipment rental	8,850	9,256	(406)
Computer service contracts	33,000	35,899	(2,899)
Equipment maintenance	10,000	12,675	(2,675)
Explorer	9,000	6,765	2,235
Utilities	58,500	50,273	8,227
Telephone	32,000	36,173	(4,173)
Rent	-	-	-
Department expense	17,000	15,809	1,191
Recruits expense	-	12,023.00	(12,023)
Animal control	7,500	3,686	3,814
Grant matching funds	16,300	39,095	(22,795)
Capital purchases	-	103,922	(103,922)
Injured on duty TPA	5,400	5,400	-
Information technology	3,500	2,465	1,035
SWAT Team (Special Response Team)	3,000	2,380	620
Military surplus	500	568	(68)
Medicare	260,286	260,286	-
Building Maintenance	25,000	47,590	(22,590)
Total police department	13,755,273	14,491,685	(736,412)
Municipal Court:			
Full time salaries	83,744	79,379	4,365
Part time salaries	40,000	41,098	(1,098)
Overtime salaries	1,500	500	1,000
Auxiliary judge	3,000	2,100	900
FICA	9,581	9,095	486
Health insurance	37,424	37,424	-
Life insurance	225	186	39
Retirement town's share	14,311	13,487	824
Office	3,000	2,483	517
Building maintenance	3,000	2,783	217
Heat	2,000	2,136	(136)
Electric	4,800	4,904	(104)
Telephone	1,500	1,966	(466)
Water	1,200	1,071	129
Service contracts	6,500	5,927	573
Department	4,000	2,811	1,189
Equipment lease	1,500	731	769
Total municipal court	217,285	208,081	9,204

(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, 2017
UNAUDITED

	Original & Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Public safety (continued):			
Fire department:			
Department salaries	5,074,699	5,278,212	(203,513)
Part-time salaries	5,250	7,263	(2,013)
Call-back and overtime salaries	1,253,850	2,742,199	(1,488,349)
Longevity	585,910	615,651	(29,741)
Holiday salaries	348,252	334,740	13,512
Unused sick day bonus	18,000	-	18,000
FICA	565,441	658,607	(93,166)
Health insurance	1,496,371	1,496,371	-
Life insurance	17,825	18,037	(212)
Severance pay	150,000	92,205	57,795
Radio maintenance	14,500	17,796	(3,296)
Fire prevention	6,000	5,697	303
Sanitary supplies	18,000	21,875	(3,875)
Clothing and allowance	158,400	160,200	(1,800)
Fire alarm	10,000	13,582	(3,582)
First aid and ambulance service	70,000	80,904	(10,904)
Gasoline	50,000	26,606	23,394
Office	9,050	9,937	(887)
Haz-Mat stipend	-	-	-
Fire pension	3,316,708	3,316,708	-
SCBA operations	9,000	10,522	(1,522)
Utilities	87,500	89,376	(1,876)
Telephone	40,000	62,356	(22,356)
Rent	1,800	-	1,800
Hydrants	189,000	196,590	(7,590)
Hazardous materials	3,500	3,873	(373)
Fire chief contracted expense	3,280	2,749	531
Fire chief department expense	1,000	400	600
Retirement	665,942	636,330	29,612
Retiree health insurance	1,226,854	1,386,854	(160,000)
Training	15,000	5,551	9,449
Training and college	20,000	29,389	(9,389)
Equipment rental	2,000	1,096	904
Department expense	6,000	8,531	(2,531)
Building maintenance	30,000	51,993	(21,993)
Fire fighter equipment and supplies	71,000	98,973	(27,973)
Injured on duty TPA	7,400	7,400	-
Grant matching funds	50,000	-	50,000
Vehicle repairs	70,000	151,496	(81,496)
Medicare	145,730	145,730	-
Total fire department	15,813,262	17,785,799	(1,972,537)
Emergency Management:			
Salaries	10,000	10,000	-
FICA	765	783	(18)
Retirement	1,200	-	1,200.00
Total emergency management	11,965	10,783	1,182
Total public safety	29,797,785	32,496,348	(2,698,563)

(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, 2017
UNAUDITED

	Original & Final <u>Budget</u>	Actual Budgetary <u>Basis</u>	Variance Positive <u>(Negative)</u>
Public works department:			
Streets and highways:			
Salaries	530,532	539,924	(9,392)
Part-time salaries	-	-	-
Overtime	65,000	139,791	(74,791)
FICA	45,558	49,872	(4,314)
Health insurance	152,210	152,210	-
Life insurance	1,236	1,082	154
Severance pay	-	-	-
Retirement town's share	88,590	95,609	(7,019)
Snow removal	125,000	164,948	(39,948)
Drainage	12,000	5,831	6,169
Street lighting	500,000	713,065	(213,065)
Street and traffic control	20,000	13,579	6,421
Street and highway materials	60,000	30,650	29,350
Transfer Out Sewer Fund	-	110,379	(110,379)
Equipment maintenance	2,500	206	2,294
Total streets and highways	1,602,626	2,017,146	(414,520)
Building maintenance:			
Salaries	173,842	135,332	38,510
Part-time salaries	7,800	7,149	651
Overtime	7,000	1,409	5,591
FICA	14,431	10,047	4,384
Health insurance	44,500	44,500	-
Life insurance	449	371	78
Retirement town's share	29,709	23,097	6,612
Building maintenance	20,000	18,994	1,006
Building supplies	800	394	406
Department expense	500	-	500
Capital purchases	1,000	-	1,000
Total building maintenance	300,031	241,293	58,738
Public Works Administration:			
Salaries	204,572	209,075	(4,503)
Overtime	1,000	4,713	(3,713)
Severance pay	-	-	-
FICA	15,726	16,130	(404)
Health insurance	63,212	63,212	-
Life insurance	449	411	38
Retirement town's share	33,823	37,638	(3,815)
Bidding and advertising	600	1,010	(410)
Garbage collections	1,330,000	1,219,167	110,833
Recycling bins	6,000	1,088	4,912
Safety equipment	7,000	3,997	3,003
Tree removal	18,000	10,805	7,195
Gasoline	100,000	99,184	816
Equipment lease	10,000	9,151	849
Telephone	13,000	10,903	2,097
Utilities	37,000	32,198	4,802
Office expense	7,700	5,328	2,372
Department	4,000	2,997	1,003
Uniforms	6,500	6,472	28
Dams escrow agreement	250,000	250,000	-
Capital purchases	7,000	2,598	4,402
Total public works administration	2,115,582	1,986,077	129,505
Sewer Department:			
Salaries	30,000	30,212	(212)
Part-time salaries	-	1,058	(1,058)
Overtime salaries	-	-	-
Town engineer	25,000	26,219	(1,219)
FICA	4,208	4,318	(110)
Health insurance	18,712	18,712	-
Life insurance	112	93	19
Retirement town's share	5,127	5,146	(19)
Department	500	123	377
Dues, publications and subscriptions	-	-	-
Computer service contract	9,800	1,750	8,050
Total sewer department	93,459	87,631	5,828

(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, 2017
UNAUDITED

	Original & Final <u>Budget</u>	Actual Budgetary <u>Basis</u>	Variance Positive <u>(Negative)</u>
Public works department (Continued):			
Waste water management:			
Part time salaries	-	4,486	(4,486)
FICA	536	872	(336)
Postage	250	287	(37)
Bidding and advertising	200	-	200
Board salaries	7,000	6,917	83
Total waste water management	7,986	12,562	(4,576)
Fleet maintenance:			
Salaries	194,097	199,720	(5,623)
Overtime salaries	10,000	3,848	6,152
Severance	-	-	-
FICA	15,613	16,154	(541)
Health insurance	56,135	56,135	-
Life insurance	449	371	78
Retirement town's share	32,915	33,739	(824)
Vehicle repair - Police	45,000	58,225	(13,225)
Vehicle repair - Highway	70,000	135,633	(65,633)
Vehicle repair - Inspectors	1,000	0	1,000
Department expense	10,000	52	9,948
Total fleet maintenance	435,209	503,877	(68,668)
Inspector's fees:			
Salaries	-	-	-
Overtime	2,500	-	2,500
Severance	-	-	-
Plumbing inspector's salary	18,682	18,328	354
Building inspector's salary	31,200	-	31,200
Electrical inspector's salary	15,600	15,660	(60)
CDBG coordinator	65,000	65,510	(510)
Mechanical inspector	-	-	-
Building official	85,000	97,431	(12,431)
FICA	16,676	14,985	1,691
Health Insurance	18,712	18,712	-
Life Insurance	225	186	39
Retirement town's share	25,635	20,019	5,616
Dues, publications and subscriptions	150	-	150
Office	4,000	5,139	(1,139)
Department expense	3,000	2,163	837
Total Inspector's office	286,380	258,133	28,247

(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, 2017
UNAUDITED

	Original & Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Public works department (Continued):			
Parks and recreation:			
Director salary	63,479	64,212	(733)
Park salaries	271,726	261,852	9,874
Recreation salaries	125,110	143,294	(18,184)
Overtime salaries	5,000	22,156	(17,156)
Part time salaries	55,000	94,496	(39,496)
Part time seasonal salaries	-	-	-
Severance pay	-	-	-
FICA	39,804	44,119	(4,315)
Health insurance	147,651	147,651	-
Life insurance	1,236	1,021	215
Retirement town's share	85,863	72,389	13,474
Equipment maintenance	4,000	3,164	836
Park maintenance	25,000	32,239	(7,239)
Vehicle repairs	6,500	3,204	3,296
Equipment lease	1,800	1,096	704
Recreation supplies	500	500	0
Utilities	31,500	53,224	(21,724)
Gasoline	12,000	9,320	2,680
Telephone	7,500	5,556	1,944
Uniforms	3,000	1,084	1,916
Office	1,300	799	501
Office fire expense	-	-	-
Day camp	1,000	4,820	(3,820)
Rainone gym parking rental	5,000	5,000	-
Department	4,000	2,773	1,227
Capital Expenditures	-	50,480	(50,480)
Building maintenance	5,000	3,871	1,129
Total parks and recreation	902,969	1,028,320	(125,351)
Total public works	5,744,242	6,135,039	(390,797)
Municipal land trust:			
FICA	551	341	210
Board salaries	7,200	4,455	2,745
Department Expense	-	131.00	(131)
Utilities	-	367.00	(367)
Total municipal land trust	7,751	5,294	2,457
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	40,532	39,615	917
Overtime salaries	-	126	(126)
FICA	3,101	2,961	140
Health insurance	18,712	18,712	-
Life insurance	112	93	19
Retirement town's share	6,927	6,738	189
Postage	100	309	(209)
Training	1,000	-	1,000
Department expense	600	399	201
Total personnel	71,064	68,953	2,131
Total human resources	74,718	71,537	3,181

(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, 2017
UNAUDITED

	Original & Final <u>Budget</u>	Actual Budgetary <u>Basis</u>	Variance Positive (Negative)
Miscellaneous appropriations:			
General liability insurance	620,000	636,617	(16,617)
Workers compensation insurance	300,000	199,424	100,576
FICA	15,046	459	14,587
Health insurance retirees	341,521	422,214	(80,693)
Declination - health & dental insurance	190,083	-	190,083
Retirement town's share	-	-	-
Unemployment compensation	5,000	250	4,750
Stop - loss health insurance	300,000	300,000	-
Dues, publications, and subscriptions	3,000	-	3,000
Sealer of weights and measures	6,000	6,000	-
Tree warden	600	-	600
Contingency	10,000	950	9,050
Human needs program	5,000	5,000	-
Rent	3,800	3,800	-
Police / fire pension actuarial	30,000	13,600	16,400
Tri-Town	35,000	35,000	-
Utilities	16,500	19,643	(3,143)
Medicare	526,134	526,134	-
ACA Fed Govt Costs	50,000.00	31,951	18,049
Johnston Senior Citizen Center, Inc.	225,949	219,525	6,424
Building maintenance - town hall	20,000	4,345	15,655
Total miscellaneous appropriations	2,703,633	2,424,912	278,721
Planning and Assessment Board:			
Planning Board:			
Town Planner	45,000	35,200	9,800
Full time salaries	33,687	33,644	43
Part time salaries	-	-	-
Overtime	5,000	5,752	(752)
Severance Pay	-	-	-
Board salaries	7,000	7,962	(962)
FICA	6,938	6,277	661
Health insurance	7,076	7,076	-
Life insurance	112	93	19
Retirement town's share	13,448	5,580	7,868
Stenographer	4,500	3,752	748
Department expense	1,500	1,622	(122)
Office	1,000	256	744
Bidding and advertising	2,000	2,040	(40)
Dues, publications and subscriptions	2,000	-	2,000
Total planning board	129,261	109,254	20,007
Assessment Board:			
Board salaries	2,550	2,550	-
FICA	195	195	-
Total assessment board	2,745	2,745	-
Total planning and assessment board	132,006	111,999	20,007

(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, 2017
UNAUDITED

	Original & Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Library:			
Full time salaries	273,509	269,791	3,718
Part time salaries	115,440	88,652	26,788
Overtime	500	3	497
Severance	-	-	-
FICA	29,408	26,864	2,544
Health insurance	103,152	103,152	-
Life insurance	899	586	313
Retirement town's share	47,505	43,569	3,936
Books and media	20,000	21,258	(1,258)
Dues and publications	300	300	-
Bidding and advertising	250	-	250
Computer service contracts	37,500	35,337	2,163
Auto expense	500	-	500
Conferences	200	-	200
Printing	500	185	315
Training	500	-	500
Utilities	27,000	22,888	4,112
Telephone	2,000	1,004	996
Building maintenance	17,000	11,699	5,301
Office	4,800	5,583	(783)
Department expense	3,000	3,208	(208)
Total library	683,963	634,079	49,884
Debt service:			
Bond interest expense	758,545	728,424	30,121
Master lease interest expense	25,608	25,073	535
Bonded debt payments	2,313,150	2,123,122	190,028
Master lease principal payments	596,574	583,009	13,565
Fund balance restoration *	1,760,212	1,640,000	120,212
Total debt service	5,454,089	5,099,628	354,461
Total expenditures before other financing uses:	47,198,027	49,968,533	(2,770,506)
Other budgeted financing uses:			
Transfer to School - Town appropriation	37,529,015	37,529,015	-
Transfer to School - State aid and miscellaneous receipts	16,521,122	16,677,184	(156,062)
Total other budgeted financing uses	54,050,137	54,206,199	(156,062)
Total expenditures and other budgeted financing uses	101,248,164	104,174,732	(2,926,568)
Net change in fund balance	\$ -	5,116,238	\$ 5,116,238
Investment earnings on restoration fund not part of budget		13,000	
Inclusion of net income of Police Detail Fund with the General Fund, for GAAP purposes, not part of budget		72,367	
Inclusion of net income of Fire Dept Detail Fund with the General Fund, for GAAP purposes, not part of budget		185	
Net Change in Fund Balances - GAAP Basis (Exhibit B-2)		\$ 5,201,790	

* Fund balance restoration funds were used for Police & Fire Pension Contributions.

(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, 2017

UNAUDITED

REVENUES

Total General Fund revenues and other financing sources, from Exhibit B-2	\$ 93,518,510
Adjustments:	
School State Aid budgeted in General Fund	15,793,725
School Medicaid reimbursement budgeted in General Fund	791,376
School's miscellaneous income budgeted in General Fund	92,083
Inclusion of revenue of Police Detail Fund with the General Fund, for GAAP purposes, not part of budget	(765,449)
Inclusion of revenue of Fire Dept. Detail Fund with the General Fund, for GAAP purposes, not part of budget	(5,900)
Inclusion of revenue of "Fund Balance Restoration" with the General Fund, for GAAP purposes, not part of budget (includes transfers in)	(13,000)
Adjustment for the inclusion of Miscellaneous revenue for GAAP purposes that was included in Debt Service Principal Payments Bonds on the budget	(120,375)
Total budgetary basis revenues and other financing sources from RSI-1 (pg. 96)	<u>\$ 109,290,970</u>

EXPENDITURES

Total General Fund expenditures and other financing uses, from Exhibit B-2	\$ 88,316,720
Adjustments:	
School State Aid budgeted in General Fund	15,793,725
School Medicaid reimbursement budgeted in General Fund	791,376
School's miscellaneous income budgeted in General Fund	92,083
Inclusion of expenditures of Police Detail Fund with the General Fund, for GAAP purposes, not part of budget (includes transfers out)	(693,082)
Inclusion of expenditures of Fire Dept. Detail Funds with the General Fund, for GAAP purposes, not part of budget	(5,715)
Adjustment for the deduction of Miscellaneous revenue for GAAP purposes that was included in Debt Service Principal Payments Bonds on the budget	(120,375)
Total budgetary basis expenditures and other financing uses, from RSI-1 (pg. 105)	<u>\$ 104,174,732</u>

(CONCLUDED)

TOWN OF JOHNSTON, RHODE ISLAND

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

**FOR THE YEAR ENDED JUNE 30, 2017
UNAUDITED**

	Original and Final <u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:	\$ -	\$ -	\$ -
Expenditures:			
Salaries			
Certified Personnel	21,964,603	22,227,545	(262,942)
Non-Certified Personnel	4,106,663	4,467,821	(361,158)
Administrative	1,592,497	1,986,686	(394,189)
Total Salaries	<u>27,663,763</u>	<u>28,682,052</u>	<u>(1,018,289)</u>
Fringe Benefits			
Health and Dental Benefits	7,959,470	8,738,777	(779,307)
Pension Benefits	4,117,559	3,866,426	251,133
Payroll Taxes	769,691	640,116	129,575
Life Insurance and Other	533,147	405,775	127,372
Total Fringe Benefits	<u>13,379,867</u>	<u>13,651,094</u>	<u>(271,227)</u>
Purchased services			
Out of District Tuition	4,355,705	3,689,359	666,346
Transportation	3,964,106	3,432,106	532,000
Other	3,039,482	3,120,322	(80,840)
Total Purchased services	<u>11,359,293</u>	<u>10,241,787</u>	<u>1,117,506</u>
Supplies and materials	<u>1,647,214</u>	<u>1,357,810</u>	<u>289,404</u>
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>54,050,137</u>	<u>53,932,743</u>	<u>117,394</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(54,050,137)</u>	<u>(53,932,743)</u>	<u>117,394</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	15,596,710	15,793,725	197,015
Transfer from Town General Fund - Miscellaneous Revenues	924,412	887,192	(37,220)
Total other financing sources (uses)	<u>54,050,137</u>	<u>54,209,932</u>	<u>159,795</u>
 NET CHANGE IN FUND BALANCES	 <u>\$ -</u>	 <u>277,189</u>	 <u>\$ 277,189</u>
 Less fiscal 2016 encumbrances considered expenditures for GAAP		(300,141)	
Add back fiscal 2017 encumbrances not considered expenditures for GAAP		<u>32,304</u>	
 Net Change in Fund Balances - GAAP Basis (Exhibit B-2)		 <u>\$ 9,352</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, 2017
 UNAUDITED

REVENUES

<i>Total School Unrestricted revenues and other financing sources, from Exhibit B-2</i>	\$ 56,955,420
<i>Adjustments:</i>	
State on behalf pension and transportation contributions not budgeted	(2,745,488)
<i>Total budgetary basis revenues and other financing sources from RSI-2</i>	<u>\$ 54,209,932</u>

EXPENDITURES

<i>Total School Unrestricted expenditures and other financing uses, from Exhibit B-2</i>	\$ 56,946,068
<i>Adjustments:</i>	
Prior year encumbrances	(300,141)
Current year encumbrances	32,304
State on behalf pension and transportation contributions not budgeted	(2,745,488)
<i>Total budgetary basis expenditures and other financing uses, from RSI-2</i>	<u>\$ 53,932,743</u>

(CONCLUDED)

TOWN OF JOHNSTON
REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM (MERS) - General Employees
6/30/2017

Measurement Period Ending June 30,	Schedule of the Town of Johnston's Proportionate Share of the Net Pension Liability									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
A. Total pension liability										
1. Service Cost	\$ 724,766	\$ 726,120	\$ 742,315							
2. Interest on the Total Pension Liability	3,069,317	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	38,342	(474,099)	-							
5. Changes of assumptions	-	-	30,100							
6. Benefit payments, including refunds of employee contributions	(2,899,591)	(2,724,611)	(2,797,073)							
7. Net change in total pension liability	932,834	1,321,553	883,763							
8. Total pension liability – beginning	42,011,638	40,690,085	39,806,322							
9. Total pension liability – ending (a)	<u>\$42,944,472</u>	<u>\$42,011,638</u>	<u>\$40,690,085</u>							
B. Plan fiduciary net position										
1. Contributions – employer	\$ 1,241,203	\$ 1,254,378	\$ 1,050,131							
2. Contributions – employee	220,343	162,213	145,488							
3. Net investment income	8,614	721,793	4,198,765							
4. Benefit payments, including refunds of employee contributions	(2,899,591)	(2,724,611)	(2,797,073)							
5. Pension Plan Administrative Expense	(46,174)	(28,933)	(26,293)							
6. Other	(2)	(110,090)	253,162							
7. Net change in plan fiduciary net position	(1,475,607)	(725,250)	2,824,180							
8. Plan fiduciary net position – beginning	30,799,652	31,524,902	28,700,722							
9. Plan fiduciary net position – ending (b)	<u>\$29,324,045</u>	<u>\$30,799,652</u>	<u>\$31,524,902</u>							
C. Net pension liability - ending (a) - (b)	<u>\$13,620,427</u>	<u>\$11,211,986</u>	<u>\$ 9,165,183</u>							
D. Plan fiduciary net position as a percentage of the total pension liability	68.28%	73.31%	77.48%							
E. Covered employee payroll	\$ 7,835,304	\$ 7,996,917	\$ 7,748,594							
F. Net pension liability as a percentage of covered payroll	173.83%	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
6/30/2017

Measurement Period Ending June 30,	Schedule of the Town of Johnston's Proportionate Share of the Net Pension Liability									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
A. Total pension liability										
1. Service Cost	\$ 110,120	\$ 93,320	\$ 79,271							
2. Interest on the Total Pension Liability	30,769	17,733	10,616							
3. Changes of benefit terms	-	16,739	-							
4. Difference between expected and actual experience of the Total Pension Liability	(8,279)	37,616	-							
5. Changes of assumptions	-	-	(2,021)							
6. Benefit payments, including refunds of employee contributions	-	-	(7)							
7. Net change in total pension liability	132,610	165,408	87,859							
8. Total pension liability – beginning	355,187	189,779	101,920							
9. Total pension liability – ending (a)	<u>\$ 487,797</u>	<u>\$ 355,187</u>	<u>\$ 189,779</u>							
B. Plan fiduciary net position										
1. Contributions – employer	\$ 61,293	\$ 56,198	\$ 35,823							
2. Contributions – employee	61,429	42,390	35,823							
3. Net investment income	(158)	7,812	30,268							
4. Benefit payments, including refunds of employee contributions	-	-	(7)							
5. Pension Plan Administrative Expense	(425)	(312)	(190)							
6. Other	(1)	(1)	37,680							
7. Net change in plan fiduciary net position	122,138	106,087	139,397							
8. Plan fiduciary net position – beginning	333,341	227,254	87,857							
9. Plan fiduciary net position – ending (b)	<u>\$ 455,479</u>	<u>\$ 333,341</u>	<u>\$ 227,254</u>							
C. Net pension liability - ending (a) - (b)	<u>\$ 32,318</u>	<u>\$ 21,846</u>	<u>\$ (37,475)</u>							
D. Plan fiduciary net position as a percentage of the total pension liability	93.37%	93.85%	119.75%							
E. Covered employee payroll	\$ 678,916	\$ 605,582	\$ 511,759							
F. Net pension liability as a percentage of covered payroll	4.76%	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
6/30/2017

Measurement Period Ending June 30,	Schedule of the Town of Johnston's Proportionate Share of the Net Pension Liability									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
A. Total pension liability										
1. Service Cost	\$ 657,278	\$ 543,904	\$ 516,218							
2. Interest on the Total Pension Liability	457,138	390,096	340,281							
3. Changes of benefit terms	-	187,802	-							
4. Difference between expected and actual experience of the Total Pension Liability	6,024	(206,476)	-							
5. Changes of assumptions	-	-	(134,099)							
6. Benefit payments, including refunds of employee contributions	(84,257)	(71,970)	(72,130)							
7. Net change in total pension liability	1,036,183	843,356	650,270							
8. Total pension liability – beginning	5,808,665	4,965,309	4,315,039							
9. Total pension liability – ending (a)	<u>\$ 6,844,848</u>	<u>\$ 5,808,665</u>	<u>\$ 4,965,309</u>							
B. Plan fiduciary net position										
1. Contributions – employer	\$ 352,791	\$ 330,728	\$ 276,573							
2. Contributions – employee	341,251	239,904	231,191							
3. Net investment income	(2,251)	134,680	681,794							
4. Benefit payments, including refunds of employee contributions	(84,257)	(71,970)	(72,130)							
5. Pension Plan Administrative Expense	(6,055)	(5,394)	(4,269)							
6. Other	136,054	12	(1)							
7. Net change in plan fiduciary net position	737,533	627,960	1,113,158							
8. Plan fiduciary net position – beginning	5,746,959	5,118,999	4,005,841							
9. Plan fiduciary net position – ending (b)	<u>\$ 6,484,492</u>	<u>\$ 5,746,959</u>	<u>\$ 5,118,999</u>							
C. Net pension liability - ending (a) - (b)	<u>\$ 360,356</u>	<u>\$ 61,706</u>	<u>\$ (153,690)</u>							
D. Plan fiduciary net position as a percentage of the total pension liability	94.74%	98.94%	103.10%							
E. Covered employee payroll	\$ 3,990,758	\$ 3,427,246	\$ 3,302,741							
F. Net pension liability as a percentage of covered payroll	9.03%	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, 2017

Schedule of General Employees' Contributions

	Fiscal 2017	Fiscal 2016	Fiscal 2015	Fiscal 2014	Fiscal 2013	Fiscal 2012	Fiscal 2011	Fiscal 2010	Fiscal 2009	Fiscal 2008
Actuarially determined contribution	\$ 1,241,203	\$ 1,254,378	\$ 1,050,131							
Contributions in relation to the actuarially determined contribution	1,241,203	1,254,378	1,050,131							
Contribution deficiency (excess)	\$ -	\$ -	\$ -							
Covered-employee payroll	\$ 7,835,304	\$ 7,996,917	\$ 7,873,321							
Contributions as a percentage of covered-employee payroll	15.84%	15.69%	13.34%							

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, 2017

Schedule of Police Employees' Contributions

	Fiscal 2017	Fiscal 2016	Fiscal 2015	Fiscal 2014	Fiscal 2013	Fiscal 2012	Fiscal 2011	Fiscal 2010	Fiscal 2009	Fiscal 2008
Actuarially determined contribution	\$ 61,293	\$ 56,198	\$ 35,823							
Contributions in relation to the actuarially determined contribution	61,293	56,198	35,823							
Contribution deficiency (excess)	\$ -	\$ -	\$ -							
Covered-employee payroll	\$ 678,916	\$ 605,582	\$ 598,373							
Contributions as a percentage of covered-employee payroll	9.03%	9.28%	5.99%							

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, 2017

Schedule of Fire Employees' Contributions

	Fiscal 2017	Fiscal 2016	Fiscal 2015	Fiscal 2014	Fiscal 2013	Fiscal 2012	Fiscal 2011	Fiscal 2010	Fiscal 2009	Fiscal 2008
Actuarially determined contribution	\$ 352,791	\$ 330,728	\$ 276,573							
Contributions in relation to the actuarially determined contribution	352,791	330,728	276,573							
Contribution deficiency (excess)	\$ -	\$ -	\$ -							
Covered-employee payroll	\$ 3,990,758	\$ 3,427,246	\$ 3,302,741							
Contributions as a percentage of covered-employee payroll	8.84%	9.65%	8.37%							

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, 2017

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)
6/30/2017

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Employer's proportion of the net pension liability	1.41%	1.40%	1.30%							
Employer's proportionate share of the net pension liability	\$ 42,089,055	\$ 37,498,898	\$ 31,616,141							
State's proportionate share of the net pension liability associated with the school district	28,824,823	25,618,070	21,680,644							
Total	\$ 70,913,878	\$ 63,116,968	\$ 53,296,785							
Employer's covered employee payroll	\$ 23,089,090	\$ 22,674,661	\$ 26,384,676							
Employer's proportionate share of the net pension liability as a percentage of its covered employee payroll	182.29%	165.38%	119.83%							
Plan fiduciary net position as a percentage of the total pension liability	54.06%	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)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contribution	\$ 3,182,090	\$ 2,968,073	\$ 3,538,185							
Contributions in relation to the actuarially determined contribution	3,182,090	2,968,073	3,538,185							
Contribution deficiency (excess)	\$ -	\$ -	\$ -							
Covered-employee payroll	\$ 23,089,090	\$ 22,674,661	\$ 26,384,676							
Contributions as a percentage of covered- employee payroll	13.78%	13.09%	13.41%							

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

TOWN OF JOHNSTON, RHODE ISLAND
Required Supplementary Information
For the Year Ended June 30, 2017
Police and Fire Trust (Fiduciary Fund)

Schedule of Contributions Multiyear
Last 4 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
2017	15,028,231	8,721,128	6,307,103	7,007,990	124.45%
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, 2017
Police and Fire Trust (Fiduciary Fund)

Schedule of Changes in Net Pension Liability and Related Ratios Multiyear

	Last 10 Fiscal Years (to be built prospectively)									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Measurement period ending June 30, (2017 rolled forward from 2016 measurement)										
Total Pension Liability										
Service Cost	\$ 8,088,864	\$ 6,669,262	\$ 5,963,935	\$ 5,695,125						
Interest on the Total Pension Liability	9,801,381	10,689,224	10,783,657	10,028,915						
Benefit Changes	(24,125,745)	-	-	-						
Difference Between Expected and Actual Experience	(4,006,732)	(964,907)	-	8,314,389						
Assumption Changes	(159,532,344)	53,677,065	-	-						
Benefit Payments	(9,019,014)	(8,586,915)	(8,131,651)	(7,964,640)						
Net Change in Total Pension Liability	\$ (178,793,590)	\$ 61,483,729	\$ 8,615,941	\$ 16,073,789						
Total Pension Liability - Beginning	329,058,563	267,574,834	232,533,125	216,459,336						
Total Pension Liability - Ending (a)	\$ 150,264,973	\$ 329,058,563	\$ 241,149,066	\$ 232,533,125						
Plan Fiduciary Net Position										
Employer Contributions	\$ 8,721,128	\$ 5,360,260	\$ 5,377,624	\$ 5,417,483						
Employee Contributions	612,207	627,636	623,955	726,409						
Pension Plan Net Investment income	4,037,715	50,542	341,029	5,529,774						
Benefit Payments	(9,019,014)	(8,586,915)	(8,131,651)	(7,964,640)						
Pension Plan Administrative Expense	(168,314)	(155,657)	(142,000)	(254,635)						
Other Changes in Plan Fiduciary Net Position	(49,245.00)	-	-	-						
Net Change in Plan Fiduciary Net Position	\$ 4,134,477	\$ (2,704,134)	\$ (1,931,043)	\$ 3,454,391						
Plan Fiduciary Net Position - Beginning	36,735,018	39,439,152	41,321,835	37,867,444						
Plan Fiduciary Net Position - Ending (b)	\$ 40,869,495	\$ 36,735,018	\$ 39,390,792	\$ 41,321,835						
Net Pension Liability/(Asset) - Ending (a) - (b)	\$ 109,395,478	\$ 292,323,545	\$ 201,758,274	\$ 191,211,290						
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	27.20%	11.16%	16.33%	17.77%						
Covered Employee Payroll	\$ 7,007,990	\$ 7,260,074	\$ 8,027,573	\$ 7,596,208						
Net Pension Liability as a Percentage of Covered Employee Payroll	1561.01%	4026.45%	2513.32%	2517.19%						

Change of assumption : The blended discount rate used to determine the total pension liability was updated from 4.06% to 3.02% as of June 30, 2016 and updated from 3.02% to 7.50% as of June 30, 2017.

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

June 30, 2017

Valuation date	Actuarial determined contribution rates are calculated as of June 30 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	19 years remaining as of June 30, 2017 20 years remaining as of June 30, 2016
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, 2015 actuarial valuation report for the summary of assumption and for the history of changes to this assumption, if any.
Mortality	See the July 1, 2015 actuarial valuation report for the summary of assumption and for the history of changes to this assumption, if any.

TOWN OF JOHNSTON, RHODE ISLAND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURN
JUNE 30, 2017
Police and Fire Trust (Fiduciary Fund)

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

TOWN OF JOHNSTON
REQUIRED SUPPLEMENTARY INFORMATION
Teacher's Survivors Benefit Plan
6/30/2017

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Employer's proportion of the net pension asset	4.98%	4.93%	4.65%							
Employer's proportionate share of the net pension asset	\$ 4,958,163	\$ 4,604,566	\$ 5,779,628							
Employer's covered employee payroll	\$ 23,089,090	\$ 22,674,661	\$ 26,384,676							
Employer's proportionate share of the net pension asset as a percentage of its covered employee payroll	21.47%	20.31%	21.91%							
Plan fiduciary net position as a percentage of the total pension liability	153.3%	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
6/30/2017

Schedule of the Town of Johnston's Contributions

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contribution	\$ 31,982	\$ 29,761	\$ 29,256							
Contributions in relation to the actuarially determined contribution	31,982	29,761	29,256							
Contribution deficiency (excess)	\$ -	\$ -	\$ -							
Covered-employee payroll	\$ 23,089,090	\$ 22,674,661	\$ 26,384,676							
Contributions as a percentage of covered- employee payroll	0.14%	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.

**TOWN OF JOHNSTON
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017**

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS MULTI YEAR

Last 10 Fiscal Years (to be built prospectively)

Measurement period ending June 30,	2017	2016
Total Pension Liability		
Service Cost	\$ 8,833,235	\$ -
Interest on the Total Pension Liability	6,598,353	-
Benefit Changes	-	-
Difference Between Expected and Actual Experience	2,971,612	-
Assumption Changes	(26,076,367)	-
Benefit Payments	(5,793,237)	-
Net Change in Total Pension Liability	(13,466,404)	-
Total Pension Liability - Beginning	228,846,782	-
Total Pension Liability - Ending (a)	\$ 215,380,378	\$ 228,846,782
Plan Fiduciary Net Position		
Employer Contributions	\$ 6,043,237	\$ -
Employee Contributions	-	-
Pension Plan Net Investment income	102,793	-
Benefit Payments	(5,793,237)	-
Pension Plan Administrative Expense	(5,466)	-
Other Changes in Plan Fiduciary Net Position	-	-
Net Change in Plan Fiduciary Net Position	347,327	-
Plan Fiduciary Net Position - Beginning	2,099,992	-
Plan Fiduciary Net Position - Ending (b)	\$ 2,447,319	\$ 2,099,992
Net Pension Liability/(Asset) - Ending (a) - (b)	\$ 212,933,059	\$ 226,746,790
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	1.14%	0.92%
Covered Employee Payroll	N/A	\$ -
Net Pension Liability as a Percentage of Covered Employee Payroll	N/A	N/A

Notes:

- 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
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017**

SCHEDULE OF CONTRIBUTIONS

Last 10 Fiscal Years (to be built prospectively)

Fiscal Year	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contribution	\$ 16,785,322	\$ 16,032,814	\$ 15,214,424	\$ 15,214,424	\$ 14,727,631	\$ 17,249,186	\$ 17,249,187	\$ 19,218,165	\$ 18,202,814	N/A
Contributions in relation to the actuarially determined contribution	\$ 6,043,237	\$ 6,167,417	\$ 4,764,265	\$ 4,764,265	\$ 5,189,692	\$ 5,284,569	\$ 5,755,376	\$ 4,472,653	\$ 4,397,410	N/A
Contribution deficiency (excess)	<u>\$ 10,742,085</u>	<u>\$ 9,865,397</u>	<u>\$ 10,450,159</u>	<u>\$ 10,450,159</u>	<u>\$ 9,537,939</u>	<u>\$ 11,964,617</u>	<u>\$ 11,493,811</u>	<u>\$ 14,745,512</u>	<u>\$ 13,805,404</u>	N/A
Covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

SUPPLEMENTARY INFORMATION

Non-major Governmental Funds

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TOWN OF JOHNSTON, RHODE ISLAND

EXHIBIT 1

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2017

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	Mayors Scholarship	Indoor Athletic Complex
ASSETS									
Cash and cash equivalents	\$ 746	\$ 11,863	\$ 63,599	\$ 29,482	\$ -	\$ -	\$ -	\$ 2	\$ 10,700
Due from federal & state governments	1,091,838	541,980	-	-	-	-	-	-	-
Due from other funds	105,090	-	-	-	-	-	74,001	-	-
TOTAL ASSETS	\$ 1,197,674	\$ 553,843	\$ 63,599	\$ 29,482	\$ -	\$ -	\$ 74,001	\$ 2	\$ 10,700
LIABILITIES AND FUND BALANCE									
LIABILITIES									
Accounts payable	\$ 1,595	\$ -	\$ -	\$ 815	\$ -	\$ -	\$ 74,001	\$ -	\$ 151
Due to federal & state governments	-	-	9,588	-	-	-	-	-	-
Due to other funds	1,030,011	465,605	-	1,660	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	1,031,606	465,605	9,588	2,475	-	-	74,001	-	151
FUND BALANCES									
Restricted	172,948	88,238	54,011	27,007	-	-	-	2	10,549
Committed	-	-	-	-	-	-	-	-	-
Unassigned	(6,880)	-	-	-	-	-	-	-	-
TOTAL FUND BALANCES	166,068	88,238	54,011	27,007	-	-	-	2	10,549
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,197,674	\$ 553,843	\$ 63,599	\$ 29,482	\$ -	\$ -	\$ 74,001	\$ 2	\$ 10,700

(CONTINUED)

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2017

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	\$ 87,301	\$ -	\$ -	\$ 137,749	\$ -	\$ -	\$ 341,442
Due from federal & state governments	-	-	-	-	-	-	1,633,818
Due from other funds	2,803	313,723	26,937	-	30,791	663	554,008
TOTAL ASSETS	\$ 90,104	\$ 313,723	\$ 26,937	\$ 137,749	\$ 30,791	\$ 663	\$ 2,529,268
LIABILITIES AND FUND BALANCE							
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 76,562
Due to federal & state governments	-	-	-	-	-	-	9,588
Due to other funds	-	-	-	-	-	-	1,497,276
Unearned revenue	-	-	-	-	-	-	-
TOTAL LIABILITIES	-	-	-	-	-	-	1,583,426
FUND BALANCES							
Restricted	90,104	-	26,937	137,749	30,791	663	638,999
Committed	-	313,723	-	-	-	-	313,723
Unassigned	-	-	-	-	-	-	(6,880)
TOTAL FUND BALANCES	90,104	313,723	26,937	137,749	30,791	663	945,842
TOTAL LIABILITIES AND FUND BALANCES	\$ 90,104	\$ 313,723	\$ 26,937	\$ 137,749	\$ 30,791	\$ 663	\$ 2,529,268

(CONTINUED)

TOWN OF JOHNSTON, RHODE ISLAND

EXHIBIT 1 (CONTINUED)

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

CAPITAL PROJECT FUNDS

	School Facilities Fund	Unobligated Capital Fund	2016 Energy Bonds	DAM Renovations	Pezza Property Acquisition	Dams Escrow Fund	Fire Equipment	Capital Project Fund	Capital Lease 2014
ASSETS									
Cash and cash equivalents	\$ 134,282	\$ -	\$ 811,083	\$ -	\$ 5,805	\$ 1,364,268	\$ 460,211	\$ 152	\$ 148,278
Due from federal & state governments	-	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	402,264	-	-
TOTAL ASSETS	\$ 134,282	\$ -	\$ 811,083	\$ -	\$ 5,805	\$ 1,364,268	\$ 862,475	\$ 152	\$ 148,278
LIABILITIES AND FUND BALANCE									
LIABILITIES									
Accounts payable	\$ -	\$ -	\$ 14,334	\$ -	\$ -	\$ 7,732	139,381	\$ -	\$ -
Due to federal & state governments	-	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	250,000	-	-	-
TOTAL LIABILITIES	-	-	14,334	-	-	257,732	139,381	-	-
FUND BALANCES									
Restricted	134,282	-	796,749	-	5,805	1,106,536	-	152	148,278
Committed	-	-	-	-	-	-	723,094	-	-
Unassigned	-	-	-	-	-	-	-	-	-
TOTAL FUND BALANCES	134,282	-	796,749	-	5,805	1,106,536	723,094	152	148,278
TOTAL LIABILITIES AND FUND BALANCES	\$ 134,282	\$ -	\$ 811,083	\$ -	\$ 5,805	\$ 1,364,268	\$ 862,475	\$ 152	\$ 148,278

(CONTINUED)

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2017

CAPITAL PROJECT FUNDS

	Capital Lease 2015	Capital Lease 2016	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	\$ 26,783	\$ 205,571	\$ 891,343	\$ -	\$ 62,861	\$ -	\$ 4,110,637	\$ 4,452,079
Due from federal & state governments	-	-	-	-	-	182,842	182,842	1,816,660
Due from other funds	-	-	-	-	-	-	402,264	956,272
TOTAL ASSETS	\$ 26,783	\$ 205,571	\$ 891,343	\$ -	\$ 62,861	\$ 182,842	\$ 4,695,743	\$ 7,225,011
LIABILITIES AND FUND BALANCE								
LIABILITIES								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 1,913	\$ -	\$ 163,360	\$ 239,922
Due to federal & state governments	-	-	-	-	-	-	-	9,588
Due to other funds	-	-	-	-	716,043	201,480	917,523	2,414,799
Unearned revenue	-	-	-	-	-	-	250,000	250,000
TOTAL LIABILITIES	-	-	-	-	717,956	201,480	1,330,883	2,914,309
FUND BALANCES								
Restricted	26,783	205,571	891,343	-	-	-	3,315,499	3,954,498
Committed	-	-	-	-	-	-	723,094	1,036,817
Unassigned	-	-	-	-	(655,095)	(18,638)	(673,733)	(680,613)
TOTAL FUND BALANCES	26,783	205,571	891,343	-	(655,095)	(18,638)	3,364,860	4,310,702
TOTAL LIABILITIES AND FUND BALANCES	\$ 26,783	\$ 205,571	\$ 891,343	\$ -	\$ 62,861	\$ 182,842	\$ 4,695,743	\$ 7,225,011

(CONCLUDED)

TOWN OF JOHNSTON, RHODE ISLAND

EXHIBIT 2

Combining Statement of Revenue, Expenditure, and Changes in Fund Balance
 Nonmajor Government Funds
 For the year ended June 30, 2017

	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	Mayors Scholarship	Indoor Athletic Complex	
REVENUES										
Federal and state grants	\$ 2,464,129	\$ 541,979	\$ -	\$ 25,910	\$ 11,723	\$ 3,258	\$ 153,097	\$ 5,000	\$ -	
Investment income	-	-	-	153	-	-	-	2	-	
Other	-	16,085	6,570	-	-	-	-	-	14,875	
Total revenues	2,464,129	558,064	6,570	26,063	11,723	3,258	\$ 153,097	5,002	14,875	
EXPENDITURES										
Current:										
Education	2,398,389	-	-	-	-	-	-	-	-	
Other expenses	-	480,987	18,107	33,122	11,723	3,258	132,252	5,000	4,326	
Capital outlays	-	-	-	-	-	-	-	-	-	
Indirect costs	-	-	-	-	-	-	20,845	-	-	
Bond issuance cost	-	-	-	-	-	-	-	-	-	
Total expenditures	2,398,389	480,987	18,107	33,122	11,723	3,258	153,097	5,000	4,326	
Excess (deficiency) of revenues over (under) expenditures	65,740	77,077	(11,537)	(7,059)	-	-	-	2	10,549	
Other financing sources (uses):										
Issuance of bonds and lease purchase obligations	-	-	-	-	-	-	-	-	-	
Transfers in	-	-	-	-	-	-	-	-	-	
Transfers out	(4,382)	-	-	-	-	-	-	-	-	
Total other financing sources	(4,382)	-	-	-	-	-	-	-	-	
Net change in fund balances	61,358	77,077	(11,537)	(7,059)	-	-	-	2	10,549	
Fund balances (deficits) - July 1, 2016	104,710	11,161	65,548	34,066	-	-	-	-	-	
Fund balances (deficits) - June 30, 2017	\$ 166,068	\$ 88,238	\$ 54,011	\$ 27,007	\$ -	\$ -	\$ -	\$ 2	\$ 10,549	

(CONTINUED)

**Combining Statement of Revenue, Expenditure, and Changes in Fund Balance
Nonmajor Government Funds
For the year ended June 30, 2017**

	SPECIAL REVENUE FUNDS						
	Historical Trust Fund	Fire Plan Review	Fire Prevention	Memorial Library Fund	Secure Our Schools	Champlin Grant	Total Special Revenue Funds
REVENUES							
Federal and state grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,205,096
Investment income	316	-	-	-	-	-	471
Other	35,627	221,892	12,780	14,243	-	-	322,072
Total revenues	35,943	221,892	12,780	14,243	\$ -	\$ -	3,527,639
EXPENDITURES							
Current:							
Education	-	-	-	-	-	-	2,398,389
Other expenses	11,153	1,750	11,937	6,194	-	7,537	727,346
Capital outlays	-	-	-	-	-	-	-
Indirect costs	-	-	-	-	-	-	20,845
Bond issuance cost	-	-	-	-	-	-	-
Total expenditures	11,153	1,750	11,937	6,194	-	7,537	3,146,580
Excess (deficiency) of revenues over (under) expenditures	24,790	220,142	843	8,049	-	(7,537)	381,059
Other financing sources (uses):							
Issuance of bonds and lease purchase obligations	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	(4,382)
Total other financing sources	-	-	-	-	-	-	(4,382)
Net change in fund balances	24,790	220,142	843	8,049	-	(7,537)	376,677
Fund balances (deficits) - July 1, 2016	65,314	93,581	26,094	129,700	30,791	8,200	569,165
Fund balances (deficits) - June 30, 2017	\$ 90,104	\$ 313,723	\$ 26,937	\$ 137,749	\$ 30,791	\$ 663	\$ 945,842

(CONTINUED)

**Combining Statement of Revenue, Expenditure, and Changes in Fund Balance
Nonmajor Government Funds
For the year ended June 30, 2017**

	CAPITAL PROJECT FUNDS								
	School Facilities Fund	Unobligated Capital Fund	2016 Energy Bonds	DAM Renovations	Pezza Property Acquisition	Dams Escrow Fund	Fire Equipment	Capital Project Fund	Capital Lease 2014
REVENUES									
Federal and state grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investment income	572	-	2,202	-	2	5,049	2,188	264	218
Other	-	-	-	-	-	-	402,863	65,324	-
Total revenues	572	\$ -	\$ 2,202	\$ -	\$ 2	5,049	405,051	65,588	218
EXPENDITURES									
Current:									
Education	-	-	-	-	-	-	-	-	-
Other expenses	-	45,327	31,500	57,745	-	82,243	179,388	-	1,000
Capital outlays	-	-	411,953	-	-	-	-	206,570	-
Indirect costs	-	-	-	-	-	-	-	-	-
Bond issuance cost	-	-	-	-	-	-	-	-	-
Total expenditures	-	45,327	443,453	57,745	-	82,243	179,388	206,570	1,000
Excess (deficiency) of revenues over (under) expenditures	572	(45,327)	(441,251)	(57,745)	2	(77,194)	225,663	(140,982)	(782)
Other financing sources (uses):									
Issuance of bonds and lease purchase obligations	-	-	1,238,000	-	-	-	-	34,228	-
Transfers in	-	-	-	-	-	250,000	-	4,382	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources	-	-	1,238,000	-	-	250,000	-	38,610	-
Net change in fund balances	572	(45,327)	796,749	(57,745)	2	172,806	225,663	(102,372)	(782)
Fund balances (deficits) - July 1, 2016	133,710	45,327	-	57,745	5,803	933,730	497,431	102,524	149,060
Fund balances (deficits) - June 30, 2017	\$ 134,282	\$ -	\$ 796,749	\$ -	\$ 5,805	\$ 1,106,536	\$ 723,094	\$ 152	\$ 148,278

(CONTINUED)

**Combining Statement of Revenue, Expenditure, and Changes in Fund Balance
Nonmajor Government Funds
For the year ended June 30, 2017**

	CAPITAL PROJECT FUNDS							
	Capital Lease 2015	Capital Lease 2016	Capital Project 2013 Series A	School Athletic Complex	Johnston Indoor Rec Center	School Wireless Classroom Initiative	Total Capital Project Funds	Total Nonmajor Government Funds
REVENUES								
Federal and state grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,205,096
Investment income	29	-	5,534	-	5,818	-	21,876	22,347
Other	-	-	-	-	79,200	-	547,387	869,459
Total revenues	29	-	5,534	-	85,018	-	569,263	4,096,902
EXPENDITURES								
Current:								
Education	-	-	-	-	-	-	-	2,398,389
Other expenses	1,000	11,500	-	12	-	-	409,715	1,137,061
Capital outlays	-	374,429	1,064,472	-	3,320,788	-	5,378,212	5,378,212
Indirect costs	-	-	-	-	-	-	-	20,845
Bond issuance cost	-	-	-	-	-	-	-	-
Total expenditures	1,000	385,929	1,064,472	12	3,320,788	-	5,787,927	8,934,507
Excess (deficiency) of revenues over (under) expenditures	(971)	(385,929)	(1,058,938)	(12)	(3,235,770)	-	(5,218,664)	(4,837,605)
Other financing sources (uses):								
Issuance of bonds and lease purchase obligations	-	591,500	-	-	-	-	1,863,728	1,863,728
Transfers in	-	-	-	-	-	-	254,382	254,382
Transfers out	-	-	-	-	-	-	-	(4,382)
Total other financing sources	-	591,500	-	-	-	-	2,118,110	2,113,728
Net change in fund balances	(971)	205,571	(1,058,938)	(12)	(3,235,770)	-	(3,100,554)	(2,723,877)
Fund balances (deficits) - July 1, 2016	27,754	-	1,950,281	12	2,580,675	(18,638)	6,465,414	7,034,579
Fund balances (deficits) - June 30, 2017	\$ 26,783	\$ 205,571	\$ 891,343	\$ -	\$ (655,095)	\$ (18,638)	\$ 3,364,860	\$ 4,310,702

(CONCLUDED)

TOWN OF JOHNSTON

EXHIBIT 3 (Continued)

Combining Balance Sheet
 School Restricted Funds
 Reported as Nonmajor Governmental Funds
 June 30, 2017

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	\$ 270	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 206	\$ -	\$ -
Intergovernmental receivable	16,904	415,576	460,663	-	466	-	19,558	-	31,435	-	-
Due from other funds	-	-	-	2,901	16,199	-	-	9,522	-	2,000	18,615
TOTAL ASSETS	\$ 16,904	\$ 415,846	\$ 460,933	\$ 2,901	\$ 16,665	\$ -	\$ 19,558	\$ 9,522	\$ 31,641	\$ 2,000	\$ 18,615
Liabilities:											
Accounts payable	\$ -	\$ 1,295	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 300	\$ -	\$ -	\$ -
Due to other funds	16,904	402,987	415,372	-	-	-	19,558	-	35,482	-	-
Unearned revenue	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	16,904	404,282	415,372	-	-	-	19,558	300	35,482	-	-
Fund balances:											
Unassigned	-	-	-	-	-	-	-	-	(3,841)	-	-
Restricted	-	11,564	45,561	2,901	16,665	-	-	9,222	-	2,000	18,615
Total fund balances	-	11,564	45,561	2,901	16,665	-	-	9,222	(3,841)	2,000	18,615
TOTAL LIABILITIES AND FUND BALANCE	\$ 16,904	\$ 415,846	\$ 460,933	\$ 2,901	\$ 16,665	\$ -	\$ 19,558	\$ 9,522	\$ 31,641	\$ 2,000	\$ 18,615

(Continued)

TOWN OF JOHNSTON

EXHIBIT 3 (Continued)

Combining Balance Sheet
 School Restricted Funds
 Reported as Nonmajor Governmental Funds
 June 30, 2017

SPECIAL REVENUE FUNDS

<u>ASSETS</u>	Aramark Scholarships	EDC Grant	PTO Donations	Title III	Target Grant	Verizon Foundation	RISCA	Scholarship America	RI Education Foundation	Walmart Grant	Donation & Misc Grant
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental receivable	-	4,795	-	24,685	-	-	-	500	-	-	-
Due from other funds	-	-	-	-	2,381	3,512	1,607	-	150	150	12,498
TOTAL ASSETS	\$ -	\$ 4,795	\$ -	\$ 24,685	\$ 2,381	\$ 3,512	\$ 1,607	\$ 500	\$ 150	\$ 150	\$ 12,498
Liabilities:											
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	230	144	24,685	-	-	-	500	-	-	-
Unearned revenue	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	-	230	144	24,685	-	-	-	500	-	-	-
Fund balances:											
Unassigned	-	-	(144)	-	-	-	-	-	-	-	-
Restricted	-	4,565	-	-	2,381	3,512	1,607	-	150	150	12,498
Total fund balances	-	4,565	(144)	-	2,381	3,512	1,607	-	150	150	12,498
TOTAL LIABILITIES AND FUND BALANCE	\$ -	\$ 4,795	\$ -	\$ 24,685	\$ 2,381	\$ 3,512	\$ 1,607	\$ 500	\$ 150	\$ 150	\$ 12,498

(Continued)

TOWN OF JOHNSTON

EXHIBIT 3 (Continued)

**Combining Balance Sheet
School Restricted Funds
Reported as Nonmajor Governmental Funds
June 30, 2017**

		SPECIAL REVENUE FUNDS								
ASSETS		<u>Perkins Vocational</u>	<u>General Assembly</u>	<u>Student Equity</u>	<u>Feinstein Elementary</u>	<u>Festival Fete</u>	<u>Full Day Kindergarten</u>	<u>RIDHS Rising Star</u>	<u>RI Spark Grant</u>	<u>Exxon Mobil</u>
Cash and cash equivalents	\$	-	-	-	-	-	-	-	-	-
Intergovernmental receivable		-	-	-	6,002	-	-	-	-	-
Due from other funds		-	4,719	7,684	9,583	-	-	2,000	7	270
TOTAL ASSETS	\$	-	\$ 4,719	\$ 7,684	\$ 15,585	\$ -	\$ -	\$ 2,000	\$ 7	\$ 270
Liabilities:										
Accounts payable	\$	-	-	-	-	-	-	-	-	-
Due to other funds		2,804	-	-	-	-	-	-	-	-
Unearned revenue		-	-	-	-	-	-	-	-	-
Total liabilities	\$	2,804	-	-	-	-	-	-	-	-
Fund balances:										
Unassigned		(2,804)	-	-	-	-	-	-	-	-
Restricted		-	4,719	7,684	15,585	-	-	2,000	7	270
Total fund balances	\$	(2,804)	4,719	7,684	15,585	-	-	2,000	7	270
TOTAL LIABILITIES AND FUND BALANCE	\$	-	\$ 4,719	\$ 7,684	\$ 15,585	\$ -	\$ -	\$ 2,000	\$ 7	\$ 270

(Continued)

TOWN OF JOHNSTON

EXHIBIT 3 (Concluded)

Combining Balance Sheet
 School Restricted Funds
 Reported as Nonmajor Governmental Funds
 June 30, 2017

	SPECIAL REVENUE FUNDS							Total School Restricted Funds
	SEAC	Industrial Arts	Pre K Grant	ELL Grant	Science Mini Grant	Stop & Shop A+ Rewards	High School Donations	
ASSETS								
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 746
Intergovernmental receivable	-	-	100,360	9,178	1,716	-	-	1,091,838
Due from other funds	7,806	965	-	-	-	993	1,528	105,090
TOTAL ASSETS	\$ 7,806	\$ 965	\$ 100,360	\$ 9,178	\$ 1,716	\$ 993	\$ 1,528	\$ 1,197,674
Liabilities:								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,595
Due to other funds	-	-	100,451	9,178	1,716	-	-	1,030,011
Unearned revenue	-	-	-	-	-	-	-	-
Total liabilities	-	-	100,451	9,178	1,716	-	-	1,031,606
Fund balances:								
Unassigned	-	-	(91)	-	-	-	-	(6,880)
Restricted	7,806	965	-	-	-	993	1,528	172,948
Total fund balances	7,806	965	(91)	-	-	993	1,528	166,068
TOTAL LIABILITIES AND FUND BALANCE	\$ 7,806	\$ 965	\$ 100,360	\$ 9,178	\$ 1,716	\$ 993	\$ 1,528	\$ 1,197,674

(Concluded)

TOWN OF JOHNSTON

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
School Restricted Funds
Reported as Nonmajor Governmental Funds
For the year ended June 30, 2017**

EXHIBIT 4 (Continued)

	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
Revenues:										
Federal and state grants	\$ 30,915	\$ 999,973	\$ 904,394	\$ 20,000	\$ 50,000	\$ -	\$ 56,515	\$ 4,430	\$ 143,710	\$ -
Other revenue	-	-	-	-	-	-	-	-	-	-
Total revenues	\$ 30,915	\$ 999,973	\$ 904,394	\$ 20,000	\$ 50,000	\$ -	\$ 56,515	\$ 4,430	\$ 143,710	\$ -
Expenditures:										
Current:										
Salaries	\$ 22,905	\$ 625,618	\$ 584,084	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 82,054	\$ -
Employee benefits	4,464	302,366	174,023	-	-	-	-	-	32,181	-
Purchased services	-	2,144	429	-	-	-	56,515	-	18,973	-
Supplies and materials	1,796	2,422	85,142	20,000	679	-	-	894	3,731	-
Indirect costs	1,750	67,423	60,716	-	-	-	-	-	6,771	-
Capital outlays	-	-	-	-	-	-	-	-	-	-
Total expenditures	30,915	999,973	904,394	20,000	679	-	56,515	894	143,710	-
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-	49,321	-	-	3,536	-	-
Other financing sources (uses):										
Transfers from (to) other funds	-	-	-	(4,235)	(2,829)	(3,728)	-	-	-	-
Total other financing sources	-	-	-	(4,235)	(2,829)	(3,728)	-	-	-	-
Net change in fund balances	-	-	-	(4,235)	46,492	(3,728)	-	3,536	-	-
Fund balances, July 1, 2016	-	11,564	45,561	7,136	(29,827)	3,728	-	5,685	(3,841)	2,000
Fund balances, June 30, 2017	\$ -	\$ 11,564	\$ 45,561	\$ 2,901	\$ 16,665	\$ -	\$ -	\$ 9,222	\$ (3,841)	\$ 2,000

(Continued)

TOWN OF JOHNSTON

*Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
School Restricted Funds
Reported as Nonmajor Governmental Funds
For the year ended June 30, 2017*

EXHIBIT 4 (Continued)

	SPECIAL REVENUE FUNDS									
	Panther Partner Donation	Aramark Scholarships	EDC Grant	PTO Donations	Title III	Target Grant	Verizon Foundation	RISCA	Scholarship America	RI Education Foundation
Revenues:										
Federal and state grants	\$ -	\$ 1,500	\$ 4,795	\$ -	\$ 32,098	\$ -	\$ -	\$ 380	\$ -	\$ -
Other revenue	-	-	-	-	-	-	-	-	-	-
Total revenues	\$ -	\$ 1,500	\$ 4,795	\$ -	\$ 32,098	\$ -	\$ -	\$ 380	\$ -	\$ -
Expenditures:										
Current:										
Salaries	\$ -	\$ -	\$ -	\$ -	\$ 5,083	\$ -	\$ -	\$ -	\$ -	\$ -
Employee benefits	-	-	-	-	71	-	-	-	-	-
Purchased services	-	-	-	-	21,622	-	-	380	-	-
Supplies and materials	-	1,500	4,795	-	4,627	50	-	-	-	-
Indirect costs	-	-	-	-	695	-	-	-	-	-
Capital outlays	-	-	-	-	-	-	-	-	-	-
Total expenditures	-	1,500	4,795	-	32,098	50	-	380	-	-
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-	-	(50)	-	-	-	-
Other financing sources (uses):										
Transfers from (to) other funds	-	-	-	-	-	-	-	-	(3)	-
Total other financing sources	-	-	-	-	-	-	-	-	(3)	-
Net change in fund balances	-	-	-	-	-	(50)	-	-	(3)	-
Fund balances, July 1, 2016	18,615	-	4,565	(144)	-	2,431	3,512	1,607	3	150
Fund balances, June 30, 2017	\$ 18,615	\$ -	\$ 4,565	\$ (144)	\$ -	\$ 2,381	\$ 3,512	\$ 1,607	\$ -	\$ 150

(Continued)

TOWN OF JOHNSTON

*Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
School Restricted Funds
Reported as Nonmajor Governmental Funds
For the year ended June 30, 2017*

EXHIBIT 4 (Continued)

	SPECIAL REVENUE FUNDS									
	Walmart Grant	Donation & Misc Grant	Perkins Vocational	General Assembly	Student Equity	Feinstein Elementary	Festival Fete	Full Day Kindergarten	RIDHS Rising Star	RI Spark Grant
Revenues:										
Federal and state grants	\$ -	\$ -	\$ 26,205	\$ 2,000	\$ -	\$ 12,500	\$ -	\$ -	\$ -	\$ -
Other revenue	-	-	-	-	-	-	-	-	-	-
Total revenues	\$ -	\$ -	\$ 26,205	\$ 2,000	\$ -	\$ 12,500	\$ -	\$ -	\$ -	\$ -
Expenditures:										
Current:										
Salaries	\$ -	\$ -	\$ 22,929	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee benefits	-	-	327	-	-	-	-	-	-	-
Purchased services	-	-	-	-	-	-	-	-	-	-
Supplies and materials	-	-	-	-	-	9,189	-	-	-	-
Indirect costs	-	-	-	-	-	-	-	-	-	-
Capital outlays										
Total expenditures	-	-	23,256	-	-	9,189	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	-	-	2,949	2,000	-	3,311	-	-	-	-
Other financing sources (uses):										
Transfers from (to) other funds	-	-	327	-	1	6,002	(8)	-	-	-
Total other financing sources	-	-	327	-	1	6,002	(8)	-	-	-
Net change in fund balances	-	-	3,276	2,000	1	9,313	(8)	-	-	-
Fund balances, July 1, 2016	150	12,498	(6,080)	2,719	7,683	6,272	8	-	2,000	7
Fund balances, June 30, 2017	\$ 150	\$ 12,498	\$ (2,804)	\$ 4,719	\$ 7,684	\$ 15,585	\$ -	\$ -	\$ 2,000	\$ 7

(Continued)

TOWN OF JOHNSTON

*Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
School Restricted Funds
Reported as Nonmajor Governmental Funds
For the year ended June 30, 2017*

EXHIBIT 4 (Concluded)

	SPECIAL REVENUE FUNDS								
	Exxon Mobil	SEAC	Industrial Arts	Pre K Grant	ELL Grant	Science Mini Grant	Stop & Shop A+ Rewards	High School Donations	Total School Restricted Funds
Revenues:									
Federal and state grants	\$ -	\$ 2,658	\$ -	\$ 158,416	\$ 9,178	\$ 1,716	\$ 993	\$ 1,753	\$ 2,464,129
Other revenue	-	-	-	-	-	-	-	-	-
Total revenues	\$ -	\$ 2,658	\$ -	\$ 158,416	\$ 9,178	\$ 1,716	\$ 993	\$ 1,753	\$ 2,464,129
Expenditures:									
Current:									
Salaries	\$ -	\$ -	\$ -	\$ 83,161	\$ -	\$ 966	\$ -	\$ -	\$ 1,426,800
Employee benefits	-	-	-	34,954	-	-	-	-	548,386
Purchased services	-	-	-	18,051	-	750	-	-	118,864
Supplies and materials	-	324	-	22,432	9,178	-	-	225	166,984
Indirect costs	-	-	-	-	-	-	-	-	137,355
Capital outlays									
Total expenditures	-	324	-	158,598	9,178	1,716	-	225	2,398,389
Excess (deficiency) of revenues over (under) expenditures	-	2,334	-	(182)	-	-	993	1,528	65,740
Other financing sources (uses):									
Transfers from (to) other funds	-	-	-	91	-	-	-	-	(4,382)
Total other financing sources	-	-	-	91	-	-	-	-	(4,382)
Net change in fund balances	-	2,334	-	(91)	-	-	993	1,528	61,358
Fund balances, July 1, 2016	270	5,472	965	-	-	-	-	-	104,710
Fund balances, June 30, 2017	\$ 270	\$ 7,806	\$ 965	\$ (91)	\$ -	\$ -	\$ 993	\$ 1,528	\$ 166,068

(Concluded)

Private Purpose Trust Funds

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TOWN OF JOHNSTON

*Combining Statement of Net Position
Private Purpose Trust Funds
June 30, 2017*

	Daniel Elder <u>Burial Fund</u>	Manton Perpetual <u>Care</u>	Celina <u>Esterbrook</u>	<u>Sara Ivans</u>	Kelly Burial <u>Grounds</u>	<u>Nicholas Smith</u>	Kimball Burial <u>Ground</u>	Richardson <u>Burial Ground</u>	C.T. <u>Tourtellot</u>	Total Private Purpose <u>Funds</u>
ASSETS										
Cash and cash equivalents	\$ 876	\$ 3,932	\$ 3,430	\$ 1,404	\$ 3,732	\$ 1,843	\$ 4,686	\$ 1,392	\$ 1,707	\$ 23,002
Due from other funds	-	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	<u>876</u>	<u>3,932</u>	<u>3,430</u>	<u>1,404</u>	<u>3,732</u>	<u>1,843</u>	<u>4,686</u>	<u>1,392</u>	<u>1,707</u>	<u>23,002</u>
NET POSITION										
Held in trust for perpetual care	\$ 876	\$ 3,932	\$ 3,430	\$ 1,404	\$ 3,732	\$ 1,843	\$ 4,686	\$ 1,392	\$ 1,707	\$ 23,002

TOWN OF JOHNSTON

Combining Statement of Changes in Net Position
Private Purpose Trust Funds
For the year ended June 30, 2017

	Daniel Elder Burial Fund	Manton Perpetual Care	Celina Esterbrook	Sara Ivans	Kelly Burial Grounds	Nicholas Smith	Kimball Burial Ground	Richardson Burial Ground	C.T. Tourtellot	Total Private Purpose Funds
REVENUES:										
Investment income	\$ 1	\$ 2	\$ 2	\$ 1	\$ 2	\$ 1	\$ 2	\$ 1	\$ -	\$ 12
EXPENDITURES:										
Bank fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
CHANGE IN NET POSITION	1	2	2	1	2	1	2	1	-	12
NET POSITION- JULY 1, 2016	875	3,930	3,428	1,403	3,730	1,842	4,684	1,391	1,707	22,990
NET POSITION- JUNE 30, 2017	\$ 876	\$ 3,932	\$ 3,430	\$ 1,404	\$ 3,732	\$ 1,843	\$ 4,686	\$ 1,392	\$ 1,707	\$ 23,002

TOWN OF JOHNSTON, RHODE ISLAND

**Statement of Changes in Assets and Liabilities
Agency Funds
Year ended June 30, 2017**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<u>STUDENT ACTIVITY FUNDS</u>				
Assets:				
Cash and cash equivalents	\$ 238,718	\$ 272,154	\$ 221,519	\$ 289,353
Total assets	\$ 238,718	\$ 272,154	\$ 221,519	\$ 289,353
Liabilities:				
Due to student groups	\$ 238,718	\$ 272,154	\$ 221,519	\$ 289,353
<u>PERFORMANCE BONDS</u>				
Assets:				
Cash and cash equivalents	\$ 240,717	\$ 302	\$ 200	\$ 240,819
Due to due from other funds	107,750	-	-	107,750
Other receivable	-	-	-	-
Total assets	\$ 348,467	\$ 302	\$ 200	\$ 348,569
Liabilities:				
Deposits held in custody for others	\$ 348,467	\$ 302	\$ 200	\$ 348,569
<u>Total - All Agency Funds</u>				
Assets:				
Cash and cash equivalents	\$ 479,435	\$ 272,456	\$ 221,719	\$ 530,172
Due to due from other funds	107,750	-	-	107,750
Other receivable	-	-	-	-
Total assets	\$ 587,185	\$ 272,456	\$ 221,719	\$ 637,922
Liabilities:				
Due to student groups	\$ 238,718	\$ 272,154	\$ 221,519	\$ 289,353
Deposits held in custody for others	348,467	302	200	348,569
Total liabilities	\$ 587,185	\$ 272,456	\$ 221,719	\$ 637,922

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Town of Johnston, Rhode Island

Other Exhibits

Tax Collector's Annual Report

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TOWN OF JOHNSTON, RHODE ISLAND
 SCHEDULE OF PROPERTY TAXES RECEIVABLE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Calendar Year	Mill Rate	Property Taxes Receivable July 1, 2016	Current Year Assessment	Transfers Addendums (Net)	Abatements and Adjustments	Amount to be Collected	Collections Net of Refunds	Property Taxes Receivable June 30, 2017	Collections Summary			Tax Revenue Recognized FYE 6/30/2017
									Subject to 60 Day Rule July 1, 2016	Not Subject to 60 Day Rule July 1, 2016	Subject to 60 Day Rule July 1, 2017	
									August 31, 2016	June 30, 2017	August 31, 2017	
2016	27.49		\$ 76,403,133	\$ 415,780	\$ 337,925	\$ 76,480,988	\$ 73,028,951	\$ 3,452,037	\$ -	\$ 73,028,951	\$ 608,838	\$ 73,637,789
2015	\$27.49	3,497,702		52,493	41,456	3,508,739	1,953,425	1,555,314	654,346	1,299,079	133,164	1,432,243
2014	\$28.99	1,473,237		158	14,458	1,458,937	908,002	550,935	97,664	810,338	9,951	820,269
2013	\$28.75	597,297		158	6,881	590,574	95,514	495,060	20,766	74,748	2,467	77,215
2012	\$24.75	510,766		349	6,935	504,180	45,766	458,414	5,180	40,586	1,839	42,425
2011	\$24.75	521,738			10,978	510,760	25,296	485,464	3,222	22,074	1,361	23,435
2010	\$23.81	439,070			3,165	435,905	12,839	423,066	3,099	9,740	1,772	11,512
2009	\$19.49	282,395			3,082	279,313	16,835	262,478	696	16,139	14,582	30,721
2008	\$18.91	271,371			102	271,269	6,017	265,252	564	5,453	280	5,733
2007	\$17.84	256,246			171	256,075	4,605	251,470	202	4,403	411	4,814
2006	\$17.41	231,739			133	231,606	2,953	228,653	-	2,953	236	3,189
2005	\$16.99	237,100				237,100	1,130	235,970	156	974	-	974
2004	\$16.40	260,855				260,855	11	260,844	-	11	-	11
2003	\$26.30	32,622				32,622	-	32,622	-	-	-	-
2002	\$25.10	28,707				28,707	-	28,707	-	-	-	-
2001	\$23.79	20,722				20,722	-	20,722	-	-	-	-
2000	\$27.06	12,427				12,427	-	12,427	-	-	-	-
1999	\$27.06	14,409				14,409	-	14,409	-	-	-	-
1998	\$25.89	13,435				13,435	115	13,320	-	115	-	115
1997	\$20.90	8,563			677	7,886	-	7,886	-	-	-	-
1996	\$20.90	3,291				3,291	-	3,291	-	-	-	-
1995	\$20.90	3,555				3,555	-	3,555	-	-	-	-
1994	\$20.90	2,520				2,520	-	2,520	-	-	-	-
1993	\$34.64	7,122				7,122	-	7,122	-	-	-	-
1992	\$32.90	3,545				3,545	-	3,545	-	-	-	-
Subtotal		8,730,434	\$ 76,403,133	\$ 468,938	\$ 425,963	\$ 85,176,542	\$ 76,101,459	9,075,083	785,895	75,315,564	774,901	76,090,465
Less: estimated allowance for uncollectable accounts		(5,577,895)						(5,947,296)				
Net property taxes receivable		<u>\$ 3,152,539</u>						<u>\$ 3,127,787</u>				

(CONTINUED)

**TOWN OF JOHNSTON, RHODE ISLAND
SCHEDULE OF PROPERTY TAXES RECEIVABLE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Schedule of Net Assessed Property Value by Category			Reconciliation of Current Year Property Tax Revenue	
Description of Property	Assessed December 31, 2015 Valuations	Levy		
Real property	\$ 2,433,116,284	\$ 56,228,237	Collections net of refunds in 2017	\$ 76,101,459
Motor vehicles	272,190,339	9,638,661	Revenue received 60 days subsequent to fiscal year ending June 30, 2017	774,901
Tangible property	176,456,482	10,536,235	Subtotal	<u>76,876,360</u>
Wholesale and retail inventory	-	-	Reversal of Prior Year Advanced Taxes Related to Johnston TIF Bonds	800,000
Total	2,881,763,105	76,403,133	Prior year revenue received in current year (2016 60 day rule)	<u>(785,895)</u>
Exemptions and adjustments	427,412,190	-		\$ 76,890,465
Net assessed value	\$ 2,454,350,915	\$ 76,403,133	Current year property tax revenue	
			Power Plant Tax Treaty	3,060,000
			Citizens Bank Tax Stabilization	<u>60,372</u>
			Revenue as reported on page 15 of this report	<u>\$ 80,010,837</u>

(CONCLUDED)

OTHER SUPPLEMENTARY INFORMATION

The Annual Supplemental Transparency Report Schedules
required by the State of Rhode Island General Law § 45-12-22.2 and § 44-35-10

Annual Supplemental Transparency Report (MTP2) - Revenue

Annual Supplemental Transparency Report (MTP2) – Expenditures

Combining Schedule of Reportable Government Services with Reconciliation to MTP2 – Municipal

Combining Schedule of Reportable Government Services with Reconciliation to MTP2 – Education
Department

Notes to Supplementary Information – Annual Supplemental Transparency Report (MTP2)

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Town of Johnston
Annual Supplemental Transparency Report (MTP2)
Fiscal Year Ended June 30, 2017

<u>REVENUE</u>	<u>Municipal</u>	<u>Education Department</u>
Current Year Levy Tax Collection	\$ 73,452,032	\$ -
Last Year's Levy Tax Collection	2,269,963	-
Prior Years Property Tax Collection	1,168,380	-
Interest & Penalty	1,091,673	-
PILOT & Tax Treaty (excluded from levy) Collection	3,120,462	-
Other Local Property Taxes	-	-
Licenses and Permits	204,897	-
Fines and Forfeitures	320,070	-
Investment Income	180,191	-
Departmental	7,807,227	-
Rescue Run Revenue	950,487	-
Police & Fire Detail	771,348	-
Other Local Non-Property Tax Revenues	-	-
Tuition	-	50,741
Impact Aid	-	-
Medicaid	-	791,376
Federal Stabilization Funds	-	-
Federal Food Service Reimbursement	-	842,976
CDBG	-	-
COPS Grants	8,109	-
SAFER Grants	-	-
Other Federal Aid Funds	-	2,213,810
MV Excise Tax Reimbursement	437,352	-
State PILOT Program	-	-
Distressed Community Relief Fund	-	-
Library Resource Aid	122,855	-
Library Construction Aid	-	-
Public Service Corporation Tax	363,489	-
Meals & Beverage Tax / Hotel Tax	628,813	-
LEA Aid	-	15,793,725
Group Home	-	-
Housing Aid Capital Projects	-	-
Housing Aid Bonded Debt	355,058	-
State Food Service Revenue	-	3,018
Incentive Aid	-	-
Property Revaluation Reimbursement	-	-
Other State Revenue	164,820	171,690
Other Revenue	606,730	559,981
Local Appropriation for Education	-	37,529,015
Regional Appropriation for Education	-	-
Supplemental Appropriation for Education	-	-
Regional Supplemental Appropriation for Education	-	-
Other Education Appropriation	-	-
Rounding	-	-
Total Revenue	\$ 94,023,957	\$ 57,956,332
Financing Sources: Transfer from Capital Funds	\$ -	\$ -
Financing Sources: Transfer from Other Funds	-	-
Financing Sources: Debt Proceeds	-	-
Financing Sources: Other	-	-
Rounding	-	-
Total Other Financing Sources	\$ -	\$ -

Town of Johnston
Annual Supplemental Transparency Report (MTP2)
Fiscal Year Ended June 30, 2017

EXPENDITURES	General Government	Finance	Social Services	Centralized IT	Planning	Libraries	Public Works	Parks and Rec	Police Department
Compensation- Group A	\$ 687,373	\$ 596,165	\$ 54,676	\$ -	\$ 76,807	\$ 358,447	\$ 1,361,475	\$ 563,855	\$ 4,642,133
Compensation - Group B	-	-	-	-	-	-	-	-	657,880
Compensation - Group C	-	-	-	-	-	-	-	-	-
Compensation -Volunteer	-	-	-	-	-	-	-	-	-
Overtime- Group A	204	28,770	-	-	5,752	-	149,760	22,156	1,202,423
Overtime - Group B	-	-	-	-	-	-	-	-	62,417
Overtime - Group C	-	-	-	-	-	-	-	-	-
Police & Fire Detail	-	-	-	-	-	-	-	-	693,082
Active Medical Insurance - Group A	310,688	129,173	3,768	-	6,730	96,888	331,012	138,602	1,020,970
Active Medical Insurance- Group B	-	-	-	-	-	-	-	-	177,351
Active Medical Insurance- Group C	-	-	-	-	-	-	-	-	-
Active Dental insurance- Group A	12,546	8,886	-	-	346	6,264	22,469	9,049	65,450
Active Dental Insurance- Group B	-	-	-	-	-	-	-	-	11,369
Active Dental Insurance- Group C	-	-	-	-	-	-	-	-	-
Payroll Taxes	57,776	45,596	3,749	-	6,277	26,864	112,720	44,119	562,690
Life Insurance	928	1,059	213	-	93	586	2,514	1,021	48,744
State Defined Contribution- Group A	4,716	5,594	-	-	317	2,597	11,740	2,659	89,735
State Defined Contribution - Group B	-	-	-	-	-	-	-	-	-
State Defined Contribution - Group C	-	-	-	-	-	-	-	-	-
Other Benefits- Group A	85,363	5,240	1,913	-	4,821	11,620	123,409	30,500	318,897
Other Benefits- Group B	-	-	-	-	-	-	-	-	-
Other Benefits- Group C	-	-	-	-	-	-	-	-	-
Local Defined Benefit Pension- Group A	-	-	-	-	-	-	-	-	4,592,646
Local Defined Benefit Pension - Group B	-	-	-	-	-	-	-	-	-
Local Defined Benefit Pension - Group C	-	-	-	-	-	-	-	-	-
State Defined Benefit Pension- Group A	61,415	88,918	-	-	5,263	40,972	203,507	69,730	577,144
State Defined Benefit Pension - Group B	-	-	-	-	-	-	-	-	67,906
State Defined Benefit Pension - Group C	-	-	-	-	-	-	-	-	-
Other Defined Benefit / Contribution	-	-	-	-	-	-	-	-	-
Purchased Services	748,702	246,331	53,708	70,004	3,752	-	10,805	-	2,948
Materials/Supplies	33,928	53,876	22,367	-	1,878	26,855	16,652	39,233	69,244
Software Licenses	-	20,466	-	-	-	35,337	1,750	-	38,364
Capital Outlays	4,700	1,438	-	-	-	3,236	15,746	56,577	113,178
Insurance	636,617	-	-	-	-	-	-	-	-
Maintenance	7,128	-	2,700	-	-	11,699	129,579	39,274	64,792
Vehicle Operations	-	-	-	-	-	-	293,042	12,523	105,590
Utilities	31,820	4,718	900	-	-	23,893	38,102	61,068	86,446
Contingency	-	-	-	-	-	-	-	-	-
Street Lighting	-	-	-	-	-	-	757,295	-	-
Revaluation	-	-	-	-	-	-	-	-	-
Snow Removal-Raw Material & External Contracts	-	-	-	-	-	-	164,948	-	-
Trash Removal & Recycling	-	-	-	-	-	-	1,220,255	-	-
Claims & Settlements	48,086	-	-	-	-	-	-	-	-
Community Support	45,000	-	-	-	-	-	-	-	-
Other Operation Expenditures	80,652	13,095	242,934	-	2,040	14,216	18,526	5,904	133,754
Local Appropriation for Education	-	-	-	-	-	-	-	-	-
Regional Appropriation for Education	-	-	-	-	-	-	-	-	-
Supplemental Appropriation for Education	-	-	-	-	-	-	-	-	-
Regional Supplemental Appropriation for Education	-	-	-	-	-	-	-	-	-
Other Education Appropriation	-	-	-	-	-	-	-	-	-
Municipal Debt- Principal	-	-	-	-	-	-	-	-	-
Municipal Debt- Interest	-	-	-	-	-	-	-	-	-
School Debt- Principal	-	-	-	-	-	-	-	-	-
School Debt- Interest	-	-	-	-	-	-	-	-	-
Retiree Medical Insurance- Total	-	-	-	-	-	-	-	-	-
Retiree Dental Insurance- Total	-	-	-	-	-	-	-	-	-
OPEB Contribution- Total	-	-	-	-	-	-	-	-	-
Non-Qualified OPEB Trust Contribution	-	-	-	-	-	-	-	-	-
Rounding	-	-	-	-	-	-	-	-	-
Total Expenditures	\$ 2,857,641	\$ 1,249,325	\$ 386,929	\$ 70,004	\$ 114,075	\$ 659,472	\$ 4,985,306	\$ 1,096,268	\$ 15,405,153

Town of Johnston
Annual Supplemental Transparency Report (MTP2)
Fiscal Year Ended June 30, 2017

EXPENDITURES	Fire Department	Centralized Dispatch	Public Safety Other	Education Appropriation	Debt	OPEB	Total Municipal	Education Department
Compensation - Group A	\$ 6,284,780	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,625,710	\$ 23,339,803
Compensation - Group B	111,287	-	-	-	-	-	769,168	2,094,307
Compensation - Group C	-	-	-	-	-	-	-	4,596,848
Compensation -Volunteer	-	-	-	-	-	-	-	-
Overtime- Group A	2,737,428	-	-	-	-	-	4,146,492	-
Overtime - Group B	12,171	-	-	-	-	-	74,588	-
Overtime - Group C	-	-	-	-	-	-	-	28,837
Police & Fire Detail	5,715	-	-	-	-	-	698,797	-
Active Medical Insurance - Group A	1,381,574	-	-	-	-	-	3,419,405	4,959,264
Active Medical Insurance- Group B	24,905	-	-	-	-	-	202,256	434,803
Active Medical Insurance- Group C	-	-	-	-	-	-	-	1,664,812
Active Dental Insurance- Group A	88,300	-	-	-	-	-	213,310	295,867
Active Dental Insurance- Group B	1,592	-	-	-	-	-	12,961	32,283
Active Dental Insurance- Group C	-	-	-	-	-	-	-	116,280
Payroll Taxes	658,607	-	-	-	-	-	1,518,398	673,209
Life Insurance	18,781	-	-	-	-	-	73,939	132,848
State Defined Contribution- Group A	-	-	-	-	-	-	117,358	288,874
State Defined Contribution - Group B	-	-	-	-	-	-	-	20,779
State Defined Contribution - Group C	-	-	-	-	-	-	-	26,146
Other Benefits- Group A	34,805	-	-	-	-	-	616,568	174,468
Other Benefits- Group B	570	-	-	-	-	-	570	12,626
Other Benefits- Group C	-	-	-	-	-	-	-	87,234
Local Defined Benefit Pension- Group A	3,605,103	-	-	-	-	-	8,197,749	-
Local Defined Benefit Pension - Group B	-	-	-	-	-	-	-	-
Local Defined Benefit Pension - Group C	-	-	-	-	-	-	-	-
State Defined Benefit Pension- Group A	341,222	-	-	-	-	-	1,388,170	2,838,390
State Defined Benefit Pension - Group B	5,969	-	-	-	-	-	73,875	204,752
State Defined Benefit Pension - Group C	-	-	-	-	-	-	-	768,577
Other Defined Benefit / Contribution	-	-	-	-	-	-	-	-
Purchased Services	20,309	-	-	-	-	-	1,156,559	11,013,731
Materials/Supplies	220,619	-	-	-	-	-	484,651	574,345
Software Licenses	-	-	-	-	-	-	95,917	31,544
Capital Outlays	1,096	-	-	-	-	-	195,970	540,198
Insurance	-	-	-	-	-	-	636,617	191,349
Maintenance	69,789	-	-	-	-	-	324,961	208,267
Vehicle Operations	178,102	-	-	-	-	-	589,257	18,341
Utilities	151,731	-	-	-	-	-	398,678	658,544
Contingency	-	-	-	-	-	-	-	-
Street Lighting	-	-	-	-	-	-	757,295	-
Revaluation	-	-	-	-	-	-	-	-
Snow Removal-Raw Material & External Contracts	-	-	-	-	-	-	164,948	-
Trash Removal & Recycling	-	-	-	-	-	-	1,220,255	-
Claims & Settlements	-	-	-	-	-	-	48,086	-
Community Support	-	-	-	-	-	-	45,000	-
Other Operation Expenditures	261,331	-	-	-	-	-	772,450	88,092
Local Appropriation for Education	-	-	-	37,529,015	-	-	37,529,015	-
Regional Appropriation for Education	-	-	-	-	-	-	-	-
Supplemental Appropriation for Education	-	-	-	-	-	-	-	-
Regional Supplemental Appropriation for Education	-	-	-	-	-	-	-	-
Other Education Appropriation	-	-	-	-	-	-	-	-
Municipal Debt- Principal	-	-	-	-	2,556,659	-	2,556,659	-
Municipal Debt- Interest	-	-	-	-	671,848	-	671,848	-
School Debt- Principal	-	-	-	-	269,848	-	269,848	-
School Debt- Interest	-	-	-	-	81,649	-	81,649	-
Retiree Medical Insurance- Total	-	-	-	-	-	-	-	-
Retiree Dental Insurance- Total	-	-	-	-	-	-	-	-
OPEB Contribution- Total	-	-	-	-	-	4,184,944	4,184,944	1,472,119
Non-Qualified OPEB Trust Contribution	-	-	-	-	-	-	-	-
Rounding	-	-	-	-	-	-	-	-
Total Expenditures	\$ 16,215,787	\$ -	\$ -	\$ 37,529,015	\$ 3,580,003	\$ 4,184,944	\$ 88,333,923	\$ 57,587,537

Financing Uses: Transfer to Capital Funds	\$ 250,000	\$ -
Financing Uses: Transfer to Other Funds	-	-
Financing Uses: Payment to Bond Escrow Agent	-	-
Financing Uses: Other	-	-
Total Other Financing Uses	\$ 250,000	\$ -

Net Change in Fund Balance¹	5,440,035	368,795
Fund Balance¹- beginning of year	\$19,962,245	\$5,343,089
Funds removed from Reportable Government Services (RGS)	-	-
Funds added to Reportable Government Services (RGS)	-	-
Prior period adjustments	-	-
Misc. Adjustment	-	(39,242)
Fund Balance¹ - beginning of year adjusted	19,962,245	5,303,847
Rounding	-	-
Fund Balance¹ - end of year	\$ 25,402,279	\$ 5,672,642

¹ and Net Position if Enterprise Fund activity is included in the transparency portal report.

Town of Johnston
Combining Schedule of
Reportable Government Services with
Reconciliation to MTP2
Municipal
Fiscal Year Ended June 30, 2017

Per Audited Fund Financial Statements Fund Description	Total Revenue	Total Other Financing Sources	Total Expenditures	Total Other Financing Uses	Net Change in Fund Balance ¹	Beginning Fund Fund Balance ¹ (Deficit)	Prior Period Adjustment	Restated Beginning Fund Balance ¹ (Deficit)	Ending Fund Balance ¹ (Deficit)
General Fund	\$ 93,518,510		\$ 50,537,705	\$ 37,779,015	\$ 5,201,790	\$ 19,599,743	-	\$ 19,539,743	\$ 24,741,533
Mayor's Scholarship Fund	5,002	-	5,000	-	2	-	-	-	2
Memorial Libaray Fund	14,243	-	6,194	-	8,049	129,700	-	129,700	137,749
Substance Abuse prevention Grant Fund	11,723	-	11,723	-	-	-	-	-	-
Town of Johnston Champlin Grants Fund	-	-	7,537	-	(7,537)	8,200	-	8,200	663
Police seizure Fund - Federal	128	-	-	-	128	27,007	-	27,007	27,135
BDDH RI Partnership For Success Fund	153,097	-	153,097	-	-	-	-	-	-
Police Seizure Fund - Other Than Federal Funds	6,442	-	18,107	-	(11,665)	38,541	-	38,541	26,876
Memorial Park Recreation Fields Restoration Fund	26,063	-	33,122	-	(7,058)	34,066	-	34,066	27,007
Fire Prevention Fund	12,780	-	11,937	-	843	26,094	-	26,094	26,937
Indoor Atheltic Complex Fund	14,875	-	4,326	-	10,549	-	-	-	10,549
Blue Rptide Grant Fund	3,258	-	3,258	-	-	-	-	-	-
Fire Plan Review Fund	221,892	-	1,750	-	220,142	93,581	-	93,581	313,723
Historical Trust Fund	35,944	-	11,153	-	24,791	65,313	-	65,313	90,104
Totals per audited financial statements	\$ 94,023,958	\$ -	\$ 50,804,909	\$ 37,779,015	\$ 5,440,034	\$ 19,962,245	\$ -	\$ 19,962,245	\$ 25,402,278
<u>Reconciliation from financial statements to MTP2</u>									
Other Financing Uses - Amount to School Fund Unrestricted FY 2017 Local Appropriation Rounding	\$ -	\$ -	\$ 37,529,015.00	\$ (37,529,015.00)	\$ -	\$ -	\$ -	\$ -	\$ -
	(1)	-	(2)	-	1	-	-	-	1
Totals Per MTP2	\$ 94,023,957	\$ -	\$ 88,333,923	\$ 250,000	\$ 5,440,035	\$ 19,962,245	\$ -	\$ 19,962,245	\$ 25,402,279

¹ and Net Position if Enterprise Fund activity is included in the transparency portal report.

Town of Johnston
Combining Schedule of
Reportable Government Services with
Reconciliation to MTP2
Education Department
Fiscal Year Ended June 30, 2017

Per Audited Fund Financial Statements Fund Description	Total Revenue	Total Other Financing Sources	Total Expenditures	Total Other Financing Uses	Net Change in Fund Balance ¹	Beginning Fund Fund Balance ¹ (Deficit)	Prior Period Adjustment	Restated Beginning Fund Balance ¹ (Deficit)	Ending Fund Balance ¹ (Deficit)
School Unrestricted Fund	\$ 19,426,405	\$ 37,529,015	\$ 56,946,068	\$ -	\$ 9,352	\$ 5,166,063	\$ -	\$ 5,166,063	\$ 5,175,415
Enterprise Fund ¹	1,282,242	-	1,141,505	-	140,737	72,316	-	72,316	213,053
SBA School Capital Project Fund	-	-	-	-	-	-	-	-	-
School Special Revenue Funds	2,464,129	-	2,398,389	4,382	61,358	104,710	-	104,710	166,068
Totals per audited financial statements	\$ 23,172,776	\$ 37,529,015	\$ 60,485,962	\$ 4,382	\$ 211,447	\$ 5,343,089	\$ -	\$ 5,343,089	\$ 5,554,536

Reconciliation from financial statements to MTP2

Indirect Costs - not reported on MTP2	\$ -	\$ -	\$ (137,354)	\$ -	\$ 137,354	\$ -	\$ -	\$ -	\$ 137,354
Municipal appropriation for Education reported as a transfer on financial statements but a revenue on MTP2	37,529,015	(37,529,015)	-	-	-	-	-	-	-
On Behalf:	-	-	-	-	-	-	-	-	-
State pension	(2,316,058)	-	(2,316,058)	-	-	-	-	-	-
TIAA Cref	(95,327)	-	(95,327)	-	-	-	-	-	-
Transportation	(334,103)	-	(334,103)	-	-	-	-	-	-
Depreciation Expenses recognized on Financial Statements NOT recognized for MTP2 or UCOA and Net Investment in Capital Assets for School Lunch Fund as of June 30, 2016 not recognized in UCOA	-	-	(15,581)	-	15,581	(39,242)	-	(39,242)	(23,661)
Miscellaneous	-	-	-	(4,382)	4,382	-	-	-	4,382
Rounding	29	-	(2)	-	31	-	-	-	31
Totals Per MTP2	\$ 57,956,332	\$ -	\$ 57,587,537	\$ -	\$ 368,795	\$ 5,303,847	\$ -	\$ 5,303,847	\$ 5,672,642

Reconciliation from MTP2 to UCOA

No reconciling items from MTP2 to UCOA	-	-
Totals per UCOA Validated Totals Report	\$ 57,956,332	\$ 57,587,537

¹ and Net Position if Enterprise Fund activity is included in the transparency portal report.

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Supplementary Information
Annual Supplemental Transparency Report (MTP2)
June 30, 2017

EXHIBIT 12

NOTE 1. Basis of Presentation

The *Annual Supplemental Transparency Report (MTP2)* is a supplemental schedule required by the State of Rhode Island General Laws 45-12-22.2 and 44-35-10. This supplementary schedule included within the audit report is part of a broader project to create a municipal transparency portal (MTP) website to host municipal financial information in a centralized location.

The format of the *Annual Supplemental Transparency Report (MTP2)* was prescribed by the State Department of Revenue (Division of Municipal Finance), Office of the Auditor General, and the Department of Education.

NOTE 2. Reportable Government Services

Data consistency and comparability are among the key objectives of the State's Municipal Transparency portal. Consistent with that goal, the State has defined "reportable government services", RGS, to include those operational revenues, expenditures, and transfers related to activities which are essential to the achievement of municipal operations. The determination of RGS may be different from the activities included within the legally adopted budget of the municipality. In practice, some communities report certain RGS in separate funds (e.g., special revenue funds, enterprise funds) rather than the municipality's general fund. The *Annual Supplemental Transparency Report (MTP2)* includes a reconciliation to the fund level statements.

NOTE 3. Allocations

The State reporting requires expenditures to be reported by departments, as defined by the State. Some of the departmental groupings are not consistent with the departments reflected in the Town's budget and accounting system. To report these costs, the Town made allocations of costs to the State's departmental groupings based on a reasonable basis.

NOTE 4. Employee Groups - Compensation and Benefit Costs

Compensation includes salaries, longevity, stipends, clothing allowance/maintenance, shift differential, out-of-rank, holiday pay and bonuses.

For Public Safety departments (i.e., police, fire, and centralized dispatch) and the Education Department, compensation and most benefits costs are reported in the following employee groupings:

Group A: This group consists of employees who serve the primary function of the department.

- Police Department - police officers (e.g., uniform personnel - including, leadership positions)
- Fire Department - fire fighters (e.g., uniform personnel - including, leadership positions)
- Centralized Dispatch Department - civilian dispatchers only
- Education Department - professional staff providing direct services to students
- For the remaining departments - all employees' compensation and benefits are reported under Group A

TOWN OF JOHNSTON, RHODE ISLAND
Notes to Supplementary Information
Annual Supplemental Transparency Report (MTP2)
June 30, 2017

EXHIBIT 12

NOTE 4. Employee Groups - Compensation and Benefit Costs (Continued)

Group B: For Police and Fire Departments, compensation and benefits paid to its administrative employees and civilian dispatch employees are reported under Group B. The Education Department reports compensation and benefits paid to executive/mid-level educational administration employees under Group B.

Group C: This group is only used for the Education Department and it includes administrative and support staff.

Other post-employment benefits (OPEB) are not reported by employee groups on the MTP2. They are reported in total as either (1) contributions to a qualified OPEB trust or (2) the amount paid for medical and dental insurance for retirees when an OPEB trust fund has not been established. The detail employee group information for the Education Department can be found on the State's Municipal Transparency portal website.

NOTE 5. Education Revenue and Expenditures

The revenues and expenditures presented on the MTP2 under the Education Department is consistent with existing Uniform Chart of Accounts (UCOA) guidelines. Each MTP account code has been mapped to the corresponding UCOA code or group of UCOA codes to facilitate the preparation of the MTP reporting.

Additional guidance and definitions regarding the State's Municipal Transparency Portal can be found on the State Division of Municipal Finance website: <http://www.municipalfinance.ri.gov/>.

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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, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated February 28, 2018.

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.

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.

Parmelee Poirier & Associates LLP

Parmelee Poirier & Associates, LLP
Warwick, Rhode Island
February 28, 2018

**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, 2017. 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, 2017.

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, 2017, and the related notes to the financial statements, which collectively comprise the Town of Johnston, Rhode Island basic financial statements.

We issued our report thereon dated February 28, 2018 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.

Parmelee Poirier & Associates LLP

Parmelee Poirier & Associates, LLP
Warwick, Rhode Island
February 28, 2018

TOWN OF JOHNSTON, RHODE ISLAND

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017**

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	
U.S. Department of Education		
Pass through Rhode Island Department of Education:		
<i>IDEA Cluster:</i>		
IDEA Part B	84.027	\$ 999,973
IDEA Sec 619 - Preschool	84.173	29,165
Total IDEA Cluster		<u>1,029,138</u>
Title I	84.010	900,491
Title II	84.367	143,710
Title III	84.365	33,343
Pre K	84.419	65,000
Total U.S. Department of Education		<u>2,171,682</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	480,887
Total U.S. Department of Housing and Urban Development		<u>480,887</u>
U.S. Department of Agriculture		
Pass Through RI Department of Education:		
National School Lunch Program Cluster	10.555	706,423
Food Commodity	10.565	88,599
Total U.S. Department of Agriculture		<u>795,022</u>
U.S. Department of Transportation		
Pass Through Rhode Island Department of Transportation:		
Seatbelt Enforcement Grant	20.600	174
Child Passenger Safety (CPS)	20.600	7,854
Speed Enforcement Patrols	20.600	174
Impaired Driving Law Enforcement Patrols(Alcohol)	20.616	375
Total U.S. Department of Transportation		<u>8,577</u>
U.S. Department of Homeland Security		
Pass Through from Rhode Island Emergency Management Agency:		
Homeland Security (FEMA)	97.0067	8,686
Total U.S. Department of Homeland Security		<u>8,686</u>
U.S. Department of Justice		
Pass Through Rhode Island Department of Public Safety		
Bullet Proof Vest	16.607	4,263
Byrne Memorial Justice Assistance Grant	16.738	19,357
Total U.S. Department of Justice		<u>23,620</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	153,097
Total U.S. Department of Health and Human Services		<u>153,097</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$ 3,641,571</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, 2017

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, 2017, 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, 2017, 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, 2017

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness (es) identified? yes no

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

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

Material weakness (es) identified? yes no

Significant deficiency (ies) identified that are not considered to be material weakness (es)? yes 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 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 no

TOWN OF JOHNSTON, RHODE ISLAND
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SECTION II – FINDINGS RELATING TO THE FINANCIAL STATEMENT AUDIT

CURRENT YEAR FINDINGS:

None noted

PRIOR YEAR’S FINDINGS:

2016-001 – 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: This Finding was resolved in 2017.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Current Year Findings:

None noted

Prior Year Findings:

None noted

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