

TOWN OF MIDDLETOWN, RHODE ISLAND

ANNUAL FINANCIAL STATEMENTS

Year Ended June 30, 2019



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Town Administrator

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Town of Middletown, Rhode Island

June 30, 2019

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The Honorable Members of the
Town Council
Town of Middletown, Rhode Island

Independent Auditors' Report

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Middletown, Rhode Island as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Middletown, Rhode Island, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, General Fund Budgetary Comparison information, the pension related disclosures, and the other post-employment benefit disclosures as listed in the table of contents, 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 Middletown, Rhode Island's basic financial statements. The Supplementary School Unrestricted Fund Budgetary Comparison Information, Tax Collector's Annual Report, and Annual Supplemental Transparency Report (MTP2) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplementary School Unrestricted Fund Budgetary Comparison Information, Tax Collector's Annual Report, and Annual Supplemental Transparency Report (MTP2) are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary School Unrestricted Fund Budgetary Comparison Information, Tax Collector's Annual Report, and Annual Supplemental Transparency Report (MTP2) are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2020, on our consideration of the Town of Middletown, Rhode Island's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the Town of Middletown, Rhode Island's 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 Middletown, Rhode Island's internal control over financial reporting and compliance.

Hague, Sabady & Co. PC

Fall River, Massachusetts
January 31, 2020

Town of Middletown, Rhode Island

Management Discussion and Analysis

For the Year Ended June 30, 2019

As management of the Town of Middletown, Rhode Island (Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2019 (FY2019).

Financial Highlights

The assets and deferred outflows of the Town government-wide exceeded its liabilities and deferred inflows as of June 30, 2019 by \$27,738,116 (*net position*). Net position includes \$54,805,866 of net investment in capital assets; \$1,525,326 of restricted net position; and \$(28,593,076) of unrestricted net position. Total assets were \$131,729,914; total deferred outflows were \$11,658,181; total liabilities were \$107,049,203 and total deferred inflows were \$8,600,776 at June 30, 2019. Total net position increased by \$6,521,689 in the current fiscal year.

As of June 30, 2019, the Town's governmental funds reported combined ending fund balances of \$23,821,117, a decrease of \$3,198,451 in comparison with the prior year. The favorable fiscal year results in the General fund were offset by the unfavorable results in the School Department, School Capital Projects and Other Governmental Funds resulted in the majority of the net decrease in fund balance. See page 13 for additional discussion regarding changes in the fund balance of the General Fund, School Department Special Revenue Fund, Capital Projects Fund and Other Governmental Funds.

As of June 30, 2019, the unassigned fund balance for the General Fund was \$7,258,860, or 12.7% of total budgeted 2019 General Fund expenditures and other financing uses, totaling \$57,070,486. This portion is unassigned and available for spending at the Town's discretion.

The Town's long-term obligations decreased by \$1,536,210 (3.3%) during the current fiscal year. The factors causing this decrease were principal payments of \$3,832,600, a reduction of \$49,350 of unearned grant revenue, a reduction of claims and judgements of \$2,409, a reduction of \$28,000 in pollution remediation obligations, a reduction of \$119,824 of deferred bond issuance premiums offset by an increase in accrued compensated absences of \$4,704 less the balance of undrawn loan proceeds of \$2,491,269.

Effective for fiscal year ending June 30, 2019, the Town adopted the provisions of Statement No. 88 of the Governmental Accounting Standards Board, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements (GASB 88). The objective of GASB 88 is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

Town of Middletown, Rhode Island

Management Discussion and Analysis

For the Year Ended June 30, 2019

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements, which are comprised of three components:

- Government-wide financial statements,
- Fund financial statements and,
- Notes to the financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The *Statement of Net Position* presents information on the entire Town's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between the two reported as *net position*. The amount of net position is widely considered a good measure of the Town's financial health as increases or decreases of the Town's net position serves as a useful indicator of whether the financial position is improving or deteriorating.

The *Statement of Activities* presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, 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 until future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). The statement also presents a comparison between direct expenses and program revenues for each function of the Town.

The governmental activities section is principally supported by taxes and intergovernmental revenues (federal and state grants). The Business-Type activities section is primarily supported by user fees or charges which are intended to recover all or a significant portion of the activities' costs.

The governmental activities of the Town include broad functions of the general government, public safety, public works and sanitation, education, library, planning and inspection, and community services. The business-type activities of the Town include a Sewer Fund, a Parks and Recreation Fund, and a Refuse and Recycle Fund.

In the statement of activities, the operations of the Town are presented in a format that reports the net of expenses and revenues of its individual functions – the objective being to report the relative burden of each of the Town's functions to the taxpayers. Revenues offsetting related functional expenses are separated into three categories: charges for services, operating grants and contributions, and capital grants and contributions.

The government-wide financial statements can be found on pages 22-25 of this report. These are prepared using the economic resources measurement focus and the accrual basis of accounting. They take into account all revenues recognized and expenses incurred even if the cash has not been received or paid.

Town of Middletown, Rhode Island

Management Discussion and Analysis

For the Year Ended June 30, 2019

Fund financial statements. Traditional users of governmental financial statements will find the fund financial statement presentation to be most familiar. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific projects, activities or objectives. The Town, 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 can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Most of the basic services provided by the Town are financed through governmental 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 spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. This approach is known as the flow of current financial resources measurement focus and the accrual basis of accounting. Under this approach revenues are recorded when cash is received or susceptible to accrual (i.e., measurable and available to liquidate the liabilities of the current period). Expenditures are generally recorded when liabilities are incurred except for those related to long-term liabilities, which are recorded when due and payable.

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 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 maintains sixty-six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, School Department and the School Capital Projects fund which are considered to be major funds. Data for the other governmental funds are combined into a single, aggregated presentation.

The Town adopts an annual appropriated budget for its General Fund and School Department. Budgetary comparison statements have been provided for the General Fund and the School Department to demonstrate compliance with this budget. These comparison statements can be found on pages 116 and 137 of this report.

The basic governmental fund financial statements can be found on pages 26 and 28 of this report.

Proprietary funds. Proprietary funds are used to account for business-like activities provided to the general public (enterprise funds) or within the government (internal service funds). These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. Two of the Town's enterprise funds, Sewer Fund and Parks and Recreation Fund, are major funds; Refuse and Recycle Fund is a non-major fund however, management has elected to present them as major. The Town has no internal service funds.

Town of Middletown, Rhode Island

Management Discussion and Analysis

For the Year Ended June 30, 2019

The basic proprietary fund financial statements can be found on pages 30-33 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Town's own programs. The economic resources measurement basis and the accrual basis of accounting is used for fiduciary funds. The accounting used for fiduciary funds is much like that used for proprietary funds. The fiduciary funds maintained by the Town include the Town Pension, Other Post-employment Benefit Trust, Clarke Scholarship Private Purpose Trust and various agency funds. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The basic fiduciary fund financial statements can be found on pages 34-35 of this report.

Notes to the financial statements. The 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 on pages 36-115 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* which presents schedules relating to the Town's pension and other postemployment benefit plans, as well as budgetary comparison schedules for the General Fund to demonstrate compliance with their respective budgets. Required supplementary information can be found on pages 116-136 of this report.

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, assets and deferred outflows exceeded liabilities and deferred inflows by \$27,738,116 at June 30, 2019.

Net investment in capital assets comprises \$54,805,866 of total net position. This represents the Town's investment in capital assets (e.g., land, buildings, machinery, infrastructure and equipment), less any related outstanding debt used to acquire those assets. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Town of Middletown, Rhode Island

Management Discussion and Analysis

For the Year Ended June 30, 2019

Town of Middletown's Net Position

	Governmental Activities		Business Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$34,638,604	\$35,859,678	\$ 7,416,272	\$ 7,666,225	\$42,054,876	\$43,525,903
Capital assets	64,633,462	62,367,928	25,041,576	21,067,490	89,675,038	83,435,418
Total assets	99,272,066	98,227,606	32,457,848	28,733,715	131,729,914	126,961,321
Deferred outflows	11,635,825	16,158,600	22,356	43,492	11,658,181	16,202,092
Long-term liabilities	36,287,038	39,066,803	8,619,844	7,376,289	44,906,882	46,443,092
Other liabilities	59,219,022	59,547,580	2,923,299	1,930,683	62,142,321	61,478,263
Total liabilities	95,506,060	98,614,383	11,543,143	9,306,972	107,049,203	107,921,355
Deferred inflows	8,553,909	13,973,924	46,867	51,707	8,600,776	14,025,631
Net position:						
Net investment in capital assets	37,386,757	37,782,260	17,419,109	15,465,086	54,805,866	53,247,346
Restricted	1,525,326	861,857	—	—	1,525,326	861,857
Unrestricted	(32,064,161)	(36,846,218)	3,471,085	3,953,442	(28,593,076)	(32,892,776)
Total Net Position	\$ 6,847,922	\$ 1,797,899	\$20,890,194	\$19,418,528	\$27,738,116	\$21,216,427

A portion of the Town's net position, totaling \$1,525,326 (1.3%), represents resources that are subject to external restrictions on how they may be used. *Unrestricted net position*, totaling \$(28,593,076), includes the results of GASB 68 and GASB 75.

At June 30, 2019, the Town reports positive net position balances in the net investment in capital assets, restricted net position, and in the unrestricted net position for business-type activities but reports a negative balance in the unrestricted net position for the governmental activities. The government as a whole reports a positive net position.

Governmental activities. Governmental activities increased the Town's net position by \$5,050,023 from the previous year, principally due to capital assets purchased from current year resources of \$6,103,000, a net reduction in pension and other post employment expense of \$3,769,000 due to GASB 68 and GASB 75, revenue received to pay principal on long-term debt of \$2,613,000, certain accruals not requiring the use of current resources of \$155,000, General Fund revenue received in excess of expenditures of \$2,122,000 offset by depreciation expense in the amount of \$3,837,000, capitalization of deferred outflows on advanced refunding and bond premiums of \$65,000, revenues received that do not provide current financial resources of \$489,000 School Department, School Capital Projects Fund and Other Governmental Funds expenditures in excess of revenues of \$5,320,000.

Business-type activities. Business-type activities increased the Town's net position by \$1,471,666, primarily due to Sewer fund revenue used to fund debt service costs in the amount of \$1,220,000 offset by

Town of Middletown, Rhode Island

Management Discussion and Analysis

For the Year Ended June 30, 2019

fund balance used for environmental remediation expenditures in the amount of \$131,000. Parks and Recreation fund includes unspent revenue for capital expenditures in the amount of \$330,000 and Refuse & Recycling fund revenue exceeded expenditures by approximately \$65,000.

Town of Middletown's Changes in Net Position

	Governmental Activities		Business Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	5,807,534	5,099,563	9,110,056	8,913,232	14,917,590	14,012,795
Operating grants and contributions	13,138,778	13,966,333	44,500	—	13,183,278	13,966,333
Capital grants and contributions	40,899	191,421	—	—	40,899	191,421
General revenues:					—	
Property taxes	47,527,594	47,267,137	—	—	47,527,594	47,267,137
Grants and contributions not restricted to specific programs	2,598,382	2,508,930	—	—	2,598,382	2,508,930
Other	663,638	454,534	32,507	12,012	696,145	466,546
Total revenues	<u>69,776,825</u>	<u>69,487,918</u>	<u>9,187,063</u>	<u>8,925,244</u>	<u>78,963,888</u>	<u>78,413,162</u>
Expenses:						
General government	6,697,330	6,703,646	—	—	6,697,330	6,703,646
Public safety	12,563,964	15,221,418	—	—	12,563,964	15,221,418
Public works/sanitation	1,134,171	1,707,517	—	—	1,134,171	1,707,517
Planning/inspection	639,716	639,891	—	—	639,716	639,891
Library	924,821	931,736	—	—	924,821	931,736
Education	41,194,658	41,658,036	—	—	41,194,658	41,658,036
Community services	587,436	667,992	—	—	587,436	667,992
Interest on long-term debt	958,593	964,753	—	—	958,593	964,753
Refuse and recycle	—	—	4,933,432	972,209	4,933,432	972,209
Parks and recreation	—	—	1,828,156	1,787,145	1,828,156	1,787,145
Sewer	—	—	979,922	3,939,155	979,922	3,939,155
Stormwater	—	—	—	1,780	—	1,780
Total expenses	<u>64,700,689</u>	<u>68,494,989</u>	<u>7,741,510</u>	<u>6,700,289</u>	<u>72,442,199</u>	<u>75,195,278</u>
Increase (decrease) in net position before transfers	5,076,136	992,929	1,445,553	2,224,955	6,521,689	3,217,884
Transfers	(26,113)	(113,607)	26,113	113,607	—	—
Increase (decrease) in net position	5,050,023	879,322	1,471,666	2,338,562	6,521,689	3,217,884
Net position - beginning	1,797,899	918,577	19,418,528	17,079,966	21,216,427	17,998,543
Net position - ending	<u>6,847,922</u>	<u>918,577</u>	<u>20,890,194</u>	<u>17,079,966</u>	<u>27,738,116</u>	<u>17,998,543</u>

Town of Middletown, Rhode Island

Management Discussion and Analysis

For the Year Ended June 30, 2019

Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the Town'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's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of June 30, 2019, the Town's governmental funds reported combined ending fund balances of \$23,821,117. Of this amount, \$7,258,860 constitutes *unassigned fund balance*, which is available for spending by the Town. The remainder of fund balance is *nonspendable, restricted, committed, and assigned*, and is not available for new spending because it has already been identified for 1) generating income to pay for the perpetual care of the municipal cemetery in the amount of \$135,810; 2) long-term loans receivable in the amount of \$100,000; 3) grants in the amount of \$775; 4) prepaid expenses of \$38,648 and other purposes in the amount of \$58,608; 5) various commitments for West Main Road development, education, open space, and capital improvements totaling \$13,177,570 and 6) other specific purposes in the amount of \$3,050,846. See page 23. A total of \$250,000 of the Governmental committed fund balance as of June 30, 2019 is budgeted to be used in FY2020.

The General Fund is the chief operating fund of the Town. At June 30, 2019, unassigned fund balance of the General Fund was \$7,258,860, while total fund balance was \$12,588,736. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 13.4% of total General Fund expenditures and other financing uses of \$54,031,139, while total fund balance represents 19.4% of that same amount.

During FY2019, the fund balance of the Town's General Fund increased by \$2,121,755, principally due the collection of current property taxes in excess of budget in the amount of \$581,000, building permit revenue in excess of budget in the amount of \$93,000, public safety and public works departments were under budget by \$648,000, revenues received in excess of expenditures of \$799,000 which include open space, canvassing and elections, revaluation, rescue wagon, severance and capital improvement program funds.

The School Department, a special revenue fund of the Town, had a total fund balance of \$2,878,034 which includes an assigned fund balance of \$1,298,119 at June 30, 2019. The assigned fund balance represents 3.58% of total School Department expenditures of \$36,295,472. The School Department's fund balance decreased by \$316,879 during the fiscal year ended June 30, 2019. This decrease is primarily due to the planned use of fund balance for capital purchases. A total of \$774,000 of the School Department assigned fund balance as of June 30, 2019 is budgeted to use in FY2020.

The School Capital Projects fund had a fund balance of \$7,626,755, which represents a \$1,875,785 decrease during the fiscal year ended June 30, 2019. The decrease in fund balance is due to the use of bond proceeds that was recognized as revenue in a prior year.

Town of Middletown, Rhode Island

Management Discussion and Analysis

For the Year Ended June 30, 2019

The Other Governmental Funds had a total fund balance of \$2,603,377, which represents a \$3,127,542 decrease in fund balance during the fiscal year ended June 30, 2019. The decrease in fund balance is primarily due to the excess of expenditures over revenue in the Public Private Venture special revenue fund in the amount of \$174,000, the John F. Kennedy building fund in the amount of \$101,000, the School Capital Improvement Fund of \$243,000 and the Town Capital Improvement Impact fund of \$2,799,000 offset by the excess of revenues over expenditures in the School Lunch program of \$85,000 and in the Capital Improvement Impact special revenue fund of \$84,000.

Proprietary funds. The Town's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail.

Net position of the Sewer Fund at June 30, 2019 amounted to \$14,424,898, of which \$1,493,122 is unrestricted. Parks and Recreation Fund net position amounted to \$5,860,823, of which \$1,373,490 is unrestricted. Refuse and Recycling Fund net position amounted to \$604,473, all of which is unrestricted. The total growth in net position for each of the three funds was \$1,010,049, \$396,641, and \$64,976, respectively. Other factors concerning the finances of these three funds have already been addressed in the discussion of the Town's business-type activities.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget for FY2019 revenues totaled an increase of approximately \$508,000 primarily due to an increase in property taxes, insurance proceeds, intergovernmental state revenue for housing aid, fee from land evidence and police details, offset by a decrease in donations, intergovernmental federal grant revenue. See page 117.

Further, there was an overall increase in budgeted expenditures of approximately \$78,000. The major items contributing to the net increase in expenditures are as follows:

- \$25,000 increase for the land evidence recording project.
- \$53,000 increase for 275th anniversary celebration.
- \$70,000 increase in legal services.
- \$155,000 increase in severance expenditures.
- \$329,000 increase for police private detail pay.
- \$205,000 increase for Information Technology technology hardware.
- \$33,000 increase for police memorial walkway.
- \$300,000 decrease in Federal Grant expenditures.
- \$351,000 decrease in debt service payments.
- \$47,000 decrease for deferral of West Main Road study.
- \$113,000 decrease in Capital expenditures to defer town hall carpet replacement.

Actual expenditures were below budgeted expenditures by approximately \$1,029,000 primarily as a net result of \$272,000 reduced public safety expenditures; \$116,000 of reduced general government expenditure; \$243,000 of reduced public works expenditure and \$265,000 of unspent capital expenditures.

Town of Middletown, Rhode Island

Management Discussion and Analysis

For the Year Ended June 30, 2019

School Department Special Revenue Fund Budgetary Highlights

The school department funds ended the year with revenue recorded in the amount of \$62,838 in excess of the amount budgeted. Other revenues received were higher than budgeted by \$196,949, which was primarily due to earnings on investments of \$134,674 that was received and not budgeted.

The expenditures for the school department funds ended the year with a favorable variance of \$115,446. The most significant savings were for salaries of \$213,642 and employee benefits of \$272,979. These savings were offset by expenditures in excess of the budget for purchased services of \$524,330, which was mainly due to increased costs from the budget for transportation contractors as well as tuition costs paid to other school districts.

Capital Asset and Debt Administration

Capital assets. The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2019 amounts to \$89,675,038 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings and improvements, infrastructure, construction in progress, furniture and equipment, library books, and motor vehicles. The total of the Town's investment in capital assets for the current fiscal year increased by 6,239,620 or 7.1%, of which \$2,265,534 increased for governmental activities and \$3,947,086 increased for business-type activities.

Major capital asset events during FY2019 included the following:

On-going:

- Residential street upgrades and improvements encompassing sewer lines, drainage, systems, sidewalks and road re-pavement
- Town-wide catch basin and storm drain improvement and reconstruction
- District-wide improvements to the school buildings, window replacement, roof replacement, renovate building entrances, parking lot improvements, Boiler/HVAC replacement, network infrastructure updates, security system upgrades and technology replacements
- Beach, campground and War Memorial improvements

Purchase of:

- Two sports utility vehicles per fleet management schedules for the Police Department
- Two pick-up trucks and a mower for the Parks & Recreation department
- Police security door system
- Senior Center fencing for garden area
- Public Works service station replaced Fuel Master dispensers
- Beach and campground additions include waterline for shower pedestals, bath house water pressure booster, new decking, Conex storage containers, and playground equipment
- Fencing for Howland Park
- Library reference collection

Town of Middletown, Rhode Island

Management Discussion and Analysis

For the Year Ended June 30, 2019

Capital Asset and Debt Administration (continued)

Capital assets (continued)

- School custodial floor care machines, plumbing improvements, and playground equipment

Upgrades to:

- Various servers and network infrastructure equipment Town-wide, including a data storage system, camera systems and wireless network components

Town of Middletown's Capital Assets (net of depreciation)

	Governmental Activities		Business Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	9,092,536	9,092,536	3,167,391	3,167,391	12,259,927	12,259,927
Buildings and improvements	23,292,153	23,312,371	196,413	197,657	23,488,566	23,510,028
Land improvements	3,620,556	3,913,734	1,135,470	1,164,517	4,756,026	5,078,251
Furniture and equipment	2,038,511	2,407,938	646,189	817,710	2,684,700	3,225,648
Infrastructure	16,156,818	16,422,232	14,299,921	14,798,230	30,456,739	31,220,462
Construction in progress	8,284,490	4,664,749	5,529,000	861,987	13,813,490	5,526,736
Library books	49,997	49,994	—	—	49,997	49,994
Motor vehicles	2,098,401	2,504,374	67,192	59,998	2,165,593	2,564,372
Total	64,633,462	62,367,928	25,041,576	21,067,490	89,675,038	83,435,418

The Town's active construction projects as of June 30, 2019 include road reconstruction, drainage and sanitary upgrades in designated areas of the Town, roof repairs, door and window repairs, and flooring projects at school buildings. Remaining commitments at June 30, 2019 total approximately \$3,455,000. The road reconstruction and beach improvements to parking lots are funded through the Capital Improvement Program special revenue fund and road bond proceeds; the commitments for sanitary sewer upgrades and interceptor inspections and improvements are funded through Sewer Fund operations and revenue bond proceeds; and the commitments for the roof repairs are funded from the school bond proceeds.

Additional information on the Town's capital assets can be found in Notes 5 and 11 on pages 56-57 and 111, respectively, of this report.

Town of Middletown, Rhode Island

Management Discussion and Analysis

For the Year Ended June 30, 2019

Long-term debt

At June 30, 2019, the Town had total bonded debt outstanding of \$31,173,000 entirely backed by the full faith and credit of the Town. In addition, the Town has \$7,986,844 outstanding loans payable to the Rhode Island Infrastructure Bank and Rhode Island Clean Water Finance Agency and capital leases in the amount of \$229,760. The repayment of capital leases is incumbent upon the appropriation of current financial resources to make annual lease payments. The Town fully expects to appropriate future financial resources for annual lease payments.

Town of Middletown's Outstanding Debt
General Obligation Bonds, Loans Payable, and Capital Leases

	Governmental Activities		Business Type Activities		Total	
	2019	2018	2019	2018	2019	2018
General obligation bonds	\$31,173,000	\$33,550,000	\$0	\$0	\$31,173,000	\$33,550,000
Loans payable	250,000	300,000	7,736,844	6,465,289	7,986,844	6,765,289
Capital Leases	229,760	415,646			229,760	415,646
Total	\$31,652,760	\$34,265,646	\$ 7,736,844	\$ 6,465,289	\$39,389,604	\$40,730,935

Rhode Island General Law caps the amount of each municipality's general obligation bonds that may be outstanding to 3% of its assessed property values. Exceptions apply to bonds approved pursuant to special acts or financed from non-tax revenues; additional special exemptions are granted for other purposes as well. The assessed value of the Town's properties at December 31, 2018 was \$3,204,678,961, limiting the amount of non-excepted general obligation bonds outstanding to \$96,241,252. At June 30, 2019, bonds outstanding totaled \$31,173,000, of which \$3,700,000 were issued subject to the 3% debt limit and \$27,473,000 were issued pursuant to special bond acts and are not subject to the 3% debt limit. Total bonds outstanding of \$31,173,000 represent 0.97% of assessed property value.

Additional information on the Town's long-term debt can be found in Note 6 on pages 58-65 of this report.

Town of Middletown, Rhode Island

Management Discussion and Analysis

For the Year Ended June 30, 2019

Economic Factors

The Town enjoys a favorable economic environment and local indicators point to relative stability. As early as 1743, regional economic demand factors encouraged the agricultural sector to develop.

Neighboring Newport provided a viable marketplace for the Town's agricultural commodities. Wealthy merchants from Newport also viewed the Town as a desirable place to live. Its prominence as a desirable residential community was second only to its function as a regional agricultural supplier.

Although changes in land use and economic activity occurred, for the most part the Town maintained its rural character well into the 20th Century. The most dramatic change occurred with the onset of World War II when the Navy purchased over 300 acres of waterfront property. This farmland was rapidly converted to Naval support facilities and housing. The infusion of naval personnel, along with the associated development impacts, increased the regional population by nearly 900 percent from 1940 to 1970 and created a new economic sector within the Town and region. Historical economic linkages were changed by the addition of new consumer needs which were based upon the Navy's presence.

The Town's present economy reflects diversity of activity, but with a significant sector devoted to industries associated with defense-related activities. The Town also benefits from the important local tourism economy based on visitors to Newport and Aquidneck Island. The Town includes a large percentage of Aquidneck Island's lodging businesses, including hotels, inns, and bed and breakfasts, as well as restaurants and other service and retail businesses.

The Town had a 2010 U.S. Census Bureau population of 16,150, and a 2018 estimated population of 15,934. Middletown is located in Newport County approximately 30 miles southeast of Providence and is centrally located on Aquidneck Island between the City of Newport to the south and the Town of Portsmouth to the north. The Town limits extend over an area of 14.7 square miles, including a land area of 12.9 square miles and an inland water area of 1.8 square miles.

Routes 138 and 114 are major highways connecting the Town to Interstate 195, Interstate 95, State Route 24 and the entire northeast corridor. Air transportation is available at the Newport State Air Park, located in Middletown, which provides charter air service to all major airports in New England and New York.

The State of Rhode Island's (the State) major airport facility, T.F. Green Airport, is located in the City of Warwick, approximately 30 miles from the Town, and offers scheduled service by several national and regional carriers. Boston's Logan International Airport is located approximately 70 miles to the north. Nationwide intercity rail passenger service is offered through AMTRAK with its stations in Providence and Kingston, RI. Regional commuter rail service to Boston and eastern Massachusetts is provided by the Massachusetts Bay Transportation Authority (MBTA). The MBTA currently provides service from Providence Station, T.F. Green Airport in Warwick, and Wickford Junction in North Kingstown. Future expanded service is expected to serve Fall River and New Bedford, MA. Middletown is also served with scheduled bus service by the Rhode Island Public Transit Authority (RIPTA) and its statewide system, as well as Peter Pan Bus Lines, which provides service to Providence, Boston and New York City. Freight

Town of Middletown, Rhode Island

Management Discussion and Analysis

For the Year Ended June 30, 2019

transportation is provided by local and long-distance trucking firms. Railroad freight service is available on the mainland. The nearby ports of Providence and Davisville provide the Town with excellent shipping facilities.

In 2018, Middletown had an annual average labor force of approximately 7,964 and an unemployment rate of approximately 3.6% (not seasonally adjusted). The U.S. Navy remains the most significant public-sector employer on Aquidneck Island and still contributes significant employment opportunities in the area. The 1995 and 2005 Base Realignment and Closure Commission's (BRAC) recommendations firmly established Naval Station Newport as the nation's leading naval educational center, with a net gain of 500 positions as a result of the 2005 BRAC. The Naval Education and Training Center (NETC) currently contains twelve formal schools, including the Naval War College and the Naval Justice School, and hosts a variety of other training and planning activities and groups. The 1995 BRAC also established the Naval Undersea Warfare Center (NUWC) as the Navy's main facility for development, testing and evaluation, engineering and fleet support center for submarines, autonomous underwater systems, undersea offensive and defensive weapon systems, and countermeasures associated with undersea warfare.

The Town continues to share in a large proportion of the retail business conducted on Aquidneck Island. Since developable land is available, the Town has become the commercial core of the Island. Presently, there are five large shopping centers and six other significant retail areas in the Town.

The services industries group, including businesses related to the local tourism industry, has been the fastest growing private employment sector. Several new hotels and restaurants have been approved for development in recent years, and Middletown now rivals Newport for the number of available hotel rooms. Wholesale and retail trade is the second largest private employer group.

Because of the Town's proximity to Naval Station Newport, as well as its large supply of office space, it has become the center for many of the contract services companies supporting the Naval Undersea Warfare Center and other naval activities. Aquidneck Island has the highest concentration of defense-related companies in the State, including the Raytheon facility located in Portsmouth. Middletown is also host to other high tech and financial services companies. Overall, light industry and office businesses that have come to the Town have had a positive effect on the economy of the Town and Aquidneck Island.

As a result of the past national economic climate, including limitations on lending, new commercial development in Middletown was limited in recent years. However, interest in redevelopment and expansion of existing commercial properties continues. Several recently vacated retail spaces have been renovated and have new tenants. Of note, there are currently few vacant large retail spaces in Middletown. Some of the still available retail spaces included those recently vacated by Benny's Home & Auto and a few vacant restaurants. In the past few years several additional renovations and expansions of existing commercial buildings (retail and lodging businesses) have been completed. A new hotel resort and conference facility, which includes 198 rooms, a restaurant, and conference/event space was completed. A new mixed commercial/residential building on Wave Ave., renovation and expansion of an existing Cumberland Farms convenience store, and the SeaBreeze Inn, both on Aquidneck Ave. were recently completed. Several other commercial projects are in various stages of the approval process. As the economy improves, it is anticipated that new office development will also continue.

Town of Middletown, Rhode Island

Management Discussion and Analysis

For the Year Ended June 30, 2019

Residential permitting activity is strong. In the past few years a 12-lot high-end residential subdivision was completed, and two condominium developments totaling 50+ units were approved and are currently under construction. Several smaller subdivisions have also been approved recently. Over the past year, building permit activity has continued to rebound.

The U.S. Navy declared 225 acres of Naval Station Newport land on Aquidneck Island surplus and available for reuse. Parcels include the former Navy Hospital in Newport; the former Navy Lodge parcel and Midway Pier in Middletown; and tank farms 1 & 2 in Portsmouth. The Department of Defense recognized the Aquidneck Island Reuse Planning Authority (AIRPA) as the local redevelopment authority with the responsibility to produce and submit a reuse plan for all surplus land. The three communities have individually worked to develop reuse plans for the parcels within their jurisdictions. These plans were provided to AIRPA which compiled the single, unified reuse plan that was submitted to HUD and the Navy in August 2011 and was approved.

Each of the communities is now working independently with the Navy to facilitate transfer of the properties using various conveyance mechanisms. In Middletown's case, the Town has acquired the three-acre former Navy Lodge site, located at the intersection of West Main Rd and Coddington Highway. This parcel is proposed to be combined with approximately 13 acres of adjoining Town-owned land to create a mixed-use Town center. The development will include commercial, municipal, and possible residential uses in a walkable village style development. It will greatly enhance this section of West Main Road and provide an attractive gateway to promote economic development in Middletown and the North End of Newport. The Town is also seeking the transfer through a no-cost public benefit conveyance, through the federal lands to parks program, of 15 acres of land along the Narragansett Bay shoreline for development of a public park. That parcel is expected to transfer in 2021.

The Town continues to invest in its future, including long range planning and infrastructure improvements. In March 2015 the Town Council adopted the new Middletown Comprehensive Community Plan, which provides the vision, and goals and action steps to reach that vision over the next ten years. The Plan was approved by the state, and implementation of its recommendations continues. Improvements to town roads, and the sewer and storm water systems are ongoing in several locations. Construction of the fire station expansion and new DPW offices was recently completed, and improvements to the Town's recreation fields and facilities are ongoing.

Implementation of the 2007 Atlantic Beach District Master Plan continues with construction of intersection safety improvements by the Rhode Island Department of Transportation recently completed. Design work on proposed streetscape improvements and possible undergrounding of utilities within the district is also proceeding. Funding for the streetscape project will be sought through the state transportation improvement program. The undergrounding of utilities would be completed in conjunction with the streetscapes project but with funding from the Atlantic Beach Tax Increment Financing (TIF) District.

The Town is working with regional partners on economic development initiatives, including efforts to provide affordable fiber optic broadband service to Aquidneck Island, and the recent creation of a regional economic development office, Connect Greater Newport, to serve as a one stop shop and point of contact for prospective businesses and existing businesses looking to expand in the area. The Newport County Chamber of Commerce, in cooperation with local municipalities, businesses and non-profit

Town of Middletown, Rhode Island

Management Discussion and Analysis

For the Year Ended June 30, 2019

organizations, have created and funded Connect Greater Newport. This effort recognizes the need to pool resources to best promote economic development for the entire region. Outreach to the local business community is underway to learn about and work to address their concerns.

Requests for Information

This financial report is designed to provide a general overview of the Town of Middletown'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 Office of the Finance Director, 350 East Main Road, Middletown, RI 02842.

Town of Middletown, Rhode Island

Statement of Net Position

June 30, 2019

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and cash equivalents	\$ 23,312,908	\$ 3,339,706	\$ 26,652,614
Investments	2,341,354	—	2,341,354
Accounts receivable, less allowance for doubtful accounts of \$511,806			
Property taxes	765,044	—	765,044
Federal and state government	2,067,992	—	2,067,992
Assessments and user fees	—	898,392	898,392
Loans	1,369,189	—	1,369,189
Other	1,970,222	—	1,970,222
Prepaid expenses	39,648	—	39,648
Internal balances	(2,922,034)	2,922,034	—
Receivables from external parties	19,270		19,270
Pensions	5,675,011	—	5,675,011
Noncurrent assessments and user fees	—	256,140	256,140
Capital assets not being depreciated	17,377,026	8,696,390	26,073,416
Capital assets being depreciated, net	47,256,436	16,345,186	63,601,622
	<u>99,272,066</u>	<u>32,457,848</u>	<u>131,729,914</u>
DEFERRED OUTFLOWS:			
Pensions	11,023,765	22,356	11,046,121
Advance refundings	332,953	—	332,953
OPEB	279,107	—	279,107
	<u>11,635,825</u>	<u>22,356</u>	<u>11,658,181</u>

The accompanying notes are an integral part of this statement

Town of Middletown, Rhode Island

Statement of Net Position

June 30, 2019

LIABILITIES:			
Accounts payable and accrued expenses	4,172,405	2,725,954	6,898,359
Unearned revenue	148,326	—	148,326
Payables to external parties	318,769		318,769
Pensions	37,886,452	197,345	38,083,797
OPEB	16,693,070		16,693,070
Long-term obligations:			
Due within one year	2,870,470	1,221,243	4,091,713
Due in more than one year	33,416,568	7,398,601	40,815,169
Total liabilities	95,506,060	11,543,143	107,049,203
DEFERRED INFLOWS:			
Pensions	4,684,159	46,867	4,731,026
OPEB	3,869,750	—	3,869,750
Total deferred inflows	8,553,909	46,867	8,600,776
NET POSITION:			
Net investment in capital assets	37,386,757	17,419,109	54,805,866
Restricted for:			
Prepaid items	38,648	—	38,648
Long-term loans receivable	100,000	—	100,000
Perpetual care	135,810	—	135,810
Principal of endowments	59,923	—	59,923
Public safety	21,212	—	21,212
Public works	3,482	—	3,482
Community services	1,096	—	1,096
Education	687,628	—	687,628
School construction	476,752	—	476,752
Grants	775	—	775
Unrestricted	(32,064,161)	3,471,085	(28,593,076)
Total net position	\$ 6,847,922	\$ 20,890,194	\$ 27,738,116

The accompanying notes are an integral part of this statement

Town of Middletown, Rhode Island
Statement of Activities
For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contribution	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 6,697,330	\$ 757,929	\$ 401,466	\$ —	\$ (5,537,935)	\$ —	\$ (5,537,935)
Public safety	12,563,964	3,028,371	126,265	—	(9,409,328)	—	(9,409,328)
Public works and sanitation	1,134,171	1,528	26,650	40,899	(1,065,094)	—	(1,065,094)
Planning and inspection	639,716	749,069	—	—	109,353	—	109,353
Library	924,821	13,865	161,953	—	(749,003)	—	(749,003)
Education	41,194,658	1,256,772	12,221,951	—	(27,715,935)	—	(27,715,935)
Community services	587,436	—	200,493	—	(386,943)	—	(386,943)
Interest on long-term debt	958,593	—	—	—	(958,593)	—	(958,593)
Total governmental activities	<u>64,700,689</u>	<u>5,807,534</u>	<u>13,138,778</u>	<u>40,899</u>	<u>(45,713,478)</u>	<u>—</u>	<u>(45,713,478)</u>
Business-Type activities:							
Sewer	4,933,432	5,874,565	44,500	—	—	985,633	985,633
Parks and recreation	1,828,156	2,193,364	—	—	—	365,208	365,208
Refuse and recycle	979,922	1,042,127	—	—	—	62,205	62,205
Total business-type activities	<u>7,741,510</u>	<u>9,110,056</u>	<u>44,500</u>	<u>—</u>	<u>—</u>	<u>1,413,046</u>	<u>1,413,046</u>
Total	<u>\$72,442,199</u>	<u>\$ 14,917,590</u>	<u>\$ 13,183,278</u>	<u>\$ 40,899</u>	<u>\$ (45,713,478)</u>	<u>\$ 1,413,046</u>	<u>\$ (44,300,432)</u>

The accompanying notes are an integral part of this statement

Town of Middletown, Rhode Island
Statement of Activities
For the Year Ended June 30, 2019

	Governmental Activities	Business-Type Activities	Total
General revenues:			
Property taxes	\$ 47,527,594	\$ —	\$ 47,527,594
Grants and contributions not restricted to specific programs	2,598,382	—	2,598,382
Investment earnings	190,698	32,507	223,205
Miscellaneous	472,940	—	472,940
Transfers	<u>(26,113)</u>	<u>26,113</u>	<u>—</u>
 Total general revenues and transfers	 <u>50,763,501</u>	 <u>58,620</u>	 <u>50,822,121</u>
 Change in net position	 <u>5,050,023</u>	 <u>1,471,666</u>	 <u>6,521,689</u>
 Net position, beginning of year:	 <u>1,797,899</u>	 <u>19,418,528</u>	 <u>21,216,427</u>
 Net position, end of year	 <u><u>\$ 6,847,922</u></u>	 <u><u>\$ 20,890,194</u></u>	 <u><u>\$ 27,738,116</u></u>

The accompanying notes are an integral part of this statement

Town of Middletown, Rhode Island
Governmental Funds
Balance Sheet
June 30, 2019

	General Fund	School Department	School Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 13,830,875	\$ 1,877,744	\$ 6,701,136	\$ 903,153	\$ 23,312,908
Investments	2,341,354	—		—	2,341,354
Accounts receivable, less allowance for doubtful accounts of \$511,806					
Property taxes	765,044				765,044
Federal and state government	706,664	726,096	—	635,232	2,067,992
Loans				1,369,189	1,369,189
Other	355,241	1,590,620		24,361	1,970,222
Prepaid expenses	38,648	—		1,000	39,648
Due from other funds	480,076	1,966,956	—	739,684	3,186,716
Due from external parties		19,270			19,270
Total assets	<u>18,517,902</u>	<u>6,180,686</u>	<u>6,701,136</u>	<u>3,672,619</u>	<u>35,072,343</u>
Liabilities:					
Accounts payable and accrued expenses	491,853	1,040,925	948,666	884,577	3,366,021
Accrued payroll	373,812	84,633	—	48	458,493
Accrued compensated absences	3,050	—	—	—	3,050
Due to other funds	4,065,336	1,874,906	1,500	167,008	6,108,750
Due to external parties	315,931	2,838			318,769
Total liabilities	<u>5,249,982</u>	<u>3,003,302</u>	<u>950,166</u>	<u>1,051,633</u>	<u>10,255,083</u>
Deferred inflows of resources:					
Unearned revenue	679,184	299,350	—	17,609	996,143
Total deferred inflows of resources	<u>679,184</u>	<u>299,350</u>	<u>—</u>	<u>17,609</u>	<u>996,143</u>
Fund balances:					
Nonspendable	38,648	—	—	294,418	333,066
Restricted	775	—	5,750,970	1,336,382	7,088,127
Committed	4,510,303	1,579,915	—	—	6,090,218
Assigned	780,150	1,298,119	—	972,577	3,050,846
Unassigned	7,258,860	—	—	—	7,258,860
Total fund balances	<u>12,588,736</u>	<u>2,878,034</u>	<u>5,750,970</u>	<u>2,603,377</u>	<u>23,821,117</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 18,517,902</u>	<u>\$ 6,180,686</u>	<u>\$ 6,701,136</u>	<u>\$ 3,672,619</u>	<u>\$ 35,072,343</u>

The accompanying notes are an integral part of this statement

Town of Middletown, Rhode Island
Reconciliation of the Governmental Funds Balance Sheet Total
Fund Balances to the Statement of Net Position
June 30, 2019

Total fund balances for governmental funds	\$	23,821,117
Assets used in governmental activities which are not financial resources and therefore are not reported in the funds:		
Capital assets, net	64,633,462	
Pension asset	<u>5,675,011</u>	70,308,473
Deferred outflows:		
Pensions	11,023,765	
OPEB	279,107	
Advanced refundings	<u>332,953</u>	11,635,825
Some taxes and grants will be collected after year-end, but are not available soon enough to pay for the current period's expenditures; therefore, they are reported as unearned revenue in the funds.		847,817
Liabilities not due and payable in the current period which therefore are not reported in the funds:		
OPEB liability	(16,693,070)	
Pension liability	(37,886,452)	
Bonds payable	(32,234,998)	
Loans payable	(250,000)	
Capital leases	(229,760)	
Claims and judgments	(320,520)	
Unearned revenue	(493,500)	
Compensated absences payable	(2,758,260)	
Accrued interest	<u>(344,841)</u>	<u>(91,211,401)</u>
Deferred inflows:		
Pensions	(4,684,159)	
OPEB	<u>(3,869,750)</u>	<u>(8,553,909)</u>
Net position of governmental activities	\$	<u><u>6,847,922</u></u>

The accompanying notes are an integral part of this statement

Town of Middletown, Rhode Island
Governmental Funds
Statement of Revenue, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2019

	General Fund	School Department	School Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 47,553,282	\$ —	\$ —	\$ —	\$ 47,553,282
Intergovernmental	3,306,893	9,245,481	—	3,047,203	15,599,577
Licenses, permits and fees	2,440,050	49,265	—	670,531	3,159,846
Interest and investment income	41,668	11,914	134,674	2,442	190,698
State contribution to teachers' pension plan	—	1,569,732	—	—	1,569,732
Other revenues	1,096,519	49,134	—	281,963	1,427,616
Total revenues	<u>54,438,412</u>	<u>10,925,526</u>	<u>134,674</u>	<u>4,002,139</u>	<u>69,500,751</u>
Expenditures:					
General government	2,977,614	—	—	—	2,977,614
Public safety	9,626,656	—	—	—	9,626,656
Public works	2,273,186	—	—	152,579	2,425,765
Planning and inspection	620,276	—	—	—	620,276
Library	826,676	—	—	—	826,676
Education	—	37,729,047	529,738	2,367,559	40,626,344
Community services	392,015	—	—	43,841	435,856
Other expenditures	5,610,682	—	—	—	5,610,682
Grants	214,678	—	—	—	214,678
Capital outlay	1,176,739	24,052	1,480,721	3,012,714	5,694,226
Principal	2,612,886	—	—	—	2,612,886
Interest	1,001,430	—	—	—	1,001,430
Total expenditures	<u>27,332,838</u>	<u>37,753,099</u>	<u>2,010,459</u>	<u>5,576,693</u>	<u>72,673,089</u>
Excess (deficiency) of revenues over expenditures	27,105,574	(26,827,573)	(1,875,785)	(1,574,554)	(3,172,338)
Other financing sources (uses):					
Transfers from other funds	1,714,482	26,510,694	—	283,294	28,508,470
Transfers to other funds	(26,698,301)	—	—	(1,836,282)	(28,534,583)
Total other financing sources (uses)	<u>(24,983,819)</u>	<u>26,510,694</u>	<u>—</u>	<u>(1,552,988)</u>	<u>(26,113)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	2,121,755	(316,879)	(1,875,785)	(3,127,542)	(3,198,451)
Fund balances, beginning of year, as restated	10,466,981	3,194,913	7,626,755	5,730,919	27,019,568
Fund balances, end of year	<u>\$ 12,588,736</u>	<u>\$ 2,878,034</u>	<u>\$ 5,750,970</u>	<u>\$ 2,603,377</u>	<u>\$ 23,821,117</u>

The accompanying notes are an integral part of this statement

Town of Middletown, Rhode Island

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures And Changes in Fund Balances to the Statement of Activities *For the Year Ended June 30, 2019*

Net change in fund balances for governmental funds		\$ (3,198,451)
<p>Governmental funds report capital outlays as expenditures; however, in the statement of activities these costs are allocated over the life of the related debt and reported as depreciation expense.</p>		
Capital outlays, including amounts charged to current expenditures	6,102,657	
Depreciation expense	<u>(3,837,123)</u>	2,265,534
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		(489,172)
Change in pension asset is recorded in the statement of activities, but not in the governmental funds		765,246
Change in pension liability is recorded in the statement of activities, but not in the governmental funds		237,667
Change in pension deferred inflows/outflows is recorded in the statement of activities, but not in the governmental funds		(376,432)
Change in OPEB liability is recorded in the statement of activities, but not in the governmental funds		1,803,829
Change in OPEB deferred inflows/outflows is recorded in the statement of activities, but not in the governmental funds		1,339,024
<p>The issuance of long-term debt (including premiums or discounts) provides current resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment and refunding of bonds and notes use current financial resources, but decrease long-term liabilities in the statement of position. Bond premiums and refunding charges are deferred and amortized as part of future interest expense.</p>		
Principal repayment on long-term debt	2,612,886	
Amortization of:		
Deferred outflows on advance refunding	(65,352)	
Bond premiums	<u>119,824</u>	2,667,358
<p>Some expenditures not requiring the use of current financial resources in governmental funds are recorded in the statement of activities:</p>		
Claims and judgments	2,409	
Unearned revenue	49,350	
Accrued compensated absences	<u>(4,704)</u>	47,055
Accrued interest reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in governmental funds		<u>(11,635)</u>
Change in net position of governmental activities		<u><u>\$ 5,050,023</u></u>

The accompanying notes are an integral part of this statement

Town of Middletown, Rhode Island
Enterprise Funds
Statement of Net Position
June 30, 2019

	Sewer Fund	Parks and Recreation Fund	Refuse and Recycle Fund	Total
ASSETS:				
Current assets:				
Cash and cash equivalents	\$ 764,263	\$ 1,922,270	\$ 653,173	\$ 3,339,706
Accounts receivable, assessments and user fees	817,246	11,998	69,148	898,392
Due from other funds	3,513,410	—	—	3,513,410
Total current assets	5,094,919	1,934,268	722,321	7,751,508
Noncurrent assets:				
Assessments and user fees receivable, less current portion	256,140	—	—	256,140
Capital assets not being depreciated	5,804,374	2,892,016	—	8,696,390
Capital assets being depreciated, net	14,694,456	1,650,730	—	16,345,186
Total assets	25,849,889	6,477,014	722,321	33,049,224
DEFERRED OUTFLOWS:				
Pension	22,356	—	—	22,356
Total deferred outflows	22,356	—	—	22,356
LIABILITIES:				
Current liabilities:				
Accounts payable and accrued expenses	2,351,573	107,555	76,439	2,535,567
Due to other funds	173,949	384,409	33,018	591,376
Accrued payroll	25,949	91,675	1,299	118,923
Accrued compensated absences	31,820	32,552	7,092	71,464
Current portion of loans payable	1,221,243	—	—	1,221,243
Total current liabilities	3,804,534	616,191	117,848	4,538,573
Noncurrent liabilities:				
Pension	197,345	—	—	197,345
Noncurrent liabilities, loans payable, net of current portion	7,398,601	—	—	7,398,601
Total noncurrent liabilities:	7,595,946	—	—	7,595,946
Total liabilities	11,400,480	616,191	117,848	12,134,519
DEFERRED INFLOWS:				
Pension	46,867	—	—	46,867
Total deferred inflows	46,867	—	—	46,867
NET POSITION:				
Net investment in capital assets	12,931,776	4,487,333	—	17,419,109
Unrestricted	1,493,122	1,373,490	604,473	3,471,085
Total net position	\$ 14,424,898	\$ 5,860,823	\$ 604,473	\$ 20,890,194

The accompanying notes are an integral part of this statement

Town of Middletown, Rhode Island

Enterprise Funds

Statement of Revenues, Expenses and Changes in Net Position

For the Year Ended June 30, 2019

	Sewer Fund	Parks and Recreation Fund	Refuse and Recycle Fund	Total
Operating revenues:				
Assessments and user fees	\$ 5,857,217	\$ —	\$ 1,033,298	\$ 6,890,515
Beach admittance and rental fees	—	1,904,364	—	1,904,364
Campground admittance and rental fees	—	237,961	—	237,961
Grant Revenue		10,000	—	10,000
Other revenues	17,348	41,039	8,829	67,216
Total operating revenues	5,874,565	2,193,364	1,042,127	9,110,056
Operating expenses:				
Salaries and benefits	680,742	—	46,220	726,962
Materials and supplies	48,348	—	69,266	117,614
Professional services	228,816	—	4,719	233,535
Repairs and maintenance	1,325,079	—	—	1,325,079
Utilities	263,642	—	39	263,681
Sewage disposal	1,433,576	—	—	1,433,576
Refuse disposal	—	—	859,678	859,678
Beaches	—	836,480	—	836,480
Lifeguards	—	306,956	—	306,956
Harbormaster	—	53,273	—	53,273
Security	—	86,122	—	86,122
Campground	—	46,173	—	46,173
Parks and recreation	—	123,901	—	123,901
Civic appropriations	—	97,050	—	97,050
Miscellaneous	5,841	100,466	—	106,307
Depreciation	651,059	177,735	—	828,794
Total operating expenses	4,637,103	1,828,156	979,922	7,445,181
Operating income (loss)	1,237,462	365,208	62,205	1,664,875
Nonoperating revenues (expenses):				
Interest revenue	24,416	5,320	2,771	32,507
Grant revenue	44,500	—	—	44,500
Environmental remediation	(131,547)	—	—	(131,547)
Interest expense	(164,782)	—	—	(164,782)
Total nonoperating revenues (expenses)	(227,413)	5,320	2,771	(219,322)
Income (loss) before transfers	1,010,049	370,528	64,976	1,445,553
Transfers from other funds	—	26,113	—	26,113
Change in net position	1,010,049	396,641	64,976	1,471,666
Net position, beginning of year	13,414,849	5,464,182	539,497	19,418,528
Net position, end of year	\$ 14,424,898	\$ 5,860,823	\$ 604,473	\$ 20,890,194

The accompanying notes are an integral part of this statement

Town of Middletown, Rhode Island

Enterprise Funds

Statement of Cash Flows

For the Year Ended June 30, 2019

	Sewer Fund	Parks and Recreation Fund	Refuse and Recycle Fund	Total
Cash flows from operating activities:				
Cash received from customers	\$ 5,503,409	\$ 2,210,564	\$ 1,046,183	\$ 8,760,156
Cash received from other sources	17,348	51,039	8,829	77,216
Cash paid to employees	(672,349)	(1,023,881)	(54,757)	(1,750,987)
Cash paid to suppliers	(2,019,514)	(500,298)	(925,223)	(3,445,035)
Cash paid to civic groups	—	(97,050)	—	(97,050)
Net cash provided by (used in) operating activities	2,828,894	640,374	75,032	3,544,300
Cash flows from noncapital financing activities:				
Interfund balances	(2,848,362)	423,354	30,047	(2,394,961)
Environmental remediation	(120,493)			(120,493)
Net cash provided by (used in) noncapital financing activities	(2,968,855)	423,354	30,047	(2,515,454)
Cash flows from capital and related financing activities:				
Capital contributions	46,149			46,149
Proceeds from borrowings	1,062,289			1,062,289
Acquisition and construction of fixed assets	(3,522,168)	(263,423)		(3,785,591)
Principal paid on bonds and notes	(1,175,214)			(1,175,214)
Interest paid on bonds and notes	(106,548)			(106,548)
Net cash used in capital and related financing activities	(3,695,492)	(263,423)		(3,958,915)
Cash provided by investing activities:				
Interest received	24,416	5,320	2,771	32,507
Net cash provided by investing activities	24,416	5,320	2,771	32,507
Net increase (decrease) in cash and cash equivalents	(3,811,037)	805,625	107,850	(2,897,562)
Cash and cash equivalents, beginning of year	4,575,300	1,116,645	545,323	6,237,268
Cash and cash equivalents, end of year	\$ 764,263	\$ 1,922,270	\$ 653,173	\$ 3,339,706

The accompanying notes are an integral part of this statement

Town of Middletown, Rhode Island

Enterprise Funds

Statement of Cash Flows

For the Year Ended June 30, 2019

	<u>Sewer Fund</u>	<u>Parks and Recreation Fund</u>	<u>Refuse and Recycle Fund</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 1,237,462	\$ 365,208	\$ 62,205	\$ 1,664,875
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	651,059	177,735	—	828,794
Changes in assets and liabilities:				
Increase in:				
Accounts receivable	(353,808)			(353,808)
Accounts payable and accrued	1,285,788		8,479	1,294,267
Accrued payroll	7,059	142	52	7,253
Accrued compensated absences		2,895		2,895
Decrease in:				
Accounts receivable		68,239	12,885	81,124
Deferred outflows, pension	21,136			21,136
Accounts payable and accrued		26,155		26,155
Accrued compensated absences	(10,124)		(8,589)	(18,713)
Net pension liability	(4,838)			(4,838)
Deferred inflows, pension	(4,840)			(4,840)
Net cash provided by (used in) operating activities	<u>\$ 2,828,894</u>	<u>\$ 640,374</u>	<u>\$ 75,032</u>	<u>\$ 3,544,300</u>
Supplemental disclosures, noncash capital and related financing activities:				
Acquisition and construction of fixed assets paid from loan proceeds held by State of Rhode Island	<u>\$ 1,428,980</u>			
Principal debt forgiveness federal grant paid from loan proceeds held by State of Rhode Island	<u>\$ 44,500</u>			

The accompanying notes are an integral part of this statement

Town of Middletown, Rhode Island
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2019

	Employee Benefit Trust Funds	Private Purpose Trust Funds	Agency Funds
ASSETS:			
Cash and cash equivalents	\$ 264,143	\$ 160,080	\$ 174,565
Investments:			
Mutual funds	55,431,278	—	—
Group annuity	11,009,365	—	—
Money market funds	1,021,334	95,581	—
U.S. Treasury Obligations	4,338,695	—	—
Receivables from outside parties	684,784		
Due from External Parties	125,198	—	193,571
Total assets	<u>72,874,797</u>	<u>255,661</u>	<u>368,136</u>
Deferred outflows of resources			
Deferred outflows	—	—	—
Total deferred outflows of resources	<u>—</u>	<u>—</u>	<u>—</u>
LIABILITIES:			
Accounts payable	74,688	17,100	17,201
Due to external parties	—	—	19,270
Deposits held in custody for others	—	—	331,665
Total liabilities	<u>74,688</u>	<u>17,100</u>	<u>368,136</u>
Deferred inflows of resources			
Unearned revenue	—	—	—
Total deferred inflows of resources	<u>—</u>	<u>—</u>	<u>—</u>
NET POSITION:			
Restricted for pension benefits	60,563,649		
Restricted for OPEB benefits	12,236,460		
Restricted for private purposes		238,561	
Total net position	<u>72,800,109</u>	<u>238,561</u>	<u>—</u>
Total liabilities and net position	<u>\$ 72,874,797</u>	<u>\$ 255,661</u>	<u>\$ 368,136</u>

The accompanying notes are an integral part of this statement

Town of Middletown, Rhode Island
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2019

	Employee Benefit Trust Funds	Private Purpose Trust Funds
Additions to net position:		
Contributions:		
Employer	\$ 5,291,903	\$ —
Plan members	72,905	—
Other revenue	—	23,350
	<u>5,364,808</u>	<u>23,350</u>
Investment income, net:		
Interest income	1,434,909	28
Net appreciation in fair value of investments	2,732,260	1,693
	<u>4,167,169</u>	<u>1,721</u>
Total additions	<u>9,531,977</u>	<u>25,071</u>
Deductions from net position:		
Net decrease in fair value of investments		
Benefits	6,461,618	
Investment expenses	218,288	55
Scholarships	—	34,450
Total deductions	<u>6,679,906</u>	<u>34,505</u>
Change in net position	2,852,071	(9,434)
Net position, beginning of year	<u>69,948,038</u>	<u>247,995</u>
Net position, end of year	<u>\$ 72,800,109</u>	<u>\$ 238,561</u>

The accompanying notes are an integral part of this statement

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2019

1. Summary of significant accounting policies

The accompanying basic financial statements of the Town of Middletown, Rhode Island (the Town) have been prepared in conformity with accounting principles generally accepted in the United States of America applicable to governmental entities (U.S. GAAP). In certain circumstances, summaries of the Town's significant accounting policies have been presented throughout the notes to the basic financial statements in conjunction with other disclosures to which they relate.

Financial reporting entity:

The Town was established in 1639 and incorporated in 1743. It is governed under a home rule charter adopted in 1968, which provides for a Town Council/Town Administrator form of government. Legislative authority is vested in a seven-member Town Council elected to biennial terms. A five-member School Committee is vested with autonomous legislative authority over the Town's public-school system. Members of the School Committee are elected to four-year terms.

The council-appointed Town Administrator serves as chief administrative agent over all municipal services including public safety (police, fire and traffic safety), public works (highway, harbors, maintenance, and sanitation), social services, parks and recreation, planning, zoning and inspection, and general administrative services. The Superintendent of Schools, appointed by the School Committee, serves as the chief administrative agent for the School Department, which provides elementary and secondary education to Town residents.

In evaluating the inclusion of other separate and distinct legal entities as component units within its financial reporting structure, the Town applied the criteria prescribed by Governmental Accounting Standards Board (GASB) Statement No. 14, as amended by GASB Statement Nos. 39 and 61. A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable or for which 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. Through the application of GASB criteria, the Town has identified no component units.

Basic Financial Statements - Government-wide financial statements:

These financial statements present the Town as the primary government. The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the town's major and other funds). Both the government-wide and fund financial statements are required to categorize primary activities as either governmental or business-type. The Town's public safety, public works, community services, education and general and financial administrative services are classified as governmental activities.

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2019

1. Summary of significant accounting policies (continued):

Basic Financial Statements - Government-wide financial statements (continued):

The Town's Sewer Fund, Parks and Recreation Fund, and Refuse and Recycling Fund are classified as business-type activities.

The Statement of Net Position and Statement of Activities display information about the Town as a whole and distinguish between governmental and business-type activities. They include all funds of the Town except for fiduciary funds. 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.

In the government-wide Statement of Net Position, the governmental activities and business-type activities column is presented on a consolidated basis and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net position is reported in three parts - invested in capital assets, net of related debt; restricted net position and unrestricted net position.

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions (public safety, public works, etc.) The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with functions (public safety, public works, community and economic development, etc.) Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflect capital-specific grants.

The net costs (by function) are normally covered by general revenues (property, sales taxes, intergovernmental revenues, interest income, etc.)

The government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net position resulting from the current year's activities.

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2019

1. Summary of significant accounting policies (continued):

Fund financial statements:

Fund financial statements of the Town 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, liabilities, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds, each displayed in a separate column. A fund is considered major if it is the primary operating fund of the Town or meets both of the following criteria:

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

All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Fund types used by the Town and a description of the funds comprising each are as follows:

Governmental funds:

Governmental funds are used to account for operations that supply basic government services.

The Town uses the following governmental funds:

General Fund:

The **General Fund** is the primary operating fund of the Town and is always classified as a major fund. It is used to account for and report all activities except those legally or administratively required to be accounted for in another fund. The General Fund is the only fund that operates a positive unassigned fund balance.

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2019

1. Summary of significant accounting policies (continued):

Fund financial statements (continued):

Special revenue funds:

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects. The Town's major special revenue fund is the School Department's unrestricted fund, which provides primary education to the Town's children.

Capital projects funds:

Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned for the acquisition or construction of specific capital projects or items. The Town's aggregate capital project funds are all classified as non-major funds. The School Department's capital project fund, however, is considered a major fund.

Permanent funds:

Permanent funds account for and report assets held by the Town where the principal portion of this fund type must remain intact, but the earnings may be used to achieve the objectives of the fund. The Town's permanent funds are all non-major funds.

Proprietary funds:

Proprietary funds are used to account for business-like activities provided to the general public (enterprise funds) or within the government (internal service funds). These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. Of the Town's four enterprise funds, the **Sewer Fund** and the **Parks and Recreation Fund** are major funds. The Town has no internal service funds.

Fiduciary funds:

Fiduciary funds are used to report assets held by the Town in a trustee or agency capacity and, therefore, cannot be used to support the Town's own programs. The following fiduciary funds are used by the Town:

Pension trusts:

Pension trust funds account for contributions made by the Town and its participating employees to provide retirement benefits to participating employees.

Other postemployment benefits (OPEB) trust:

The **OPEB Trust fund** accounts for contributions made by the Town and its participating employees to provide postemployment benefits (health insurance) to participating employees.

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2019

1. Summary of significant accounting policies (continued):

Fund financial statements (continued):

Fiduciary funds:

Private purpose trust:

The Town's **private purpose trust** accounts for resources legally held in trust for use by an outside committee to provide awards and scholarships in accordance with a donor's instructions. All resources of the fund, including any earnings on investments, may be used. There is no requirement that any portion of these resources be preserved as capital.

Agency:

Agency funds are established when the Town holds assets in custody for others in an agency capacity.

Measurement focus and basis of accounting:

The *government-wide financial statements, proprietary fund and fiduciary fund financial statements* are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are susceptible to accrual. Susceptibility occurs when revenues are both measurable and available for liquidating liabilities of the current period. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period (sixty days). Revenues not considered to be measurable and available are recorded as deferred inflows of resources. Expenditures, including capital outlays, are recognized when a liability has been incurred, except for those involving debt service and other long-term obligations that are recognized when paid.

GASB 63 amended GASB 34 to incorporate deferred outflows of resources into the financial reporting model. Deferred outflows of resources are defined as a consumption of net position by the government that is applicable to a future reporting period. It has a positive effect on net position similar to assets. Deferred inflows of resources are defined as an acquisition of net position by the government that is applicable to a future reporting period. It has a negative effect on net position, similar to liabilities.

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2019

1. Summary of significant accounting policies (continued):

Measurement focus and basis of accounting(continued):

Those revenues susceptible to accrual are property taxes, special assessments, federal impact aid, state aid, meals and hotel taxes collected by the State of Rhode Island (the State) on behalf of the Town, interest and charges for services. Fines, licenses and permit revenues are not susceptible to accrual because generally they are not measurable until received in cash; therefore, they are recognized when received.

Recognition of grant revenues is based on the susceptibility of accrual as determined by the legal and contractual requirements established by each grantor. For grants not restrictive as to specific purposes and revocable only for failure to comply with general prescribed requirements, revenues are recognized when actually received. Where expenditure is the prime factor in determining eligibility, grant revenue is recognized as allowable expenditures are made provided they are collected during the year or within 60 days subsequent to year-end. Prior to expenditure, proceeds are recorded as unearned revenues.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) 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 and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Sewer Fund, the Parks and Recreation Fund, and the Refuse and Recycling Fund, are charges to customers for program fees and services. Operating expenses for the proprietary funds include the cost of programs and services, administrative expenses and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, and then unrestricted resources as they are needed.

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2019

1. Summary of significant accounting policies (continued):

Cash and cash equivalents:

Cash and cash equivalents consist of cash on hand, time and demand deposits and short-term investments maturing within three months from the date of acquisition.

Under Rhode Island General Law, depository institutions must insure deposits of municipalities or pledge eligible collateral equal to 100% of deposits maturing in greater than 60 days. Any institution not meeting certain federally prescribed minimum capital standards must insure deposits or provide collateral regardless of date of maturity. The Town complied with these requirements. The Town does not have a deposit policy for custodial credit risk or other risks.

Investments:

Investments are reported at fair value, based on quotations from applicable national securities exchanges. Unrealized gains and losses from changes in fair value are recognized as investment income. The State does not have pertinent laws regarding investments that apply to cities and towns. The Town does not have an investment policy for custodial credit risk or other risks other than those relating to its pension trust fund and OPEB trust fund (Managed Funds). The Town's Pension/OPEB Trust Fund Investment Advisory Committee (Committee) is responsible for the supervision of the investment of the Town's Managed Funds investments with the objective of preserving capital and investing with care to minimize the risk of large losses.

Interfund transactions:

Transactions between funds have been eliminated in the government-wide financial statements but fully presented within the governmental fund financial statements with no elimination made between or within funds. Reimbursements are accounted for as expenditures in the reimbursing fund and reductions to expenditures in the reimbursed fund. All other interfund transactions in the governmental fund financial statements are operating transfers on the operating statements of the funds involved.

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due from/to other funds" (current portion) or "advances from/to other funds" (noncurrent portion). All other outstanding balances between funds are reported as "due from/to other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Capital assets:

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

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2019

1. Summary of significant accounting policies (continued):

Capital assets (continued):

Capitalizable fixed assets are defined by the Town as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets estimated useful lives using the straight-line method.

The ranges of estimated useful lives by type of asset are as follows:

	<u>Years</u>
Land improvements	15-20
Buildings and improvements	20-40
Furniture and equipment	3-10
Motor vehicles	4-15
Library books	5
Infrastructure	20-50

Capital assets acquired by governmental funds are accounted for as capital outlay expenditures.

Bond issuance costs:

Bond issuance costs for governmental funds, government-wide operations and enterprise funds are recognized as expenditures/expenses in the current period.

Compensated absences:

The liability for compensated absences reported in the government-wide financial statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2019

1. Summary of significant accounting policies (continued):

Compensated absences (continued):

In the governmental fund financial statements, vested or accumulated vacation and sick leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it.

Long-term obligations:

In the government-wide financial statements, long-term debt and other long-term obligations (including compensated absences) are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the term of the related debt using the effective interest method.

In the governmental fund financial statements, long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. Bond premiums are reported as other financing sources while discounts are reported as other financing uses.

Net position/fund balances:

Government-wide financial statements:

Net position:

The Town's net position has been segregated into the following three components:

Net investment in capital assets - represents the net book value of all capital assets less the outstanding balances of bonds and other debt, and deferred inflows of resources, if any, used to acquire, construct or improve these assets, increased by deferred outflows of resources related to those assets, if any.

Restricted – assets that have been limited to uses specified either externally by creditors, contributors, laws or regulations of other governments or internally by enabling legislation or law; reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted – a residual category for the balance of net position.

Governmental fund financial statements:

The Town's fund balance is reported in the following categories:

Non-spendable – amounts that cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained intact

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2019

1. Summary of significant accounting policies (continued):

Net position/fund balances (continued):

Governmental fund financial statements (continued):

Restricted – amounts that have been restricted to specific purposes either by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation

Committed – amounts constrained to specific purposes by the Town, using its highest level of decision-making authority

Commitments will only be used for specific purposes pursuant to a formal action of the Town Council. Town Council Resolution is required to approve, modify, or rescind a fund balance commitment.

Assigned – amounts that are intended by the Town to be used for specific purposes, but are neither restricted nor committed

The Town Council delegates to the Town Administrator or designee the authority to assign amounts to be used for specific purposes. Such assignments cannot exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund.

Unassigned – amounts available for any purpose

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

Property taxes:

Property taxes are recognized as revenue in the year they are levied and become available. Taxes are levied in August on (a) one hundred percent of the full and fair value of real and tangible personal property owned within the Town the previous December 31; and, (b) the value, as determined by the Rhode Island Vehicle Valuation Commission, of vehicles registered within the Town the previous calendar year, prorated for the actual number of days so registered. Taxes levied in August are payable quarterly on September 10, December 10, March 10 and June 10. Failure to make payments by March 10 may result in a lien on the taxpayer's property.

Rhode Island general laws restrict the Town's ability to increase its total tax levy by more than 4.00% over that of the preceding fiscal year.

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2019

1. Summary of significant accounting policies (continued):

Deferred inflows and outflows of resources:

Deferred inflows of resources represent the acquisition of net assets that is applicable to a future reporting period. Deferred outflows of resources represent the consumption of net assets that is applicable to a future reporting period.

Intergovernmental revenues:

State aid is recognized as revenue in the year in which funds are appropriated by the Rhode Island General Assembly, provided they are collected during the fiscal year.

Pensions

Employees' Retirement System plan (ERS)

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Employees' Retirement System plan (ERS) and the additions to/deductions from ERS' fiduciary net position have been determined on the same basis as they are reported by ERS. 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.

Municipal Employees' Retirement System (MERS) of Rhode Island

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 Municipal Employees' Retirement System (MERS) of Rhode Island and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported by MERS. 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.

Teachers' Survivors Benefit plan (TSB)

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers' Survivors Benefit plan (TSB) and the additions to/deductions from TSB fiduciary net position have been determined on the same basis as they are reported by TSB. 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.

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2019

1. Summary of significant accounting policies (continued):

Use of estimates:

The preparation of basic 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 basic financial statements. Estimates also affect the reported amounts of revenues, expenditures and expenses during the reporting period. Actual results could differ from those estimates.

Recent accounting pronouncements:

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* is effective for periods beginning after June 15, 2018. The objective of this statement is to improve the information that is disclosed in the notes to government financial statements related to debt, including direct borrowings and direct placements. This statement requires that additional essential information related to debt be disclosed in the notes to the financial statements, including unused lines of credit, assets pledged as collateral for debt, and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences and significant subjective acceleration clauses. The Town of Middletown, Rhode Island has implemented this standard in FY19 and the implementation impacted the financial reporting framework related specifically to the note disclosures.

Recently issued accounting pronouncements not yet effective:

GASB Statement 84, *Fiduciary Activities*, is effective for periods beginning after December 15, 2018. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should present a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less. The impact to this standard will be evaluated by the Middletown, Rhode Island's management.

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2019

1. Summary of significant accounting policies (continued):

Recently issued accounting pronouncements not yet effective (continued):

GASB Statement 87, *Leases* is effective for periods beginning after December 15, 2019. The objective of this statement is to improve accounting and financial reporting for leases by governments. It requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Town of Middletown, Rhode Island is in the process of evaluating this statement and expects an impact to the financial accounting and reporting framework in FY21.

GASB Statement 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* is effective for periods beginning after December 15, 2019. The objectives of this statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This statement establishes accounting requirements for interest cost incurred before the end of a construction period and requires that interest cost incurred before the end of a construction period be recognized as an expense for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The Town of Middletown, Rhode Island is in the process of evaluating this statement and expects an impact to the financial accounting and reporting framework in FY21.

GASB Statement 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61* is effective for periods beginning after December 15, 2018. The primary objectives of this statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method.

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2019

1. Summary of significant accounting policies (continued):

Recently issued accounting pronouncements not yet effective (continued):

This statement also requires that a component unit in which a government has 100 percent equity interest account for its assets, deferred outflows of resources, liabilities and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component units. The Town of Middletown, Rhode Island has evaluated this standard and does not expect an impact to the financial reporting framework.

GASB Statement 91, *Conduit Debt Obligations* is effective for reporting periods beginning after December 15, 2020. The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations and (3) related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

A conduit debt obligation is defined as a debt instrument having *all* of the following characteristics: (a) There are at least three parties involved: (1) an issuer, (2) a third-party obligor and (3) a debt holder or a debt trustee; (b) The issuer and the third party obligor are not within the same financial reporting entity; (c) The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer; (d) The third party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuances; and (e) The third party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments.) This Statement also addresses arrangements-often characterized as leases-that are associated with conduit debt obligations. The Town of Middletown, Rhode Island is in the process of evaluating this statement and will evaluate the impact prior to the required implementation of FY22.

2. Fund balances:

At June 30, 2019, the Town is able to report positive net position in all categories for its business type activities. As a whole, as well as for its governmental activities, the Town reports a negative unrestricted fund balance at June 30, 2019, which is a continued result of the implementation of GASB 68 and GASB 75.

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2019

3. Deposits and investments:

Cash and cash equivalents (deposits):

At June 30, 2019, the carrying amount of the Town's deposits, including \$764,213 of cash equivalents, was \$27,251,402 and the bank balance was \$27,724,816. Of the bank balance, \$514,213 was uninsured and uncollateralized; \$27,210,603 was insured and collateralized.

At June 30, 2019, deposits are categorized as follows:

	Insured/ collateralized in Town's name	Total bank balance	Carrying amount
Deposits:			
Demand deposits	\$ 26,960,603	\$ 26,960,603	\$ 26,487,189
Money market	250,000	764,213	764,213
	\$ 27,210,603	\$ 27,724,816	\$ 27,251,402

Investments:

Investments other than Pension and OPEB Trust Funds consist of the following:

	Carrying amount	Maturities	Rating
Certificates of deposit (governmental funds)	\$2,341,354	7/2/19 to 12/10/19	Not rated
Certificates of deposit	18,645	10/14/19 to 5/25/20	Not rated
Mutual funds (fiduciary funds)	76,936	Not applicable	Not rated
	\$2,436,935		

The fair value of the Town's pension investment account (Managed Funds) as of October 31, 2019 was \$59,146,944, which represents a -1.11% decrease in value since June 30, 2019. The fair value of the Town's OPEB investment account (Managed Funds) as of October 31, 2019 was \$13,333,204, which represents a 8.81% increase in value since June 30, 2019. The Town adopted an updated Investment Policy Statement (IPS) for the Town Pension Plan during fiscal year 2014 in order to expand permissible asset classes, while maintaining the goals of increasing asset value, controlling volatility, and maintaining sufficient liquidity to meet anticipated cash needs.

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2019

The Town continues to review various options with its actuarial consultant and investment advisors regarding contributions, funded status, and actuarial assumptions of both plans.

3. Deposits and investments:
Investments (continued):

Interest rate risk:

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market value interest rates. Although there is no established policy, the Town manages its exposure to declines in fair values by limiting the term of liquid investments to less than 90 days. It does not hold long-term investments other than those managed by the Committee.

Managed Funds are subject to interest rate risk, which is mitigated by continuous evaluation of the portfolio's performance by the Finance Director and the Committee. The Committee receives monthly investment performance reports from its investment advisors and meets quarterly to review the reports to determine if market conditions reflect the investment performance policies of the Town.

Credit risk:

Credit risk, which is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment, is measured by the assignment of a rating by a nationally recognized statistical rating organization to debt securities. The group annuity included in Managed Funds is held by an insurance company rated by Moody's as A1.

Concentration of credit risk:

Concentration of credit risk is the risk of loss attributed to the magnitude of the investment in a single issuer. Managed Funds reflect a balanced array of investment products with planned diversity consistent with the need for short-term liquidity, as well as long-term deferred obligations.

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2019

3. Deposits and investments:

Investments (continued):

As of June 30, 2019, the following pension investments represent 5% or more of the Town Plan's net assets:

Robeco All Cap Value Instl	\$ 6,773,461
T Rowe Price Blue Chip Growth	6,785,741
Schwab US Broad Market ETF	4,892,072
Vanguard BD Index FD Inc	4,934,002
John Hancock Life Ins GAC 795	11,009,365

As of June 30, 2019, the following OPEB investments represent 5% or more of the Town OPEB Plan's net assets:

Robeco All Cap Value Instl	\$2,211,613
Dodge & Cox Int'l Stock FD #1048	657,607
Lazard International Strat Eq Instl	635,557
Ishares Core Msci Total Intl Stk	884,350
Schwab US Broad Market ETF	2,424,046
Baird Aggregate Bond Inst	875,858
TCW Core Fixed Income I	874,514

Custodial credit risk:

Custodial credit risk for deposits is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party. The Town does not believe that it has significant custodial credit risk with regard to its investments as substantially all investment securities are registered and held in the name of the Town.

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2019

3. Deposits and investments:

Investments (continued):

Custodial credit risk (continued):

The Town follows the guidance of the fair value measurement and disclosures in accordance with GASB Statement No. 72, “Fair Value Measurement and Application”. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Unadjusted quoted priced in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2 – Inputs other than quoted prices in active markets for identical assets and liabilities that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3 – Unobservable inputs for asset or liability (supported by little or no market activity). Level 3 inputs include management’s own assumption about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk).

	Level 1	\$	Level 2	\$	Level 3	\$	Total
US Treasury Obligations	\$ 4,338,695	\$	—	\$	—	\$	4,338,695
Equity Mutual Funds	41,943,969		—		—		41,943,969
Fixed Income Mutual Funds	13,487,308		—		—		13,487,308
Investment Contract	11,009,365		—		—		11,009,365
Certificates of Deposits	2,360,000		—		—		2,360,000
Money Market	1,021,334		—		—		1,021,334
Other Mutual Funds	76,936		—		—		76,936
Total Investments by fair value level	\$ 74,237,607	\$	—	\$	—	\$	74,237,607

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2019

4. Interfund transactions

Interfund receivables and payables at June 30, 2019 are as follows:

Receivable Fund	Payable Fund	Amount
Due to/from:		
Governmental funds:		
General Fund	Governmental funds:	
	Non-major funds	\$ 8,323
	Town Capital Projects Fund	54,326
	Parks and Recreation Fund	384,409
	Refuse and Recycling Fund	<u>33,018</u>
		<u>480,076</u>
School Department	Agency Funds	<u>1,966,956</u>
Non-major governmental funds	Governmental funds, General Fund	565,735
	Enterprise funds, Sewer Fund	<u>173,949</u>
		<u>739,684</u>
Sewer Fund	Governmental funds, General Fund	<u>3,513,410</u>
Fiduciary Funds:		
Pension Fund	Governmental funds, General Fund	<u>125,198</u>
Agency Funds	Governmental funds, General Fund	<u>193,571</u>
		<u>\$ 7,018,895</u>

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2019

Operating transfers between funds for the year ended June 30, 2019 were as follows:

<u>Transfer to Fund</u>	<u>Transfer from Fund</u>	<u>Amount</u>
Governmental funds:		
General Fund	Governmental funds:	
	Non-major funds	\$ 1,714,482
School Department	Governmental funds, General Fund	26,510,694
	Non-major funds	232,756
Non-major Governmental Funds	Governmental funds, General Fund	50,538
Enterprise funds:		
Parks & Recreation Fund	Governmental funds, General Fund	<u>26,113</u>
		\$ <u><u>28,534,583</u></u>

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2019

5. Capital assets:

Capital asset activity for the year ended June 30, 2019 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 9,092,536	\$ —	\$ —	\$ 9,092,536
Construction in progress:				
Infrastructure	4,664,749	4,194,377	574,636	8,284,490
Total capital assets not being depreciated	13,757,285	4,194,377	574,636	17,377,026
Capital assets being depreciated:				
Infrastructure	35,935,179	572,892	—	36,508,071
Land improvements	6,590,106	48,157	—	6,638,263
Buildings and improvements	40,639,891	1,212,151	—	41,852,042
Furniture and equipment	10,230,015	536,037	112,051	10,654,001
Library books	1,637,972	20,000	—	1,657,972
Motor vehicles	7,198,715	93,679	108,517	7,183,877
Total capital assets being depreciated	102,231,878	2,482,916	220,568	104,494,226
Less accumulated depreciation for:				
Infrastructure	(19,512,947)	(838,306)	—	\$ (20,351,253)
Land improvements	(2,676,372)	(341,335)	—	(3,017,707)
Buildings and improvements	(17,327,520)	(1,232,369)	—	(18,559,889)
Furniture and equipment	(7,822,077)	(905,464)	(112,051)	(8,615,490)
Library books	(1,587,978)	(19,997)	—	(1,607,975)
Motor vehicles	(4,694,341)	(499,652)	(108,517)	(5,085,476)
Total accumulated depreciation	(53,621,235)	(3,837,123)	(220,568)	(57,237,790)
Total capital assets being depreciated, net	48,610,643	(1,354,207)	—	47,256,436
Governmental activity capital assets, net	\$ 62,367,928	\$ 2,840,170	\$ 574,636	\$ 64,633,462

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2019

5. Capital assets (continued):

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 3,167,391	\$ —	\$ —	\$ 3,167,391
Construction in progress	861,988	4,669,724	2,712	5,529,000
Total capital assets not being depreciated	4,029,379	4,669,724	2,712	8,696,391
Capital assets being depreciated:				
Land improvements	2,142,904	69,363	—	2,212,267
Buildings and improvements	412,837	13,960	—	426,797
Equipment	3,957,162	29,360	—	3,986,522
Sewer lines and pumps	20,188,060	—	—	20,188,060
Vehicles	175,522	23,185	—	198,707
Total capital assets being depreciated	26,876,485	135,868	—	27,012,353
Less accumulated depreciation for:				
Land improvements	(978,388)	(98,409)	—	(1,076,797)
Buildings and improvements	(215,180)	(15,204)	—	(230,384)
Equipment	(3,139,452)	(200,881)	—	(3,340,333)
Sewer lines and pumps	(5,389,830)	(498,309)	—	(5,888,139)
Vehicles	(115,524)	(15,991)	—	(131,515)
Total accumulated depreciation	(9,838,374)	(828,794)	—	(10,667,168)
Total capital assets being depreciated, net	17,038,111	(692,926)	—	16,345,185
Business-type activity capital assets, net	\$ 21,067,490	\$ 3,976,798	\$ 2,712	\$ 25,041,576
Depreciation was charged to functions as follows:				
Governmental activities:				
General government		\$ 271,488		
Public safety		1,025,256		
Public works and sanitation		1,124,534		
Library		85,774		
Education		1,307,308		
Community services		22,763		
		\$ 3,837,123		
Business-type activities:				
Sewer fund		\$ 651,059		
Parks and recreation fund		177,735		
		\$ 828,794		

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2019

6. Long-term obligations:

Changes in long-term obligations during the year ended June 30, 2019 were as follows:

	Balance June 30, 2018	Additions	Retirements	Balance June 30, 2019	Due within one year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 33,550,000	\$ —	\$ 2,377,000	\$ 31,173,000	\$2,577,000
Deferred premiums	1,181,822	—	119,824	1,061,998	115,492
Total bonds payable	34,731,822	—	2,496,824	32,234,998	2,692,492
Loan payable	300,000	—	50,000	250,000	50,000
Capital leases	415,646	—	185,886	229,760	73,169
Claims and judgments	322,929	—	2,409	320,520	2,409
Unearned revenue, grants	542,850	—	49,350	493,500	49,350
Accrued compensated absences	2,753,556	4,704	—	2,758,260	3,050
	<u>\$ 39,066,803</u>	<u>\$ 4,704</u>	<u>\$ 2,784,469</u>	<u>\$ 36,287,038</u>	<u>\$2,870,470</u>
Business-type activities:					
Loans payable	\$ 10,460,214	\$ —	\$ 1,219,714	\$ 9,240,500	\$1,221,243
Less undrawn loan proceeds held by the State	(3,994,925)	—	(2,491,269)	(1,503,656)	—
	6,465,289	—	(1,271,555)	7,736,844	1,221,243
Environmental remediation obligation	911,000	—	28,000	883,000	—
	<u>\$ 7,376,289</u>	<u>\$ —</u>	<u>\$ (1,243,555)</u>	<u>\$ 8,619,844</u>	<u>\$1,221,243</u>

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2019

6. Long-term obligations (continued):

General obligation bonds and loan payable:

General obligation bonds are direct obligations and pledge the full faith and credit of the Town. General obligation bonds and loan payable outstanding for governmental activities at June 30, 2019 are as follows:

Purpose	Amount of original issue	Date of issue	Interest rate	Date of maturity	Balance June 30, 2018	New issues	Retired	Balance June 30, 2019
<i>General obligation bonds:</i>								
<i>Issued Through Public Sale:</i>								
Town Refunding Bond 2010	\$ 4,885,000	5/20/10	2.0%-5.0%	07/15/21	\$ 1,870,000	\$ —	\$ 470,000	\$ 1,400,000
Road, Drainage, Sidewalks & Judgement 2011	5,000,000	2/1/11	3.0%-4.25%	02/01/31	3,250,000	—	250,000	3,000,000
Town General Bond 14	10,120,000	2/12/14	.47%-4.00%	02/01/34	7,885,000	—	560,000	7,325,000
Town Refunding Bond 2016	6,300,000	6/23/16	2.00%-4.00%	04/01/28	5,860,000	—	665,000	5,195,000
Public School Rev Bond 2017D (RIHEBC)	9,750,000	5/16/17	2.00%-4.00%	04/01/37	9,385,000	—	375,000	9,010,000
Total general obligation bonds issued through public sale	36,055,000				28,250,000	—	2,320,000	25,930,000
<i>Issued Through Direct Borrowings:</i>								
2018 Open Space Bond (2008)	300,000	3/21/18	3.84%	02/01/23	300,000	—	57,000	243,000
2018 Road & Bridge (RIIB)	5,000,000	6/20/18	.10%-2.50%	09/01/37	5,000,000	—	—	5,000,000
	5,300,000				5,300,000	—	57,000	5,243,000
Total general obligation bonds issued through direct borrowings	41,355,000				33,550,000	—	2,377,000	31,173,000
<i>Loan payable issued through direct borrowings:</i>								
Rhode Island Clean Water Finance Agency, Open Space	1,000,000	11/13/03	1.17%	09/01/23	300,000	—	50,000	250,000
Total	\$42,355,000				\$33,850,000	\$ —	\$2,427,000	\$31,423,000

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2019

6. Long-term obligations (continued):

General obligation bonds and loan payable (continued):

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities and to refund previously outstanding general obligation bonds.

Rhode Island General Law caps the amount of each municipality's general obligation bonds that may be outstanding to 3% of its assessed property values. Exceptions apply to bonds approved pursuant to special acts or financed from non-tax revenues; additional special exemptions are granted for other purposes as well. The assessed value of the Town's properties December 31, 2018 was \$3,204,678,961 limiting the amount of non-excepted general obligation bonds outstanding to \$96,140,369. At June 30, 2019, bonds outstanding totaled \$5,243,000, of which \$3,700,000 were issued subject to the 3% debt limit and \$27,473,000 were issued pursuant to special bond acts and are not subject to the 3% debt limit. Total bonds outstanding of \$31,173,000 represent 0.97% of assessed property value.

On June 20, 2018, the Town issued \$5,000,000 in road and bridge bonds, through the Rhode Island Infrastructure Bank, with interest ranging from .1% to 2.5% to provide for design, construction, repair, rehabilitation and improvement of streets and sidewalks in the Town, including paving, drainage, traffic control devices, safety improvements and landscaping. The net proceeds of \$4,936,000 (after payment of \$64,000 in issuance fees) are held by an escrow agent and were deposited in Wells Fargo Bank, N.A. These bonds were issued with Rhode Island Infrastructure Bank.

On March 21, 2018, the Town issued \$300,000 in open space bonds, through Webster Bank, with an interest rate of 3.839% for the acquisition and preservation of open space.

On May 16, 2017, the Town issued \$9,750,000 in revenue bonds with interest ranging from 2.0% to 4.0% to provide for health, safety and fire-code related repairs, alterations, renovations and improvements. The net proceeds of \$10,077,749 (after payment of \$53,721 in underwriting fees plus an additional \$381,470 of bond premium) are held by an escrow agent and were deposited in US Bank. These bonds were issued with Rhode Island Health and Education Building Corporation and have been approved by Rhode Island Department of Education for debt service reimbursements of approximately 35%.

On June 23, 2016, the Town issued \$6,300,000 in general obligation bonds with an average interest rate of 2.5% to advance refund \$6,250,000 of outstanding various purpose general obligation bonds. The net proceeds of \$6,622,693 (after payment of \$30,492 in underwriting fees), plus an additional \$353,185 of bond premium monies used to purchase U.S. Government securities, were deposited with an escrow agent to provide for all future debt service payments on the various purpose general obligation bonds. As a result, the bonds are considered defeased and the liability for those bonds has been removed from the government-wide statement of net position.

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2019

6. Long-term obligations (continued):

General obligation bonds and loan payable (continued):

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$301,285. This difference is being charged to operations through the year 2028 using the effective interest method and is reflected in the statement of net position as a deferred outflow. At June 30, 2019, the balance of the defeased debt totaled \$5,195,000.

As of June 30, 2019, previously authorized, but unissued, general obligation bonds amount to \$3,995,000.

Revenues from the sewer assessments are pledged as collateral for the repayment of the 2006, 2007, 2012 and 2018 loans issued through the Rhode Island Infrastructure Bank.

Events of default include failure to make principal and interest payments when due, defaults related to the performance or observance of any other covenants, agreements or conditions that have not been remedied, or the Town's inability to pay its debts. Upon notice of any events of default, all principal and accrued interest may be declared due and payable immediately.

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2019

6. Long-term obligations (continued):

Loans payable for business-type activities:

Loans payable for business-type activities are as follows:

Purpose	Authorized and issued	Date of issue	Interest rate	Date of maturity	Balance, June 30, 2018	New issues	Maturities	Balance, June 30, 2019
Enterprise Fund, Sewer:								
<i>Issued through Direct Borrowings:</i>								
Rhode Island Infrastructure Bank	\$ 1,000,000	11/1/01	1.88%	9/1/21	\$ 216,214	\$ —	\$ 51,714	\$ 164,500
Rhode Island Infrastructure Bank	2,500,000	12/30/04	1.30%	9/1/24	875,000	—	125,000	750,000
Rhode Island Infrastructure Bank	6,000,000	12/15/05	1.34%	9/1/26	2,700,000	—	300,000	2,400,000
Rhode Island Infrastructure Bank	2,750,000	12/21/06	1.29%-1.43%	9/1/27	1,370,000	—	138,000	1,232,000
Rhode Island Infrastructure Bank	1,500,000	6/28/12	.22%-1.83%	9/1/22	749,000	—	150,000	599,000
Rhode Island Infrastructure Bank	4,550,000	4/25/18	.39%-1.83%	9/1/27	4,550,000	—	455,000	4,095,000
	<u>\$18,300,000</u>				10,460,214	—	1,219,714	9,240,500
Less undrawn loan proceed held by the State					(3,994,925)		(2,491,269)	(1,503,656)
					6,465,289			7,736,844
Less current portion					(1,219,714)			(1,221,243)
					<u>\$ 5,245,575</u>			<u>\$ 6,515,601</u>

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2019

6. Long-term obligations (continued):

Capital lease obligations:

The Town has financed the acquisition of certain equipment through lease-purchase agreements. Equipment financed under capital leases has been acquired for the General Fund and the School Department (recorded in the governmental activities capital assets being depreciated). Interest expense for the year ended June 30, 2019 of \$8,577 is reported within the governmental activities, interest on long-term debt on the statement of activities.

On July 1, 2003, the School entered into a lease purchase agreement in the amount of \$2,276,000 with an interest rate of 4.85%. The lease funded the purchase of computer equipment.

On May 14, 2018, the Town entered into a lease purchase agreement in the amount of \$391,306 with an interest rate of 4.25%. The lease funded the purchase of two ambulances.

Purpose	Authorized and issued	Date of issue	Interest rate	Date of maturity	Balance, June 30, 2018	New issues	Maturities	Balance, June 30, 2019
Equipment	\$ 2,276,000	7/1/03	4.85 %	11/30/18	\$ 108,078	\$ —	\$ 108,078	\$ —
Two Ambulances	391,306	5/14/18	4.25 %	8/1/21	307,568	—	77,808	229,760
	<u>\$ 2,667,306</u>				<u>\$ 415,646</u>	<u>\$ —</u>	<u>\$ 185,886</u>	<u>\$ 229,760</u>

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2019

6. Long-term obligations (continued):

At June 30, 2019, scheduled annual debt service requirements for the bonds payable, loans payable and capital leases are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Governmental activities:			
<i>Total - Bonds and loans payable:</i>			
2020	\$ 2,627,000	\$ 990,822	\$ 3,617,822
2021	2,628,000	923,777	3,551,777
2022	2,644,000	844,941	3,488,941
2023	2,180,000	774,215	2,954,215
2024	2,111,000	714,750	2,825,750
2025-2029	9,606,000	2,610,581	12,216,581
2030-2034	6,458,000	1,179,532	7,637,532
2035-2039	3,169,000	218,102	3,387,102
	<u>\$ 31,423,000</u>	<u>\$ 8,256,720</u>	<u>\$ 39,679,720</u>

Bonds and loans payable issued through public sale:

2020	\$ 2,305,000	\$ 863,626	\$ 3,168,626
2021	2,300,000	793,463	3,093,463
2022	2,310,000	721,864	3,031,864
2023	1,840,000	658,764	2,498,764
2024	1,830,000	607,314	2,437,314
2025-2029	8,375,000	2,155,764	10,530,764
2030-2034	5,065,000	891,473	5,956,473
2035-2039	1,905,000	141,400	2,046,400
	<u>\$ 25,930,000</u>	<u>\$ 6,833,668</u>	<u>\$ 32,763,668</u>

Bonds and loans payable issued through direct borrowings:

2020	\$ 322,000	\$ 127,196	\$ 449,196
2021	328,000	130,314	458,314
2022	334,000	123,077	457,077
2023	340,000	115,451	455,451
2024	281,000	107,436	388,436
2025-2029	1,231,000	454,817	1,685,817
2030-2034	1,393,000	288,059	1,681,059
2035-2039	1,264,000	76,702	1,340,702
	<u>\$ 5,493,000</u>	<u>\$ 1,423,052</u>	<u>\$ 6,916,052</u>

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2019

6. Long-term obligations (continued):

Capital lease obligations:

2020	\$	73,169	\$	10,569	\$	83,738
2021		76,535		7,203		83,738
2022		80,056		3,682		83,738
	\$	<u>229,760</u>	\$	<u>21,454</u>	\$	<u>251,214</u>

Business-type

Loans payable issued through direct borrowing:

2020	\$	1,221,243	\$	164,115	\$	1,385,358
2021		1,222,817		142,600		1,365,417
2022		1,224,440		120,362		1,344,802
2023		1,167,000		97,883		1,264,883
2024		1,018,000		77,078		1,095,078
2025-2029		3,387,000		123,626		3,510,626
	\$	<u>9,240,500</u>	\$	<u>725,664</u>	\$	<u>9,966,164</u>

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2019

7. Pension plans:

Teachers' Plan

Defined Benefit Pension Plan:

All eligible employees of the Town are covered by one of four pension plans: the Employees' Retirement System of the State of Rhode Island (Teachers' Plan), the Municipal Employees' Retirement System of the State of Rhode Island, a hybrid plan with a defined contribution component not including police officers and fire fighters in this plan (Municipal Plan), the Town of Middletown Retirement Plan (Town Plan) or the Town of Middletown 401(a) Defined Contribution Plan (401(a) Plan). The Teachers' Plan covers all School Department personnel certified by the Rhode Island Department of Education who are or have been engaged in teaching as a principal occupation. The Municipal Plan covers all Town Hall employees and all Public Works employees hired between July 1, 1999 and June 30, 2012 and those employees that elected to roll over from the Town Plan to the Municipal Plan hired prior to 1999, a full time Fire Civilian Dispatcher hired prior to June 30, 2012, Police Department police officers sworn in on or after January 1, 2000, Fire Department firefighters hired on or after January 1, 2001, and all School Department clerks, custodians and teacher assistants. The Town Defined Contribution 401(a) Plan covers all Town Hall NEARI and Public Works Teamsters employees, full-time Civilian Dispatchers and any Town employees not affiliated with any recognized collective bargaining union, hired on or after July 1, 2012. The Town Plan, which is a closed plan, covers all other eligible employees.

Plan description:

Certain employees of the Teacher's Plan participate in a cost-sharing multiple-employer defined benefit pension plan - the Employees' Retirement System (ERS) plan –and the Teachers' Survivors Benefit plan (TSB) (collectively the Teachers' Plans) administered by the Employees' Retirement System of the State of Rhode Island (the 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 ERS provides retirement and disability benefits and death benefits to plan members and beneficiaries, and the TSB 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 supplemental information for the plans. The report may be obtained at <http://www.ersri.org>.

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2019

7. Pension plans (continued):

Teachers' Plan (continued):

Benefit provisions:

ERS

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

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

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

TSB

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.

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2019

7. Pension plans (continued):

Teachers' Plan (continued):

Defined Benefit Pension Plan (continued):

TSB (continued)

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	\$825
\$17,001 to \$25,000	\$963
\$25,001 to \$33,000	\$1,100
\$33,001 to \$40,000	\$1,238
\$40,001 and over	\$1,375

Benefits payable to children/families are equal to the spousal benefit multiplied by the % 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%

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2019

7. Pension plans (continued):

Teachers' Plan (continued):

Defined Benefit Pension Plan (continued):

Contributions:

ERS

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 2019, Middletown 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 covered salary. The state and the employer 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 employer. The rates were 10.06% and 13.45% of annual covered payroll for the fiscal year ended June 30, 2019 for the state and the town, respectively.

The Town contributed a total of \$2,251,715, \$2,341,962 and \$2,371,498 for the fiscal years ended June 30, 2019, 2018 and 2017, respectively, equal to 100% of the required contributions for each year.

TSB:

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 \$11,500; 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 Town contributed \$23,460, \$26,580 and \$20,831 to the TSB Plan for the fiscal years ended June 30, 2019, 2018, and 2017, respectively, equal to 100% of the required contributions for each year.

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2019

7. Pension plans (continued):

Teachers' Plan (continued):

Defined Benefit Pension Plan (continued):

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

ERS:

At June 30, 2019, the Town reported a liability of \$32,333,768 for its proportionate share of the net pension liability that reflected an increase in the Town's proportional share from 1.014% to 1.018% offset by a reduction for contributions made by the state.

The amount recognized by the Town 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 Teacher's Plan were as follows:

Town's proportionate share of the net pension liability	\$32,333,768
State's proportionate share of the net pension liability associated with the Town	<u>24,118,668</u>
Total net pension liability	<u><u>\$56,452,436</u></u>

The net pension liability was measured as of June 30, 2018, 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, 2017 rolled forward to June 30, 2018. The Town's 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. June 30, 2018 the Town's proportion was 1.018%.

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2019

7. Pension plans (continued):

Teachers' Plan (continued):

Defined Benefit Pension Plan (continued):

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (continued):

ERS (continued):

For the year ended June 30, 2019 the Town ERS Plan recognized gross pension expense of \$4,774,362 and revenue of \$2,157,287 for support provided by the State. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description of Outflows/Inflows	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 472,931	\$ 616,706
Changes of assumptions	2,348,676	380,501
Net difference between projected and actual earnings on pension plan investments	386,214	
Changes in proportion and differences between System contributions and proportionate share contributions	416,164	1,408,981
Contributions subsequent to the measurement date	2,251,715	
	\$ 5,875,700	\$ 2,406,188
Net amount of deferred outflows and (inflows) excluding Town contributions subsequent to measurement date		\$ 1,217,797

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2019

7. Pension plans (continued):

Teachers' Plan (continued):

Defined Benefit Pension Plan (continued):

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (continued):

ERS (continued):

\$ 2,251,715 reported as deferred outflows of resources related to pensions resulting from the Town ERS contributions in fiscal year 2019 subsequent to the measurement date will be recognized as a reduction of the net pension liability for the fiscal year ended June 30, 2020. 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	
2020	\$ 609,685
2021	\$ 215,039
2022	\$ (347,941)
2023	\$ 189,509
2024	\$ 382,495
Thereafter	\$ 169,010
	<u>\$ 1,217,797</u>

TSB

At June 30, 2019, the Town reported an asset of \$3,187,669 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, 2018, 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, 2017, rolled forward to 2018. The Town's proportion of the net pension asset was based on its share of contributions to the TSB for fiscal year 2018 relative to the total contributions of all participating employers for that fiscal year. At June 30, 2019, the Town's proportion was 3.57%.

For the year ended June 30, 2019 the Town's TSB Plan recognized pension expense of \$(58,380) – an increase in the net pension asset. At June 30, 2019 the Town's TSB Plan reported deferred outflows of resources and deferred (inflows) of resources related to pensions from the following sources:

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2019

7. Pension plans (continued):

Teachers' Plan (continued):

Defined Benefit Pension Plan:

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

TSB (continued):

Description of Outflows/Inflows	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 543,121	\$ 534,915
Changes of assumptions	420,004	
Net difference between projected and actual earnings on pension plan investments	72,342	
Changes in proportion and differences between System contributions and proportionate share contributions	154,229	95,062
Contributions subsequent to the measurement date	23,460	—
	\$ 1,213,156	\$ 629,977
Net amount of deferred outflows and (inflows) excluding Town contributions subsequent to measurement date		\$ 559,719

The deferred outflows of resources related to pensions resulting from the Town's TSB contributions in the amount of \$23,460 in fiscal year 2019 subsequent to the measurement date will be recognized as an addition to the net pension asset for the fiscal year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2019

7. Pension plans (continued):

Teachers' Plan (continued):

Defined Benefit Pension Plan:

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

TSB (continued):

Year ended June 30:	
2020	\$ 246,082
2021	140,139
2022	(15,720)
2023	70,613
2024	92,193
Thereafter	26,412
	<u>\$ 559,719</u>

Actuarial Assumptions:

ERS and TSB:

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

Inflation	2.50%
Salary increases	3.00% - 13.00%
Investment rate of return	7.00%

Mortality – variants of the RP-2014 mortality tables - for the improvement scale, update to the ultimate rates of the MP-2016 projection scale.

Cost of living adjustment (TSB Plan)–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, 2017 valuation rolled forward to June 30, 2018 and the calculation of the total pension liability at June 30, 2018 were consistent with the results of an actuarial experience study performed as of June 30, 2016.

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2019

7. Pension plans (continued):

Teachers' Plan (continued):

Defined Benefit Pension Plan:

Actuarial Assumptions:

ERS and TSB (continued):

The long-term expected rate of return best-estimate on pension plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of pension plan investment expense and inflation) for each major asset class, based on a collective summary of capital market expectations from 34 sources. The June 30, 2018 expected arithmetic returns over the long term (20 years) by asset class are summarized in the following table:

Asset Class	Long-Term Target Asset Allocation	Long-Term Expected Arithmetic Real Rate of Return
Global Equity		
US Equity	20.80 %	6.43 %
International Developed	14.40 %	6.70 %
Emerging Markets Equity	4.80 %	8.90 %
Private Growth		
Private Equity	11.30 %	9.08 %
Non-Core RE	2.20 %	5.03 %
Opportunistic Private	1.50 %	9.08 %
Income		
High Yield Infrastructure	1.00 %	3.81 %
REITS	1.00 %	5.03 %
Liquid Credit	2.80 %	3.81 %
Private Credit	3.20 %	3.81 %
Crisis Protection Class		
Treasury Duration	4.00 %	0.61 %
Systematic Trend	4.00 %	4.00 %
Inflation Protection		
Core Real Estate	3.60 %	5.03 %
Private Infrastructure	2.40 %	5.61 %
TIPs	1.00 %	1.75 %
Natural Resources	1.00 %	3.81 %
Volatility Protection		
IG Fixed Income	11.50 %	2.14 %
Absolute Return	6.50 %	4.00 %
Cash	3.00 %	0.61 %

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

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2019

7. Pension plans (continued):

Teachers' Plan (continued):

Defined Benefit Pension Plan:

Discount Rate

ERS and TSB:

The discount rate used to measure the total pension liability was 7.0 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 Town's proportionate share of the net pension liability (asset) to changes in the discount rate

ERS and TSB:

The following presents the Town's proportionate share of the net pension liability (asset), calculated using the discount rate of 7.00%, as well as what the Town's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage-point lower (6.00%) or 1 percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net pension liability	\$40,681,418	\$32,333,768	\$26,116,245
Net pension asset (TSB)	<u>\$2,212,079</u>	<u>\$3,187,669</u>	<u>\$3,914,009</u>

Pension plan fiduciary net position

ERS and TSB:

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

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2019

7. Pension plans (continued):

Teachers' Plan (continued):

Defined Contribution Pension Plan

Plan Description:

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

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

The School Department recognized pension expense of \$329,039 for the fiscal year ended June 30, 2019.

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>.

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2019

7. Pension plans (continued):

Municipal Plan

Summary of Significant Accounting Policies:

Defined Benefit Pension Plan:

Plan description:

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

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

Benefit Provisions:

General employees, certain school personnel, 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.

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2019

7. Pension plans (continued):

Municipal Plan (continued)

Benefit Provisions (continued):

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.

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 as described 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.

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2019

7. Pension plans (continued):

Municipal Plan (continued)

Benefit Provisions (continued):

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.

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.

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2019

7. Pension plans (continued):

Municipal Plan (continued)

Benefit Provisions (continued):

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.

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.

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2019

7. Pension plans (continued):

Municipal Plan (continued)

Benefit Provisions (continued):

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, 2017 valuation date, the following employees were covered by the benefit terms:

	MERS General	MERS Police/Fire
Retirees and Beneficiaries	50	1
Inactive, Non-retired Members	41	13
Active Members	116	61
Total	207	75

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2019

7. Pension plans (continued):

Municipal Plan (continued)

Contributions (continued):

Defined Benefit Pension Plan:

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 as the Town opted to provide a COLA. General employees with more than 20 years of service as of June 30, 2012 are required to contribute 8.25% of their salaries due to the COLA provision. Public safety

Town 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.

For employees covered under the general unit, the Town contributed \$540,430 in the year ended June 30, 2019 which was 11.23% of annual covered payroll. For employees covered under the police/fire unit, the Town contributed \$329,093 in the year ended June 30, 2019 which was 7.55% of annual covered payroll.

Net Pension Liability (Asset):

The total pension liability was determined by actuarial valuations performed as of June 30, 2017 and rolled forward to June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement.

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2019

7. Pension plans (continued):

Municipal Plan (continued)

Defined Benefit Pension Plan:

Net Pension Liability (Asset) (continued):

Summary of Actuarial Assumptions Used in the Valuations to determine the Net Pension Liability at the June 30, 2018 measurement date (June 30, 2017 valuation rolled forward to June 30, 2018)	
Actuarial Cost Method	Entry Age Normal - the Individual Entry Age Actuarial Cost methodology is used.
Amortization Method	Level Percent of Payroll – Closed
Actuarial Assumptions	
Investment Rate of Return	7.0%
Inflation	2.5%
Projected Salary Increases	General Employees - 3.50% to 7.50%; Police & Fire Employees - 4.00% to 14.00%
Mortality	Mortality – variants of the RP-2014 mortality tables - for the improvement scale, update to the ultimate rates of the MP-2016 projection scale.
Cost of Living Adjustments	A 2% COLA is assumed after January 1, 2014.

The actuarial assumptions used in the June 30, 2017 valuation rolled forward to June 30, 2018 and the calculation of the total pension liability at June 30, 2018 were consistent with the results of an actuarial experience study performed as of June 30, 2016.

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 34 sources. The June 30, 2018 expected arithmetic returns over the long term (20 years) by asset class are summarized in the following table:

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2019

7. Pension plans (continued):

Municipal Plan (continued)

Defined Benefit Pension Plan:

Net Pension Liability (Asset) (continued):

Asset Class	Long-Term Target Asset Allocation	Long-Term Expected Arithmetic Real Rate of Return
Global Equity		
US Equity	20.80 %	6.43 %
International Developed Equity	14.40 %	6.72 %
Emerging Markets Equity	4.80 %	8.90 %
Private Growth		
Private Equity	11.30 %	9.08 %
Non-Core RE	2.20 %	5.03 %
Opportunistic Private Credit	1.50 %	9.08 %
Income		
High Yield Infrastructure	1.00 %	3.81 %
REITS	1.00 %	5.03 %
Liquid Credit	2.80 %	3.81 %
Private Credit	3.20 %	3.81 %
Crisis Protection Class		
Treasury Duration	4.00 %	0.61 %
Systematic Trend	4.00 %	4.00 %
Inflation Protection		
Core Real Estate	3.60 %	5.03 %
Private Infrastructure	2.40 %	5.61 %
TIPs	1.00 %	1.75 %
Natural Resources	1.00 %	3.81 %
Volatility Protection		
IG Fixed Income	11.50 %	2.14 %
Absolute Return	6.50 %	4.00 %
Cash	3.00 %	0.61 %

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2019

7. Pension plans (continued):

Municipal Plan (continued)

Defined Benefit Pension Plan:

Net Pension Liability (Asset) (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 of the plans was 7.0 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.

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2019

7. Pension plans (continued):

Municipal Plan (continued)

MERS General Unit	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance as of June 30, 2017	\$ 23,680,624	\$ 18,491,847	\$ 5,188,777
Changes for the year:			
Service cost	449,152		449,152
Interest on total pension liability	1,636,283		1,636,283
Differences between expected and actual	(215,338)		(215,338)
Changes in assumptions			
Contributions - employer		525,837	(525,837)
Contributions - employee		159,410	(159,410)
Net investment income		1,454,167	(1,454,167)
Benefit payments, including employee refunds	(1,059,459)	(1,059,459)	—
Administrative expense		(19,359)	19,359
Other changes		(118,989)	118,989
Net changes	810,638	941,607	(130,969)
 Balance as of June 30, 2018	 \$ 24,491,262	 \$ 19,433,454	 \$ 5,057,808
MERS Police/Fire Units	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance as of June 30, 2017	\$ 7,606,638	\$ 7,223,228	\$ 383,410
Changes for the year:			
Service cost	825,705		825,705
Interest on total pension liability	559,619		559,619
Differences between expected and actual	237,620		237,620
Changes in assumptions			
Contributions - employer		270,791	(270,791)
Contributions - employee		416,679	(416,679)
Net investment income		635,104	(635,104)
Benefit payments, including employee	(49,854)	(49,854)	
Administrative expense		(8,455)	8,455
Other changes		14	(14)
Net changes	1,573,090	1,264,279	308,811
 Balance as of June 30, 2018	 \$ 9,179,728	 \$ 8,487,507	 \$ 692,221

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2019

7. Pension plans (continued):

Municipal Plan (continued)

Defined Benefit Pension Plan:

Net Pension Liability (Asset):

Sensitivity of the net pension liability (asset) to changes in the discount rate

The following presents the Town's net pension liability (asset), calculated using the discount rate of 7.00%, as well as what the Town's net pension liability (asset) would be if it were calculated using a discount rate that is one percentage-point lower (6.00%) or one percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net pension liability- MERS General	\$7,868,158	\$5,057,808	\$2,965,314
Net pension asset - MERS Police/Fire	\$1,707,924	\$692,221	\$(63,849)

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, 2019 the employer recognized pension expense of \$857,354 for the MERS General unit and \$503,119 for the MERS Police/Fire unit. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

MERS General Unit:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 689,343	\$ 22,191
Difference between expected and actual experience	8,439	426,863
Net difference between projected and actual earnings on pension plan investments	117,565	
Contributions subsequent to the measurement date	540,430	
	<u>\$ 1,355,777</u>	<u>\$ 449,054</u>
Net amount of deferred outflows and (inflows) excluding contributions subsequent to measurement date		<u>\$ 366,293</u>

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2019

7. Pension plans (continued):

Municipal Plan (continued)

Defined Benefit Pension Plan:

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued):

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

Year ended June 30:		
2020	\$	302,048
2021		128,038
2022		(120,240)
2023		63,120
2024		(6,501)
Thereafter		(172)
	<u>\$</u>	<u>366,293</u>

MERS Police / Fire Unit:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 436,684	\$ 63,943
Difference between expected and actual experience	564,594	55,610
Net difference between projected and actual earnings on pension plan investments		56,736
Contributions subsequent to the measurement date	<u>329,093</u>	
	<u>\$ 1,330,371</u>	<u>\$ 176,289</u>
Net amount of deferred outflows and (inflows) excluding contributions subsequent to measurement date		<u>\$ 824,989</u>

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2019

7. Pension plans (continued):

Municipal Plan (continued)

Defined Benefit Pension Plan:

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued):

Amounts for the MERS Police / Fire Unit reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2020	\$	118,757
2021		70,296
2022		(12,643)
2023		49,058
2024		70,551
Thereafter		528,970
	\$	<u>824,989</u>

Defined Contribution Pension Plan

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 with over 20 years service as of June 30, 2012 are required to contribute 9.25% of their salaries due to the COLA provisions. There is no employer match. 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.

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2019

7. Pension plans (continued):

Defined Contribution Pension Plan (continued)

Amounts in the defined contribution plan are available to participants in accordance with Internal Revenue Service guidelines for such plans. The Town recognized pension expense of \$22,954 for the fiscal year ended June 30, 2019.

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>.

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2019

7. Pension plans (continued):

Town Plan

Plan description:

Plan Administration

The Town Plan is a single-employer defined benefit pension plan, administered by the Town of Middletown, established by the Town in accordance with the Town Charter. Effective July 1, 1999, the Town established a pension trust fund with Citizens Bank as trustee.

As of June 30, 2014, the Town Council adopted an update to the Investment Policy Statement (IPS) for the Town Plan. The IPS update expanded permissible asset classes, while maintaining the goals of increasing asset value, controlling volatility, and maintaining sufficient liquidity to meet anticipated cash needs. The revised IPS implementation continued throughout fiscal year 2019.

Plan Membership

As of June 30, 2019, pension plan membership consisted of the following:

<u>Membership Status</u>	<u>Count</u>
Inactive plan members or beneficiaries currently receiving benefits	133
Inactive plan members entitled to but not yet receiving benefits	3
Active plan members	<u>10</u>
	<u>146</u>

Benefits provided:

The following eligibility and benefit provisions were established and may be amended by an ordinance of the Town Council.

Plan participation commences on the first day of the month coincident with or following the date of hire. Elected officials and certified employees of the School Department are not eligible to participate in the Town Plan, which is closed to new entrants.

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2019

7. Pension plans (continued):

Town Plan (continued):

Benefits provided (continued):

The Town Plan provides pension, disability and death benefits. A Police and Fire Department member may retire the first day of the month following the member's completion of 20 years of service. (If the member joined the Fire Department after July 1, 1983, only Fire Department service is used to determine years of service). School Department custodial and clerical members may retire the first day of the month following the member's completion of 30 years of service, but not later than age 65 with five years of service. Public Works members may retire the first day of the month following the completion of 30 years of service, but not later than age 60 with ten years of service. Town Hall members may retire the first day of the month coincident with or following the member's attainment of age 65 with five years of service.

The normal retirement benefit is determined as follows:

Police Department Members – 3% (2.5% if less than 20 years of service) of average compensation multiplied by completed years and months of service. The maximum benefit for members hired after July 1, 1986 is 70% of average compensation.

Fire Department Members – 2.75% of average compensation multiplied by completed years and months of service (total maximum benefit equals 75% of average compensation). If a participant joined the Fire Department after July 1, 1983, only Fire Department service is considered.

School Custodial, Town Hall and School Clerical Members – 2% of average compensation multiplied by completed years and months of service. The maximum benefit for members hired after July 1, 1986 is 70% of average compensation.

Public Works Members – 2.5% of average compensation multiplied by completed years and months of service. The maximum benefit for employees hired after July 1, 1986 is 70% of average compensation.

Average compensation is defined as the member's average gross annual earnings during the period of three consecutive years when such average is highest.

In lieu of the normal form of benefit, a Police or Fire member may elect a pension that provides, upon the member's death, for a 67.5% contingent annuity payable either to the spouse until remarriage or to dependent children until they attain age 18. Other members may elect a modified cash refund.

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2019

7. Pension plans (continued):

Town Plan (continued):

Benefits provided (continued):

Members, other than Police or Fire members, who have completed ten years of service and are within five years of their normal retirement date may elect to retire early. The retirement benefit is determined as stated previously and is reduced by 6% per year for each year preceding the normal retirement date. Working beyond the normal retirement age is allowed if permitted by the applicable collective bargaining agreement and applicable fitness standards are met.

The Town Plan includes disability benefits for members who have completed ten years of service, are totally disabled for six months and eligible to receive disability payments under Social Security. The benefit equals the member's annuity accrued to the date of disability and is payable immediately without reduction. For Police and Fire members, disability benefits are 66.67% of salary.

The Town Plan includes a pre-retirement spouse's benefit as follows:

Police and Fire Members – The pre-retirement benefit equals 67.5% of the pension benefit previously described payable until remarriage unless there are dependent children. A member is eligible upon completion of 20 years of service.

Other Members – The pre-retirement benefit equals 50% of the pension benefit previously described reduced by the Contingent Annuitant factor and Early Optional Retirement factor. Members are eligible if they are within five years of their normal retirement date and have completed at least ten years of service.

Death benefits are also provided by the Town Plan. The death benefit prior to retirement is a refund of employee accumulation unless a spouse's benefit is payable. In this case, the death benefit would be determined as described in the previous paragraph. The death benefit after retirement is determined by the form of annuity chosen by the member.

Contributions:

Employee and Employer contribution requirements are established per the GAC 795 with John Hancock which may be amended by Town Council ordinance or union contract and are based on actuarially determined percentages.

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2019

7. Pension plans (continued):

Town Plan (continued):

Benefits provided (continued):

Employees are required to contribute a percentage of their gross pay as follows:

Police	7%
Fire	9%
Public Works	6%

The Town establishes employer contributions based on an actuarially determined contribution recommended by an independent actuary. The actuarially determined contribution is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2019, the Town contributed \$1,681,525 to the Plan.

Investments:

Rate of return

For the year ended June 30, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 6.14%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Receivables:

An employer receivable contribution on behalf of the Library was made on August 16, 2019 and was also included in the plan assets.

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2019

7. Pension plans (continued):

Town Plan (continued):

Net pension liability

The components of the net pension liability at June 30, 2019 were as follows:

Total pension liability	\$	58,076,307
Plan fiduciary net position		<u>(60,563,649)</u>
Town's net pension asset	\$	<u><u>(\$2,487,342)</u></u>
Plan fiduciary net position as a percentage of the total pension liability		<u><u>104.28 %</u></u>

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

For the year ended June 30, 2019, the Town recognized pension expense of \$1,181,684. At June 30, 2019, the Town reported deferred outflows of resources of \$805,361 for differences between projected and actual earnings.

The difference between projected and actual investment earnings is recognized over five years, in accordance with the provisions of GASB 68. The differences between expected and actual experience, and the effect of changes in assumptions are recognized over the average expected remaining service of all participants, which is 0.22 years. This means that the difference between expected and actual experience, and the effect of changes in assumptions are effectively recognized immediately.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Town Private Plan		
Differences between projected and actual earnings	<u>\$ 1,271,117</u>	<u>\$ 1,069,518</u>
Total	<u><u>\$ 1,271,117</u></u>	<u><u>\$ 1,069,518</u></u>

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2019

7. Pension plans (continued):

Town Plan (continued):

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

Deferred outflows of resources related to the Town Plan pensions will be recognized in pension expense as follows:

Year Ending June 30	Net Deferred Outflows (Inflows) of Resources
2020	\$ 314,683
2021	(311,457)
2022	37,129
2023	161,244
Total	<u>\$ 201,599</u>

Actuarial Assumptions:

The June 30, 2019 total pension liability was determined by using the following actuarial assumptions, applied to all periods included in the measurement:

<u>Actuarial Assumptions</u>	
Inflation	3.00%
Salary increases	5.00%
Investment rate of return	7.50%, net of pension plan investment expenses. This is based on an average inflation rate of 3.00% and a real rate of return of 4.50%

Census data was collected as of June 30, 2018 and projected to June 30, 2019 according to the valuation's demographic assumptions.

Mortality rates were based on Pub-2010 Public Retirement Plans Mortality Tables Report from the Society of Actuaries dates January, 2019. All rates were projected generationally from 2010 with Scale MP-2018. Separate annuitant and non-annuitant rate tables were used.

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2019

7. Pension plans (continued):

Town Plan (continued):

Actuarial Assumptions (continued):

The valuation interest rate was determined through a forecast of the expected return of the plan's assets over the next 30 years. Forecast values were generated using the GEMS Economic Scenario Generator. Based on this model, the rate of return assumption was set to be 7.50% per year. The interest rate analysis was based on the following planned asset allocation for the Plan as of July 2017:

Asset Class	Allocation
Equity	57.30%
Investment Grade Bonds	6.60%
High Yield/Convertible Bonds	14.90%
Money Market	1.10%
Hancock IPG	20.10%
Total	100.00%

The 50th percentile of the 30-year projection of inflation from GEMS is 2.93%, which forms the basis of the underlying inflation assumption of 3.0% per year.

Municipal bond rate

2.79%. This rate is based on the S&P Municipal Bond 20 Year High Grade Rate Index.

Retirement Age

Police and Fire Department Rates according to the following table:

Years of Service	Percent Retiring
Less than 20	0%
20	25%
21-24	50%
25 or more	100%

All Others – 100% at the age at which unreduced benefits are first available

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2019

7. Pension plans (continued):

Town Plan (continued):

Actuarial Assumptions (continued):

Disability Incidence

United Auto Workers 1955 Table

Turnover

Sarason Table T-1 Table

Marriage Assumption

90% of males, 75% of females are married, with males four years older than their female spouse

Expenses

Prior year's expenses, rounded to the nearest thousand dollars

Participant Data

The Experience Study performed in 2018 represents the most recent comprehensive review of the actuarial assumptions noted above.

Discount rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed the Town contributions will continue to follow the current funding policy. 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. Had there been a point where assets were projected to be depleted, a municipal bond rate of 2.79% would have been used in the development of the blended GASB discount rate after that point. The 2.79% rate is based on the S&P Municipal Bond 20 Year High Grade Rate Index.

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2019

7. Pension plans (continued):

Town Plan (continued):

Net Pension Liability (Asset):

Town Plan	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances as of June 30, 2018	\$ 58,217,854	\$ 60,206,214	\$ (1,988,360)
Changes for the Year			
Service cost	163,987		163,987
Interest on the total pension liability	4,201,269		4,201,269
Difference between expected and actual experience	(648,949)		(648,949)
Changes in assumptions	959,070		959,070
Employer contributions		1,681,525	1,681,525
Employee contributions		50,622	(50,622)
Net investment income		3,590,209	(3,590,209)
Benefit payments, including employee refunds	(4,816,924)	(4,816,924)	-
Administrative expense		(147,997)	147,997
Net changes	<u>(141,547)</u>	<u>357,435</u>	<u>215,888</u>
Balances as of June 30, 2019	<u>\$ 58,076,307</u>	<u>\$ 60,563,649</u>	<u>\$ (2,487,342)</u>

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability, calculated using the discount rate of 7.50%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.50%) or one percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net pension liability	<u>\$3,166,377</u>	<u>\$(2,487,342)</u>	<u>\$(7,273,910)</u>

The Schedule of Changes in Town's Net Pension Liability, the Schedule of Town Contributions, and the Schedule of Investment Returns are presented as RSI following the notes to the basic financial statements.

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2019

7. Pension plans (continued):

Town 401(a) Defined Contribution Plan

Plan description:

The Town implemented a Defined Contribution 401(a) Plan in fiscal year 2014, as authorized by RIGL45-21-8. This Plan covers all Town Hall NEARI and Public Works Teamsters employees, full-time Civilian Dispatchers and any Town employees not affiliated with any recognized collective bargaining union, hired on or after July 1, 2012. The Town Defined Contribution 401(a) Plan was established under IRS section 401(a) and is administered by TIAA-CREF and the Town. Employees may choose among various investment options available to plan participants.

Employee contributions are immediately vested while employer contributions are vested after three years of contributory service. Contributions required under the Plan by both the employee and employer are established and may be amended by the Town Council.

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

Plan funding policy:

Active members in the Plan contribute 6% of their compensation, and the Town is required to contribute a 6% match. Annual covered payroll during the fiscal year was \$749,383, and the plan members and the Town each contributed \$44,963 during the fiscal year ended June 30, 2019.

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2019

7. Pension plans (continued):

Aggregate pension Amounts Reported in the Financial Statements:

As required by GASB Statement No. 68, *Accounting and Reporting for Pensions* and amendment of GASB Statement No. 34, the table below presents the aggregate amount of pension expense, pension liabilities (assets), and deferred inflows and outflows for the defined benefit plans of the the Town of Middletown, Rhode Island.

	ERS Teachers	TSB Teachers	MERS General	MERS Police/Fire	Town Plan	Total
Net Pension Asset	\$ —	\$ 3,187,669	\$ —	\$ —	\$ 2,487,342	\$ 5,675,011
Deferred Outflows of Resources - Pension	5,875,700	1,213,156	1,355,777	1,330,371	1,271,117	11,046,121
Deferred Inflows of Resources - Pension	2,406,188	629,977	449,054	176,289	1,069,518	4,731,026
Net Pension Liability	32,333,768	—	5,057,808	692,221	—	38,083,797
Pension Expense	4,774,362	(58,380)	857,354	503,119	1,181,684	7,258,139
	<u>\$ 45,390,018</u>	<u>\$ 4,972,422</u>	<u>\$ 7,719,993</u>	<u>\$ 2,702,000</u>	<u>\$ 6,009,661</u>	<u>\$ 66,794,094</u>

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2019

8. Other postemployment benefits:

Plan description:

Through its single-employer defined benefit plan (OPEB Plan), the Town provides postretirement health care benefits to all Town employees who meet years of service and age requirements and, in some cases to their surviving spouses, who are eligible under the terms of collective bargaining agreements or personal contracts. The Plan does not issue a stand-alone financial report. The Town established the Other Postemployment Benefits Trust (the Trust) on June 20, 2011. The Trust's assets and liabilities at June 30, 2019 and its activity for the year then ended are included in the statements of fiduciary net position and changes in fiduciary net position.

The most recent actuarial valuation for the OPEB Plan was performed as of June 30, 2019.

Benefits and employee contributions:

The Trust paid 100% of the amount for medical and dental costs incurred by eligible retirees, which totaled \$1,644,695 for the year ended June 30, 2019.

Employer contributions are recognized in the period to which the contribution relates. Benefit payments are charged to expense in the period paid.

Covered participants:

As of June 30, 2019, the membership census utilized for actuarial valuation purposes is as follows:

Active employees	351
Retirees and beneficiaries	<u>227</u>
Total	<u><u>578</u></u>

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2019

8. Other postemployment benefits (continued):

Net OPEB Liability:

The Town's net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Description	Amounts
Total OPEB Liability (TOL)	\$ 28,929,530
Fiduciary Net Position	12,236,460
Net OPEB Liability (NOL)	\$ 16,693,070
Funded ratio (Fiduciary Net Position / Covered payroll (active plan members))	42.30 %
NOL as a percentage of covered payroll	67.96 %

Changes in Net OPEB Liability:

	Total OPEB Liability	Increase (Decrease) Plan Fiduciary Net Position	Net OPEB Liability
Balance as of June 30, 2018	\$ 28,238,723	\$ 9,741,824	\$ 18,496,899
Service cost	486,018	—	486,018
Interest on total pension liability	2,093,795	—	2,093,795
Differences between expected and actual experience	(312,797)	—	(312,797)
Changes in assumptions	68,486	—	68,486
Contributions - employer	—	3,610,377	(3,610,377)
Contributions - employee	—	22,283	(22,283)
Net investment income	—	528,666	(528,666)
Benefit payments, including employee refunds	(1,644,695)	(1,644,695)	—
Administrative expense	—	(21,995)	21,995
Net changes	690,807	2,494,636	(3,185,443)
Balance as of June 30, 2019	\$ 28,929,530	\$ 12,236,460	\$ 16,693,070

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2019

8. Other postemployment benefits (continued):

OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB:

For the year ended June 30, 2019 the Town recognized OPEB expense of \$1,132,803. At June 30, 2019 the Town deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ —	\$ 1,401,583
Difference between expected and actual experience	279,107	2,468,167
	<u>\$ 279,107</u>	<u>\$ 3,869,750</u>
Net amount of deferred outflows and (inflows) excluding contributions subsequent to measurement date		<u>\$ (3,590,643)</u>

OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB (continued):

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

Year ended June 30:			
2020	\$	(643,694)	
2021		(643,694)	
2022		(643,694)	
2023		(663,566)	
2024		(718,438)	
Thereafter		(277,557)	
	<u>\$</u>	<u>(3,590,643)</u>	

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2019

8. Other postemployment benefits (continued):

Sensitivity of the net OPEB liability to changes in the discount rate:

The following presents the net OPEB liability of the Town 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 discount rate:

	Impact of 1% Change in Discount Rate		
	1% Decrease (6.50%)	Current discount rate (7.50%)	1% Increase (8.50%)
Total OPEB liability	\$ 19,652,756	\$ 16,693,070	\$ 14,161,710

The following presents the net OPEB liability of the Town if it were calculated using health care cost trend rates that are 1 percentage-point lower or 1 percentage point higher than the current discount rate:

	Impact of 1% Change in Discount Rate		
	1% Decrease	Current trend rate	1% Increase
Total OPEB liability	\$ 13,618,305	\$ 16,693,070	\$ 20,473,862

Rate of Return:

For the year ended June 30, 2019, the annual money-weighted rate of return on investment, net of investment expense was 4.99%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Actuarial methods and assumptions:

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and annual required contributions are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2019

8. Other postemployment benefits (continued):

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate potential effects of legal or contractual funding limitations on the pattern of cost-sharing between the employer and plan members in the future. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Some key assumptions are as follows:

Measurement date:	June 30, 2019
Actuarial cost method:	Entry age normal, level percent of salary and actuarially determined contribution based on projected credit unit
Investment rate of return:	7.5% per year, net of investment expense, based on the long-term rate of return of plan assets
Projected Salary Increases	5.0% annually as of June 30, 2019 and for future periods
Inflation	3.0% as of June 30, 2019 and for future periods
Funding Method:	Pre-funding the UAAL by contributing the ARC annually over the 18 year amortization period
Asset valuation method:	Market value
Health Care Cost Trend Rates:	Medical pre-Medicare rate of 7.93% decreasing to a rate of 5.0% after ten years; and post-Medicare rate of 6.40% decreasing to a rate of 5.0% after ten years.

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2019

8. Other postemployment benefits (continued):

Investment Policy:

Investment Target Allocation

Asset Class	Target Allocation
Equity	57.30 %
Investment grade bonds	6.60 %
High yield / Convertible bonds	14.90 %
Money market	1.10 %
Hancock IPG	20.10 %
Total	<u>100.00 %</u>

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2019

9. Risk management:

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; injuries to employees and natural disasters. As a result, the Town participates in a nonprofit, public entity risk pool (Rhode Island Interlocal Risk Management Trust, Inc.) (the Trust) which provides coverage for property/liability, and workers' compensation claims. Upon joining the Trust, the members sign a participation agreement which outlines the rights and responsibilities of both the Trust and the member. The agreement states that for property/liability and workers' compensation premiums paid by the Town, the Trust will assume financial responsibility for the Town's losses up to the maximum amount of insurance purchased, minus the Town's deductible amounts. The Trust provides this insurance coverage through a pooled, self-insurance mechanism which includes reinsurance purchased by the Trust to protect against large, catastrophic claims above the losses the Trust retains internally for payment from the pooled contributions of its members. Under the participation agreement, the Town is insured for a maximum of \$5,000,000 per occurrence. Settled claims resulting from these risks have not exceeded the Trust coverage in any of the past three fiscal years. There were no significant reductions in this insurance coverage during the year ended June 30, 2019.

The Town also participates in the Trust Employee Benefits Pool ("The Pool") which provides programs for health and dental insurance coverage to Rhode Island cities, towns and other governmental units. Upon joining the Pool, members execute a member participation agreement. This document outlines the rights and responsibilities of both the members and the Trust. Members of the Pool participate in the Pool's health insurance plan administered through the Trust and Blue Cross Blue Shield of Rhode Island (BCBSRI) and dental insurance plan administered through the Trust and Delta Dental of Rhode Island. The Trust sets annual contribution rates for the subscribers of each member for each program offered. The Pool agreement requires that those contribution rates be set at a level sufficient, in the aggregate, to satisfy the funding requirements of the Pool. The contributions of each member are deposited into the General Fund and are used to pay for claims, reinsurance and all administrative expenses.

10. Litigation and contingencies:

Litigation:

On August 28, 2008, Environment Rhode Island and four residents of the City of Newport filed a complaint in the U.S. District Court for the District of Rhode Island against the Town under the so-called "citizen suit" provisions of the federal Clean Water Act. The complaint alleged that the Town's sanitary sewer and storm-water discharge systems have operated in violation of the wastewater discharge standards and requirements of the Clean Water Act since 2003. The citizen's groups sought injunctive relief requiring the Town to cease violation, to remedy the effects of past violations, and to pay appropriate civil penalties and reasonable attorney fees as authorized under the Clean Water Act.

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2019

10. Litigation and contingencies (continued):

Litigation (continued):

The Town believed that a reasonable out-of-court settlement could be reached and vigorously contested the allegations in the complaint. On March 24, 2010, the Town and Environment Rhode Island settled the matter by entering into a Consent Decree and Order that included specific requirements and milestones for the Town to evaluate potential alternatives and implement optimal alternatives to address the Town's storm-water and wastewater discharges. The Town engaged an engineering firm to evaluate potential alternatives to address the sanitary sewer overflows and storm-water discharges, and issue the appropriate reports, which were completed in October 2011.

In regard to the sanitary sewer system, the projects evaluated were: (1) increase storage capacity; (2) reroute wastewater flow; and (3) implement measures to reduce inflow and infiltration into the Town's sewer system. The final report issued in October 2011 recommended implementing measures to reduce inflow and infiltration as the most feasible alternative. A long-term program is currently underway. Program recommendations are included in the Town's Capital Improvement Program, and priority mitigation measures have either been constructed/completed or are in the process of being constructed/completed. The cost of implementing the most feasible alternative was estimated at approximately \$8.4 million as of June 30, 2011. This estimate has since been revised, with the balance of this cost remaining at June 30, 2015 estimated at \$2.1 million, which has been recorded as a long-term liability in the government-wide and proprietary fund financial statements. As of June 30, 2019, the balance of the long-term liability is \$883,000.

Other contingencies:

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. Total federal financial assistance received by the Town totaled approximately \$2,801,273 for the year ended June 30, 2019.

The Town is a party to various other claims, legal actions and complaints. It is not presently possible to determine the outcome of these cases; therefore, no liability has been recorded in the accompanying financial statements. In the opinion of the Town's management and Town Solicitor, these matters cannot be estimated nor can the likelihood of a favorable outcome be determined at this time.

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2019

11. Commitments and subsequent events:

Construction commitments:

The Town has active construction projects as of June 30, 2019, including road reconstruction, drainage and sanitary upgrades in designated areas of the Town, roof repairs, door and window repairs, and flooring projects at school buildings. At June 30, 2019, the Town's commitments with contractors are as follows:

Project	Spent to Date	Remaining Commitments
Red Road Paving & Utility Repair: CB Utility Inc	\$ 1,940,077	\$ 88,283
Red Road Phase II: East Coast Construction	3,078,506	452,273
Upper Easton's Point Sewer Lining: National Water Main Cleaning Co	3,073,432	310,709
Town Line Sewers: C B Utility Inc	1,964,864	437,358
Gaudet School Main Entrance: Torrado, Advanced Building Concepts, C&K Electric, ATC, Colliers International	713,824	971,410
Gaudet School Windows/Doors: Advanced Building Concepts, Torrado	69,812	785,328
Middletown High School Windows/Doors: Torrado	87,816	58,544
Forrest Avenue Windows/Doors: Torrado	2,832	1,888
Middletown High School Roof Phase II: RGB	16,875	5,625
Middletown High School HVAC: RGB	58,779	48,091
Gaudet School HVAC: RGB	8,507	6,961
Aquidneck School HVAC: RGB	10,054	8,226
MHS Site Work: RGB	6,142	2,047
JHG Site Work: RGB	6,926	2,309
JHG Flooring Project: Ruggieri Brothers Inc, AA Asbestos Abatement Co.	—	238,515
MHS Flooring Project: Ruggieri Brothers Inc, AA Asbestos Abatement Co.	—	36,945
	<u>\$ 11,038,446</u>	<u>\$ 3,454,512</u>

The commitments for land improvements, residential street paving, and road drainage are funded through operations, general obligation bonds and capital improvement funds. The commitments for sanitary sewer upgrades are funded through loans to the Sewer Fund and Sewer Fund operations.

Subsequent events:

Management has evaluated subsequent events through the report date of January 31, 2020. No material events have occurred that require disclosure.

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2019

12. Joint venture:

The Middletown School Department (MSD), in conjunction with other member school departments, continued to participate in a joint venture entitled the Newport County Regional Special Education Program (NCRSEP) during fiscal year 2019. NCRSEP was formed to provide services to qualified special needs students in the member towns. Each town is assessed its share of the NCRSEP annual operating budget based on each town's share of total students in the region averaged with each town's share of students in the special education program. Each town pays salaries and employee benefits directly to the teachers and aides on their respective payroll that work directly for the program; such amounts are deducted from the gross annual assessment. MSD's net assessment for 2019 was \$2,581,137. The towns have no equity interest in the net assets of NCRSEP at June 30, 2019.

At June 30, 2019, a total of \$754,376 in Medicaid reimbursements due to MSD has been recorded as a liability of NCRSEP. This amount represents Medicaid reimbursements received by NCRSEP in excess of the budgeted receipts for Middletown. The defined benefit pension liability for the NCRSEP is included in the Town's total pension liability accrued. Separately audited financial statements of NCRSEP are available at Newport County Regional Special Education Program, Oliphant Lane, Middletown, RI 02842.

During October 2014, the Town of Portsmouth announced its withdrawal from the NCRSEP as of June 30, 2015. This change has reduced the member school departments in the program from four to three districts, including MSD as of July 2015. As of July 2015, the NCRSEP has made the transition to providing services to the three remaining member school departments, with a reduced operating budget to provide these services.

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2019

13. Detailed governmental fund balance

	Major Funds			Non-Major Funds			Total
	General Fund	School Department	School Capital Projects	Special Revenue	Capital Project Funds	Permanent Trust	
Fund Balances:							
Nonspendable:							
Prepaid items	\$ 38,648	\$ —					\$ 38,648
Long-term loans receivable	—	—		100,000			100,000
Perpetual care	—	—				135,810	135,810
Principal of endowments	—	—				58,608	58,608
Restricted for:							
Education purposes				687,628		1,315	688,943
Public safety				21,212			21,212
Public works						3,482	3,482
Community services						1,096	1,096
Education construction projects					40,997		40,997
Construction projects	—		5,750,970		578,352		6,329,322
Open space	—	—			2,300		2,300
Grants	775						775
Committed to:							
West Main Road development	1,523,932						1,523,932
Special education	—	1,579,915					1,579,915
Capital improvements	2,986,371						2,986,371
Assigned to:							
Property tax claims	34,090						34,090
General government				792,820			792,820
Public safety				125,255			125,255
Library				54,502			54,502
Education		1,298,119					1,298,119
Encumbrances	746,060						746,060
Unassigned	7,258,860						7,258,860
Total	\$12,588,736	\$ 2,878,034	\$5,750,970	\$1,781,417	\$ 621,649	\$ 200,311	\$23,821,117

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2019

14. Tax abatement disclosures:

The Town of Middletown negotiated property tax abatement agreements on an individual basis. The Town has tax abatement agreement with four entities as of June 30, 2019:

Each agreement was negotiated under Town Ordinance Chapter 39 Economic Development Incentive Program, allowing an exemption from assessed valuation of property. The abatement of property taxes is for job creation and/or renovation of existing facilities and construction of new facilities.

Job creation exemption applies only to jobs created in Middletown, annually for office, industrial or manufacturing uses and is based on the number of jobs established in Middletown with a minimum of 5 new jobs created. The Town may grant an exemption ranging from 3% to 40% of assessed value for a term of exemption from 3 to 6 years. The requirements to receive this exemption are met prior to the granting of the exemption and therefore, there are no provisions for the recapture of abated taxes. For the fiscal year ended June 30, 2019, the Town abated property taxes under the jobs creation program for one company totaling \$15,887.

Renovation of existing facilities and construction of new facilities exemption applies to a building or structure utilized or proposed to be utilized for office, industrial or manufacturing uses, and other similar businesses that create predominantly high-wage, skilled and professional jobs. A new construction of a qualified facility, or any expansion, renovation, retrofit of an existing qualified facility which increases gross floor area by 50% or more of any expansion, renovation, retrofit or combination thereof of an existing qualified facility which results in an increased assessment of not less than 50%, shall be entitled to an exemption from assessed value attributable to new construction. This exemption is for five years starting at 100% and reduction 20% each year. The requirements to receive this exemption are met prior to the granting of the exemption and therefore, there are no provisions for the recapture of abated taxes. For the fiscal year ended June 30, 2019, the Town abated property taxes under the renovation of existing facilities and construction of new facilities program for two companies totaling \$21,861.

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2019

15. Fund Balance Reclassifications

The following reclassifications were made to beginning fund balances in the Governmental Fund financial statements to reclassify amounts previously categorized as "School Department" and to reclassify funds based on the major/non-major fund determination:

	Major			Non-Major Governmental Funds
	School	Town	School	
	Department	Capital Major	Capital Major	
Beginning balance, July 1, 2018	\$ 11,706,796	\$ 3,379,590	\$ —	\$ 1,466,201
To reclassify Town Capital fund to other Non-Major Governmental funds		(3,379,590)		3,379,590
To reclassify school special revenue funds to other Non-Major Governmental funds	(601,014)			601,014
To reclassify non-major school capital projects to other Non-Major Governmental funds	(284,114)			284,114
To reclassify major school capital projects to Capital Projects - School Major fund presentation	(7,626,755)		7,626,755	
Beginning balance, July 1, 2018 as restated	\$ 3,194,913	\$ —	\$ 7,626,755	\$ 5,730,919

Additionally, the Fiduciary Fund's beginning net position was increased by \$237,382 to present scholarship funds held by the Middletown School Department which was reclassified from the Agency funds to the Scholarship Trust fund during the fiscal year ended June 30, 2019.

Town of Middletown, Rhode Island
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Taxes	\$ 47,132,373	\$ 47,285,305	\$ 47,553,282	\$ 267,977
Intergovernmental	3,648,243	3,440,537	3,306,893	(133,644)
Licenses, permits and fees	1,840,122	2,201,690	2,440,050	238,360
Interest and investment	11,000	11,000	41,668	30,668
Other revenues	222,047	423,449	404,854	(18,595)
Total revenues	<u>52,853,785</u>	<u>53,361,981</u>	<u>53,746,747</u>	<u>384,766</u>
Expenditures:				
Current:				
General government	2,932,843	3,093,932	2,977,614	116,318
Public safety	9,641,844	9,898,372	9,626,656	271,716
Public works and sanitation	1,866,338	2,516,338	2,273,186	243,152
Planning and inspection	725,561	689,836	620,276	69,560
Library	828,525	828,525	826,676	1,849
Community services	394,449	388,359	392,015	(3,656)
Other expenditures	5,397,024	5,612,327	5,580,791	31,536
Grants	226,460	245,987	214,678	31,309
Capital outlay	2,272,374	1,441,327	1,176,739	264,588
Debt service	3,968,805	3,617,316	3,614,316	3,000
Total expenditures	<u>28,254,223</u>	<u>28,332,319</u>	<u>27,302,947</u>	<u>1,029,372</u>
Excess of revenues over expenditures, budgetary basis	<u>24,599,562</u>	<u>25,029,662</u>	<u>26,443,800</u>	<u>1,414,138</u>
Other financing sources (uses):				
Transfer from other funds	3,931,832	3,655,230	3,617,843	(37,387)
Transfer to other funds	(28,631,394)	(28,738,167)	(28,738,167)	—
Reappropriated fund balance	100,000	53,275	—	(53,275)
Total other financing sources	<u>(24,599,562)</u>	<u>(25,029,662)</u>	<u>(25,120,324)</u>	<u>(90,662)</u>
Excess of revenues and other financing sources over expenditures and other financing uses, budgetary basis	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,323,476</u>	<u>\$ 1,323,476</u>
Adjustment of budgetary basis to U.S. GAAP basis			<u>798,279</u>	
Excess of expenditures and other financing uses over revenues and other financing sources, U.S. GAAP basis			2,121,755	
Fund balance, beginning of year			<u>10,466,981</u>	
Fund balance, end of year			<u>\$ 12,588,736</u>	

See independent auditors' report
See notes to required supplementary information

Town of Middletown, Rhode Island
Required Supplementary Information
Notes to Required Supplementary Information - Budgetary Comparison General Fund
For the Year Ended June 30, 2019

Budget preparation and budgetary basis of accounting:

In accordance with the Town Charter, the Town Administrator must present to the Town Council a recommended annual budget for the operations of all municipal departments no later than 90 days prior to the commencement of each fiscal year. The recommended budget must include an appropriation to fund school expenditures in excess of their anticipated revenues as requested by the Superintendent and approved by the School Committee. Estimates of sums expected to become available from federal and state grants for the support of the public schools shall be included in the total requested for school expenditures. The Town Council shall appropriate these funds for expenditure by the School Committee and shall appropriate such additional funds from local tax revenues as may be required to meet the total school budget which the Town Council approves. The School Committee shall not have the authority to obligate the Town financially beyond the total budgetary amount voted by the Town Council. The Town Council can change only the total amount of the School Committee's recommended budget. The Town Council can increase the total amount of the total budget, as presented by the Town Administrator, only if it makes provisions for increasing anticipated revenue to match increases in expenditures in the budget.

The General Fund and the School Department annual operating budgets are in conformity with the legally enacted budgetary basis. The legally enacted budgetary basis differs from accounting principles generally accepted in the United States of America (U.S. GAAP) in several regards. Budgets are adopted on the modified accrual basis with certain exceptions. Budgetary revenues may include re-appropriations from fund equity previously recognized under U.S. GAAP. Budgetary expenditures and expenses are recognized when legally binding orders (encumbrances) are placed.

Budget compliance:

Costs of operations for all departments, offices and agencies established within the Town Charter must be appropriated through an annual budget ordinance. These departments are presented within the General Fund and the School Department Municipal budgetary control is legally enforced at the department level. Appropriation transfers between departments require approval by five members of the seven-member Town Council. Other appropriation increases require both the establishment of a funding source and passage of a budget amendment ordinance. Unencumbered and unexpended appropriations lapse at fiscal year-end.

See independent auditors' report

Town of Middletown, Rhode Island
 Required Supplementary Information
 Notes to Required Supplementary Information - Budgetary Comparison General Fund
 For the Year Ended June 30, 2019

Budgetary-GAAP Reporting Reconciliation - *General Fund*

The accompanying Budgetary Comparison Schedule - General Fund (non-GAAP Budgetary Basis) is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budgetary basis and the Generally Accepted Accounting Principles (GAAP) basis are that:

- a) Revenues are recorded when received in cash (budgetary basis) as opposed to when susceptible to accrual (GAAP basis);
- b) Expenditures are recorded when paid in cash (budgetary basis) as opposed to when liabilities are incurred (GAAP basis);
- c) Other differences between the budgetary and GAAP basis may also arise.

Adjustments from the budgetary basis to the U.S. GAAP basis of accounting are as follows:

	General Fund
Activities included in GAAP presentation not presented for in the budgetary basis:	
Rescue wagon	\$ 216,450
Capital improvement program	608,611
Severance fund	(31,108)
Revaluation fund	20,000
Canvassing and elections	(15,200)
Accrued payroll	(414)
Compensated absences	(60)
Total adjustments	\$ 798,279

See independent auditors' report

Town of Middletown, Rhode Island
 Required Supplementary Information
 Employees' Retirement System - Teacher's Pension Plan
 Schedule of Town's Proportionate Share of the Net Pension Liability
Last 10 Years

	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	1.01766579%	1.01420390%	1.04739490%	1.02728705%	1.09025855%
Employer's proportionate share of the net pension liability	\$ 32,333,768	\$ 31,988,869	\$ 31,249,839	\$ 28,281,240	\$ 26,536,897
State's proportionate share of the net pension liability associated with the school district	24,118,668	24,175,899	21,401,551	19,320,855	18,197,573
Total	\$ 56,452,436	\$ 56,164,768	\$ 52,651,390	\$ 47,602,095	\$ 44,734,470
Employer's covered employee payroll	\$ 16,254,889	\$ 16,392,832	\$ 15,577,365	\$ 14,926,723	\$ 17,967,267
Employer's proportionate share of the net pension liability as a percentage of its covered employee payroll	198.92 %	195.14 %	200.61%	189.47%	147.70%
Plan fiduciary net position as a percentage of the total pension liability	54.30 %	54.00 %	54.06 %	57.55 %	61.40 %

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.

*See independent auditors' report
 See notes to required supplementary information*

Town of Middletown, Rhode Island
 Required Supplementary Information
 Employees' Retirement System - Teacher's Pension Plan
 Schedule of Town's Contributions
Last 10 Years

	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 2,251,715	\$ 2,431,962	\$ 2,371,498	\$ 2,362,604	\$ 2,238,487
Contributions in relation to the actuarially determined contribution	\$ 2,251,715	\$ 2,431,962	\$ 2,371,498	\$ 2,362,604	\$ 2,238,487
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —
Covered-employee payroll	\$ 16,254,884	\$ 16,392,832	\$ 15,577,365	\$ 14,926,723	\$ 17,967,267
Contributions as a percentage of covered-employee payroll	— %	14.84 %	15.22 %	15.83 %	12.46 %

Notes

- 1.) Employers participating in the State Employee's Retirement System are required by RI General Laws, Section 36-10-2, to contribute an actuarially determined contribution rate each year.
- 2.) Schedule is intended to show information for 10 years - additionally years will be displayed as they become available.

*See independent auditors' report
 See notes to required supplementary information*

Town of Middletown, Rhode Island
Required Supplementary Information
Employees' Retirement System - Teacher's Pension Plan - Teacher Survivor Benefit
Schedule of Town's Proportionate Share of the Net Pension Asset
Last 10 Years

	2019	2018	2017	2016	2015
Employer's proportion of the net pension asset	3.57244700 %	3.5314062%	3.4782072%	3.67779124%	3.65867986%
Employer's proportionate share of the net pension asset	\$ 3,187,669	\$ 2,921,405	\$ 3,463,316	\$ 3,433,424	\$ 4,548,498
Employer's covered employee payroll	\$ 16,254,884	\$ 16,392,832	\$ 15,577,365	\$ 14,926,723	\$ 17,967,267
Employer's proportionate share of the net pension asset as a percentage of its covered employee payroll	19.6 %	17.8 %	22.2 %	23.0 %	25.3 %
Plan fiduciary net position as a percentage of the total pension asset	137.4 %	136.1 %	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.*

See independent auditors' report
See notes to required supplementary information

Town of Middletown, Rhode Island
 Required Supplementary Information
 Employees' Retirement System - Teacher's Pension Plan - Teacher Survivor Benefit
 Schedule of Town's Contributions
Last 10 Years

	2019	2018	2017	2016	2015
Statutorily determined contribution	\$23,460	\$26,580	\$20,831	\$22,340	\$22,191
Contributions in relation to the statutorily determined contribution	23,460	26,580	20,831	22,340	22,191
Contribution deficiency (excess)	—	—	—	—	—
Covered-employee payroll	\$16,254,884	\$16,392,832	\$15,577,365	\$14,926,723	\$17,967,267
Contributions as a percentage of covered-employee payroll	0.14 %	0.16 %	0.13 %	0.15 %	0.12 %

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.

*See independent auditors' report
 See notes to required supplementary information*

Town of Middletown, Rhode Island
Required Supplementary Information
Employees' Retirement System - MERS Municipal Plan - General Unit
Schedule of Changes to the Town's Net Pension Liability and Related Ratios

Last 10 Years

	Year Ended June 30, 2018	Year Ended June 30, 2017	Year Ended June 30, 2016	Year Ended June 30, 2015	Year Ended June 30, 2014
A. Total pension liability					
1. Service Cost	\$ 449,152	\$ 469,665	\$ 453,067	\$ 452,635	\$ 485,224
2. Interest on the Total Pension Liability	1,636,283	1,607,436	1,556,763	1,461,200	1,399,456
3. Changes of benefit terms	—	—	—	324,034	—
4. Difference between expected and actual experience of the Total Pension Liability	(215,338)	(107,419)	(336,952)	20,395	—
5. Changes of assumptions	—	1,017,603	—	—	(74,921)
6. Benefit payments, including refunds of employee contributions	(1,059,459)	(1,008,605)	(1,002,493)	(966,110)	(974,316)
7. Net change in total pension liability	810,638	1,978,680	670,385	1,292,154	835,443
8. Total pension liability - beginning	23,680,624	21,701,944	21,031,559	19,739,405	18,903,962
9. Total pension liability - ending (a)	<u>\$ 24,491,262</u>	<u>\$ 23,680,624</u>	<u>\$ 21,701,944</u>	<u>\$ 21,031,559</u>	<u>\$ 19,739,405</u>
B. Plan fiduciary net position					
1. Contributions - employer	\$ 525,837	\$ 571,040	\$ 572,585	\$ 615,951	\$ 664,994
2. Contributions - employee	159,410	179,523	174,919	108,157	113,801
3. Net investment income	1,454,167	1,963,771	(13,063)	401,825	2,287,085
4. Benefit payments, including refunds of employee contributions	(1,059,459)	(1,008,605)	(1,002,493)	(966,110)	(974,316)
5. Pension Plan Administrative Expense	(19,359)	(18,553)	(8,437)	(16,119)	(14,322)
6. Other	(118,989)	18,936	(84,056)	(169,167)	124
7. Net change in plan fiduciary net position	941,607	1,706,112	(360,545)	(25,463)	2,077,366
8. Plan fiduciary net position - beginning	18,491,847	16,785,735	17,146,280	17,171,743	15,094,377
9. Plan fiduciary net position - ending (b)	<u>\$ 19,433,454</u>	<u>\$ 18,491,847</u>	<u>\$ 16,785,735</u>	<u>\$ 17,146,280</u>	<u>\$ 17,171,743</u>
C. Net pension liability - ending (a) - (b)	<u>\$ 5,057,808</u>	<u>\$ 5,188,777</u>	<u>\$ 4,916,209</u>	<u>\$ 3,885,279</u>	<u>\$ 2,567,662</u>
D. Plan fiduciary net position as a percentage of the total pension liability	79.35 %	78.09 %	77.35 %	81.53 %	86.99 %
E. Covered employee payroll	\$ 4,996,128	\$ 5,392,247	\$ 5,286,658	\$ 5,407,822	\$ 5,495,171
F. Net pension liability as a percentage of covered payroll	101.23 %	96.23 %	92.99 %	71.85 %	46.73 %

Notes:

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

See independent auditors' report
See notes to required supplementary information

Town of Middletown, Rhode Island
 Required Supplementary Information
 Employees' Retirement System - MERS Municipal Plan - General Unit
 Schedule of Town's Contributions
Last 10 Years

	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Actuarially determined contribution	\$ 540,430	\$ 525,837	\$ 575,040	\$ 572,585	\$ 615,952
Contributions in relation to the actuarially determined contribution	540,430	525,837	575,040	572,585	615,952
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —
Covered-employee payroll	\$ 4,813,922	\$ 5,005,681	\$ 5,392,247	\$ 5,286,658	\$ 5,407,822
Contributions as a percentage of covered-employee payroll	11.23 %	10.50 %	10.66 %	10.83 %	11.39 %

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.

*See independent auditors' report
 See notes to required supplementary information*

Town of Middletown, Rhode Island
Required Supplementary Information
Employees' Retirement System-MERS Municipal Plan-Police/Fire Unit
Schedule of Changes to the Town's Net Pension Liability and Related Ratios

Last 10 Years

	Year Ended June 30, 2018	Year Ended June 30, 2017	Year Ended June 30, 2016	Year Ended June 30, 2015	Year Ended June 30, 2014
A. Total pension liability					
1. Service Cost	\$ 825,705	\$ 729,877	\$ 655,022	\$ 565,349	\$ 492,417
2. Interest on the Total Pension Liability	559,619	456,771	365,197	281,564	235,509
3. Changes of benefit terms	—	—	—	349,008	—
4. Difference between expected and actual experience of the Total Pension Liability	237,620	203,814	217,355	(76,610)	—
5. Changes of assumptions	—	510,364	—	—	(109,693)
6. Benefit payments, including refunds of employee contributions	(49,854)	(39,061)	(68,966)	(29,128)	(52,136)
7. Net change in total pension liability	1,573,090	1,861,765	1,168,608	1,090,183	566,097
8. Total pension liability - beginning	7,606,638	5,744,873	4,576,265	3,486,082	2,919,985
9. Total pension liability - ending (a)	<u>\$ 9,179,728</u>	<u>\$ 7,606,638</u>	<u>\$ 5,744,873</u>	<u>\$ 4,576,265</u>	<u>\$ 3,486,082</u>
B. Plan fiduciary net position					
1. Contributions - employer	\$ 270,791	\$ 258,363	\$ 238,230	\$ 222,974	\$ 100,942
2. Contributions - employee	416,679	404,870	371,200	278,022	227,700
3. Net investment income	635,104	767,082	(2,004)	122,572	615,657
4. Benefit payments, including refunds of employee contributions	(49,854)	(39,061)	(68,966)	(29,128)	(52,136)
5. Pension Plan Administrative Expense	(8,455)	(7,247)	(5,390)	(4,908)	(3,855)
6. Other	14	66,707	9,139	18,336	557
7. Net change in plan fiduciary net position	1,264,279	1,450,714	542,209	607,868	888,865
8. Plan fiduciary net position - beginning	7,223,228	5,772,514	5,230,305	4,622,437	3,733,572
9. Plan fiduciary net position - ending (b)	<u>\$ 8,487,507</u>	<u>\$ 7,223,228</u>	<u>\$ 5,772,514</u>	<u>\$ 5,230,305</u>	<u>\$ 4,622,437</u>
C. Net pension liability - ending (a) - (b)	<u>\$ 692,221</u>	<u>\$ 383,410</u>	<u>\$ (27,641)</u>	<u>\$ (654,040)</u>	<u>\$ (1,136,355)</u>
D. Plan fiduciary net position as a percentage of the total pension liability	92.46 %	94.96 %	100.48 %	114.29 %	132.60 %
E. Covered employee payroll	\$ 4,166,021	\$ 4,036,930	\$ 3,717,494	\$ 3,440,955	\$ 3,035,863
F. Net pension liability as a percentage of covered payroll	16.62%	9.50%	-0.74%	-19.01%	-37.43%

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.

See independent auditors' report
See notes to required supplementary information

Town of Middletown, Rhode Island
 Required Supplementary Information
 Employees' Retirement System - MERS Municipal Plan-Police/Fire Unit
 Schedule of Town's Contributions

Last 10 Years

	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Actuarially determined contribution	\$ 329,093	\$ 270,791	\$ 258,363	\$ 238,230	\$ 222,974
Contributions in relation to the actuarially determined	329,093	270,791	258,363	238,230	222,974
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —
Covered-employee payroll	\$ 4,359,307	\$ 4,166,021	\$ 4,036,930	\$ 3,717,494	\$ 3,440,955
Contributions as a percentage of covered-employee payroll	7.55 %	6.50 %	6.40 %	6.41 %	6.48 %

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.*

*See independent auditors' report
 See notes to required supplementary information*

Town of Middletown, RI
Required Supplementary Information
Notes to ERS, MERS, and TSB
For the Year Ended June 30, 2019

The amounts presented for each fiscal year were determined as of the June 30 measurement date prior to the fiscal year end.

The schedules are intended to show information for 10 years – additional years will be displayed as they become available.

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

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

Employers participating in the Teachers' Survivors Benefit Plan ("TSB") contribute at a rate established by RI General Laws, Section 16-16-35.

June 30, 2018 measurement date –

There were no changes in actuarial methods or assumptions reflected in the calculation of the net pension liability (asset) of the plans as of the June 30, 2018 measurement date compared to the June 30, 2017 measurement date.

June 30, 2017 measurement date –

As part of the 2017 Actuarial Experience Investigation Study for the six-year period ending June 30, 2016 as approved by the System Board on May 15, 2017, certain assumptions were modified and reflected in the determination of the net pension liability (asset) at the June 30, 2017 measurement date. The following summarizes the more significant changes in assumptions:

- Decreased the general inflation assumption from 2.75% to 2.50%;
- Decreased the nominal investment return assumption from 7.50% to 7.00%;
- Decreased the general wage growth assumption from 3.25% to 3.00%;
- Decreased salary increase assumptions; and
- Updated the post-retirement mortality tables to variants of the RP-2014 table. For the improvement scale, update to the ultimate rates of the MP-2016 projection scale.

June 30, 2016 measurement date –

There were no changes in actuarial methods or assumptions reflected in the calculation of the net pension liability (asset) of the plans as of the June 30, 2016 measurement date compared to the June 30, 2015 measurement date.

June 30, 2015 measurement date –

There were no changes in actuarial methods or assumptions reflected in the calculation of the net pension liability (asset) of the plans as of the June 30, 2015 measurement date compared to the June 30, 2014 measurement date.

See independent auditors' report

Town of Middletown, RI
Required Supplementary Information
Notes to ERS, MERS, and TSB
For the Year Ended June 30, 2019

The June 30, 2015 measurement date determination of the net pension liability for the ERS and MERS plans reflects changes in benefit changes resulting from the settlement of litigation challenging the various pension reform measures enacted in previous years by the General Assembly. 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, are summarized below:

- Employees with more than 20 years of service at July 1, 2012 will increase their employee contribution rates to 11% for state employees and municipal general employees will contribute 8.25% (9.25% for units with a COLA provision) and participate solely in the defined benefit plan going forward – service credit accruals will increase from 1% to 2% per year.
- Members are eligible to retire upon the attainment of: age 65 with 30 years of service, 64 with 31 years of service, 63 with 32 years of service, or 62 with 33 years of service. Members may retire earlier if their RIRSA date is earlier or are eligible under a transition rule.
- MERS public safety employees may retire at age 50 with 25 years of service, or any age with 27 years of service. MERS public safety employees will contribute 9.00% (10.00% for units with a COLA provision)
- Employees with more than 10 but less than 20 years of service at July 1, 2012 will receive an increased employer contribution to the defined contribution plan. Also, members who earn less than \$35,000 per year will not be required to pay the administrative fees to the defined contribution plan.
- Members who retired from a COLA eligible plan before July 1, 2012 will received a one-time cost of living adjustment of 2% of the first \$25,000 paid as soon as administratively possible.
- Retirees as of June 30, 2015 will receive two \$500 stipends; the interim cost of living increases will occur at 4 year rather than 5 year intervals.
- The COLA formula was adjusted to: 50% of the COLA is calculated by taking the previous 5-year average investment return, less 5.5% (5yr Return - 5.5%, with a max of 4%) and 50% calculated using previous year's CPI-U (max of 3%) for a total max COLA of 3.5%. This COLA is calculated on the first \$25,855, effective 01/01/16, and indexed as of that date as well. (The indexing formula is run annually regardless of funding level each year.)
- Minor adjustments were made to the actuarial reduction for employees choosing to retire early.
- **Teachers Survivors Benefit Plan** - the employee and employer contribution rates were applied to the first \$11,500 of member salary for fiscal year 2018. In fiscal year 2017 and prior the rate was applied to salary up to \$9,600.

See independent auditors' report

Town of Middletown, RI
Required Supplementary Information
Town Pension Plan
Schedule of Changes in Town's Net Pension Liability and Related Ratios
Last 10 Years

	Year Ended June 30, 2019	Year Ended June 30, 2018	Year Ended June 30, 2017	Year Ended June 30, 2016	Year Ended June 30, 2015	Year Ended June 30, 2014
A. Total pension liability						
1. Service Cost	\$ 163,987	\$ 140,071	\$ 188,703	\$ 193,763	\$ 297,782	\$ 304,872
2. Interest on the Total Pension Liability	4,201,269	4,133,704	4,176,449	4,201,990	4,170,261	4,152,814
3. Changes of benefit terms	—	—	—	—	—	—
4. Difference between expected and actual experience of the Total Pension Liability	(648,949)	1,444,275	—	152,749	615,865	—
5. Changes of assumptions	959,070	—	—	—	199,475	—
6. Benefit payments, including refunds of employee contributions	(4,816,924)	(4,864,424)	(4,907,688)	(4,861,136)	(4,655,198)	(4,395,204)
7. Net change in total pension liability	(141,547)	853,626	(542,536)	(312,634)	628,185	62,482
8. Total pension liability - beginning	58,217,854	57,364,228	57,906,764	58,219,398	57,591,213	57,528,731
9. Total pension liability - ending (a)	<u>\$ 58,076,307</u>	<u>\$ 58,217,854</u>	<u>\$ 57,364,228</u>	<u>\$ 57,906,764</u>	<u>\$ 58,219,398</u>	<u>\$ 57,591,213</u>
B. Plan fiduciary net position						
1. Contributions - employer	\$ 1,681,525	\$ 2,403,830	\$ 2,995,805	\$ 3,684,562	\$ 3,594,123	\$ 3,678,880
2. Contributions - employee	50,622	59,952	66,002	78,302	92,124	119,499
3. Net investment income	3,590,209	4,868,722	5,731,526	909,971	1,558,969	7,108,227
4. Benefit payments, including refunds of employee contributions	(4,816,924)	(4,864,424)	(4,907,688)	(4,861,136)	(4,655,198)	(4,395,204)
5. Pension Plan Administrative Expense	(147,997)	(161,654)	(144,458)	(133,879)	(162,898)	(68,915)
6. Other	—	—	—	—	—	—
7. Net change in plan fiduciary net position	357,435	2,306,426	3,741,187	(322,180)	427,120	6,442,487
8. Plan fiduciary net position - beginning	60,206,214	57,899,788	54,158,601	54,480,781	54,053,661	47,611,174
9. Plan fiduciary net position - ending (b)	<u>\$ 60,563,649</u>	<u>\$ 60,206,214</u>	<u>\$ 57,899,788</u>	<u>\$ 54,158,601</u>	<u>\$ 54,480,781</u>	<u>\$ 54,053,661</u>
C. Net pension liability - ending (a) - (b)	<u>\$ (2,487,342)</u>	<u>\$ (1,988,360)</u>	<u>\$ (535,560)</u>	<u>\$ 3,748,163</u>	<u>\$ 3,738,617</u>	<u>\$ 3,537,552</u>
D. Plan fiduciary net position as a percentage of the total pension liability	104.28 %	103.42 %	100.93 %	93.53 %	93.58 %	93.86 %
E. Covered employee payroll	\$ 863,714	\$ 887,727	\$ 890,382	\$ 954,884	\$ 1,164,923	\$ 1,265,639
F. Net pension liability as a percentage of covered payroll	-287.98%	-223.98%	-60.15%	392.53%	320.93%	279.51%

Notes:

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

*See independent auditors' report
See notes to required supplementary information*

Town of Middletown, RI
Required Supplementary Information
Town Pension Plan
Schedule of Town Contributions
Last 10 Years

	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012	June 30, 2011	June 30, 2010
Actuarially determined contribution	\$ —	\$ 1,132,150	\$ 1,729,348	\$ 2,339,907	\$2,904,159	\$3,535,930	\$3,456,284	\$3,240,416	\$2,761,665	\$2,780,271
Contributions in relation to the actuarially determined contribution	1,681,525	2,403,830	2,995,805	3,684,562	3,594,123	3,678,880	3,378,624	2,873,858	3,795,486	2,826,050
Contribution deficiency (excess)	\$(1,681,525)	\$(1,271,680)	\$(1,266,457)	\$(1,344,655)	\$(689,964)	\$(142,950)	\$ 77,660	\$ 366,558	\$(1,033,821)	\$ (45,779)
Covered-employee payroll	\$ 863,714	\$ 887,727	\$ 890,382	\$ 954,884	\$1,164,923	\$1,265,639	\$1,671,072	\$1,837,941	\$1,890,372	\$2,645,008
Contributions as a percentage of covered-employee payroll	194.69 %	270.78 %	336.46 %	385.86 %	308.53 %	290.67 %	202.18 %	156.36 %	200.78 %	106.84 %

Notes:

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

*See independent auditors' report
See notes to required supplementary information*

Town of Middletown, RI
 Required Supplementary Information
 Town Pension Plan
 Schedule of Investment Returns
 Last 10 Years

	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Annual money-weighted rate of return, net of investment income	6.14%	8.61%	10.85%	1.71%	2.93%	15.96%

Notes:

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

*See independent auditors' report
 See notes to required supplementary information*

Town of Middletown, RI
Required Supplementary Information
Notes to Town's Private Pension Plan
For the Year Ended June 30, 2019

Notes to the Schedules:

Valuation Date:

Actuarially determined contribution rates are calculated as of June 30, 2019

Methods and assumptions used to determine contribution rates:

Discount rate	7.50%
Long term rate of return on investments	7.50%
Salary increases	5.00%
Inflation	3.00%
Mortality rates:	Projected generationally from 2010 with Scale MP-2018. Separate annuitant and non-annuitant rate tables were used.

See independent auditors' report

Town of Middletown, RI
Required Supplementary Information
Town Other Post Employment Benefits Plan
Schedule of Changes in Town's Net OPEB Liability and Related Ratios
Last 10 Years

	June 30, 2019	June 30, 2018	June 30, 2017
Total OPEB liability			
Service Cost	\$ 486,018	\$ 478,012	\$ 506,972
Interest	2,093,795	2,380,004	2,296,966
Differences between expected and actual experience	(312,797)	(3,021,201)	—
Changes of assumptions	68,486	(2,007,827)	—
Net benefit payments	(1,644,695)	(1,661,234)	(1,674,163)
Net change in total OPEB liability	690,807	(3,832,246)	1,129,775
Total OPEB liability - beginning	28,238,723	32,070,969	30,941,194
Total OPEB liability - ending	<u>\$ 28,929,530</u>	<u>\$ 28,238,723</u>	<u>\$ 32,070,969</u>
OPEB fiduciary net position			
Contributions - employer	\$ 3,610,377	\$ 3,550,098	\$ 2,846,481
Contributions - employee	22,283	21,358	—
Net investment income	528,666	520,405	726,504
Benefit payments	(1,644,695)	(1,661,234)	(1,674,163)
Administrative Expense	(21,995)	(28,500)	(32,580)
Net change in plan fiduciary net position	2,494,636	2,402,127	1,866,242
Plan fiduciary net position - beginning	9,741,824	7,339,697	5,473,455
Plan fiduciary net position - ending	<u>\$ 12,236,460</u>	<u>\$ 9,741,824</u>	<u>\$ 7,339,697</u>
Plan's net pension liability - ending	<u>\$ 16,693,070</u>	<u>\$ 18,496,899</u>	<u>\$ 24,731,272</u>
Plan fiduciary net position as a percentage of the total OPEB liability	42.30 %	34.50 %	22.89 %
Covered employee payroll	\$ 24,564,252	\$ 25,008,014	\$ 22,684,805
Town's net OPEB liability as a percentage of covered-employee payroll	67.96%	73.96%	109.02%

*Third year of implementation of GASB 74/75, therefore only three years of the ten required data is available.

*See independent auditors' report
See notes to required supplementary information*

Town of Middletown, RI
 Required Supplementary Information
 Schedule of Town's Contributions
Last 10 Years

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Actuarially determined contribution	\$ 2,011,938	\$ 2,415,706	\$ 2,174,483
Contributions in relation to the actuarially determined contribution	<u>\$ 3,610,377</u>	<u>\$ 3,550,098</u>	<u>\$ 2,846,481</u>
Contribution deficiency (excess)	<u>\$ (1,598,439)</u>	<u>\$ (1,134,392)</u>	<u>\$ (671,998)</u>
Covered-employee payroll	<u>\$ 24,564,252</u>	<u>\$ 25,008,014</u>	<u>\$ 22,684,805</u>
Contributions as a percentage of covered-employee payroll	14.70 %	14.20 %	12.55 %

*Third year of implementation of GASB 74/75, therefore only three years of the ten required data is available.

*See independent auditors' report
 See notes to required supplementary information*

Town of Middletown, RI
 Required Supplementary Information
 Town Other Post Employment Benefits Plan
 Schedule of Town's Investment Returns
Last 10 Years

	June 30, 2019	June 30, 2018	June 30, 2017
Annual money-weighted rate of return, net of investment expense	4.99 %	6.52 %	12.68 %

*Third year of implementation of GASB 74/75, therefore only three years of the ten required data is available.

*See independent auditors' report
 See notes to required supplementary information*

Town of Middletown, RI
Required Supplementary Information
Town Other Post Employment Benefits Plan
Notes OPEB
For the Year Ended June 30, 2019

Notes to Required Supplementary Information:

Valuation Date: Actuarially Determined Contribution based on June 30, 2019

Actuarial Cost Method: Projected Credit Unit. Entry age normal, level percent of salary

Asset-Valuation Method: Market Value of Assets as of the Measurement Date, June 30, 2019

Actuarial Assumptions:

Investment Rate of Return: 7.50%, net of OPEB plan investment expense

Medical inflation: 7.93%-5.00%

Inflation: 3.00% as of June 30, 2019 and for future periods

Salary Increases: 5.00% annually as of June 30, 2019 and for future periods

Mortality rates: Fire and Police - PubS.H-2010 Headcount Weighted Public Safety Mortality, projected with mortality improvement scale MP-2018.
Public Works, Town Hall, Clerical and Custodial - PubG.H-2010 Headcount Weighted General Mortality, projected with mortality improvement scale MP-2018.
Teachers and Administration - PubT.H-2010 Headcount Weighted Teachers Mortality, projected with mortality improvement scale MP-2018.

Mortality rates, disabled members: Fire and Police - PubS.H-2010 Headcount Weighted Safety Disabled Mortality, projected with mortality improvement scale MP-2018.
All other groups: PubT/G.H-2010 Headcount Weighted Teachers/General Disabled Mortality, projected with mortality improvement scale MP-2018.

These rates are consistent with the SOA study on public pension plan mortality published in January 2019.

See independent auditors' report

Town of Middletown, Rhode Island
Supplementary Information

Budgetary Comparison Schedule - School Department Funds
For the Year Ended June 30, 2019

	Original Budget	Adjustments	Final Budget	Actual	Budget to Actual
Revenues:					
Intergovernmental	\$ 11,277,421	\$ (231,845)	\$ 11,045,576	\$ 10,904,655	\$ (140,921)
Fees for service	619,722	(43,507)	576,215	583,025	6,810
Other revenues	94,186	(22,583)	71,603	268,552	196,949
Total revenues	<u>11,991,329</u>	<u>(297,935)</u>	<u>11,693,394</u>	<u>11,756,232</u>	<u>62,838</u>
Expenditures:					
Current:					
Salaries	21,619,296	38,228	21,657,524	21,443,882	213,642
Employee benefits	7,796,291	(3,550)	7,792,741	7,519,762	272,979
Purchased services	8,111,680	811,879	8,923,559	9,447,889	(524,330)
Supplies and materials	1,110,654	(13,810)	1,096,844	1,055,658	41,186
Other	202,655	21,392	224,047	111,675	112,372
Capital expenditures	3,117,890	(2,796,980)	320,910	321,313	(403)
Total expenditures	<u>41,958,464</u>	<u>(1,942,841)</u>	<u>40,015,625</u>	<u>39,900,179</u>	<u>115,446</u>
Excess of expenditures over revenues, budgetary basis	<u>(29,967,135)</u>	<u>1,644,906</u>	<u>(28,322,231)</u>	<u>(28,143,947)</u>	<u>178,284</u>
Other financing sources (uses):					
Transfer from other funds town,	26,674,694	68,756	26,743,450	26,743,450	—
Reappropriated fund balance	<u>3,292,441</u>	<u>(1,713,661)</u>	<u>1,578,780</u>	<u>—</u>	<u>(1,578,780)</u>
Total other financing sources	<u>29,967,135</u>	<u>(1,644,906)</u>	<u>28,322,231</u>	<u>26,743,447</u>	<u>(1,578,780)</u>
Deficiency of revenues and other financing sources over expenditures, budgetary basis	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (1,400,500)</u>	<u>\$ (1,400,496)</u>
Adjustment of budgetary basis to U.S. GAAP basis, reappropriated fund balance				(948,666)	
Deficiency of revenues and other financing sources over expenditures, U.S. GAAP basis				<u>(2,349,166)</u>	
Fund balance, beginning of year				<u>11,706,796</u>	
Fund balance, end of year				<u>\$ 9,357,630</u>	

See independent auditors' report

Town of Middletown, Rhode Island

Supplementary Information

Notes to Budgetary Comparison Schedule - School Department Funds

For the Year Ended June 30, 2019

Budgetary – GAAP Reporting Reconciliation – *School Department Funds*

The accompanying Statement of Revenues, Expenditures Budget and Actual (Non-GAAP Budgetary Basis) – School Department Funds is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budgetary basis and the Generally Accepted Accounting Principles (“GAAP”) basis are that:

- a. Revenues are recorded when received in cash (budgetary basis) as opposed to when susceptible to accrual (GAAP basis);
- b. Expenditures are recorded when paid in cash (budgetary basis) as opposed to when liabilities are incurred (GAAP basis);
- c. Other differences between the budgetary and GAAP basis may also arise.

Therefore, timing perspective and entity differences in the excess (deficiency) of revenues and other sources and expenditures and other uses for the year ended June 30, 2019 are as follows:

	School Department Funds
Excess (deficiency) of revenues and other sources over expenditures and other uses (Non-GAAP Budgetary basis)	\$ (1,400,500)
Capital outlay and retainage disbursed through RIHBEC, not included in budget, but accounted for as an expenditure for GAAP purposes	(948,666)
Excess (deficiency) of revenues and other sources over expenditures and other uses (GAAP basis)	<u>\$ (2,349,166)</u>

The School Department budgets its activities for its School Unrestricted, Capital, Special Revenue and Trust Funds. As a result, the budget versus actual presentation includes activities and fund balances for the following funds:

Major Fund:

School Department Unrestricted	\$ 2,878,034
School Capital Projects Fund	5,750,970

Non-Major Funds:

Capital Improvement Fund	40,997
Special Revenue Funds	687,628
Total fund balances – budgetary basis	<u>\$ 9,357,629</u>

See independent auditors' report

Town of Middletown, Rhode Island
 Supplementary Information
 Tax Collector Annual Report
 For the Year June 30, 2019

Real estate and personal property taxes receivable						FY2019 Cash Collections Summary				
Year	Balance, July 1, 2018	Current year assessment	Addenda/ Adjustments/ abatements	Amount to be collected	Collections	Balance, June 30, 2019	July - August 2018 Collections Subject to 60 day FY18 Accrual	September 2018 - June 2019 Collections Collections	Total FY 19 Cash Collections	July - August 2019 (FY20) Cash Collections Subject to 60 day FY19 Accrual
2018	\$ —	\$ 47,367,117	\$ (323,867)	\$ 47,043,250	\$ 46,288,459	\$ 754,791	\$ —	\$ 46,288,459	\$ 46,288,459	\$ 488,858
2017	620,558		456	621,014	551,164	69,850	335,257	215,907	551,164	3,461
2016	81,984		(4,356)	77,628	15,423	62,205	3,474	11,949	15,423	542
2015	49,580		(2,060)	47,520	9,551	37,969	779	8,772	9,551	665
2014	92,512		(843)	91,669	2,160	89,509	439	1,721	2,160	206
2013	52,669		(231)	52,438	1,435	51,003	185	1,250	1,435	92
2012	52,159		—	52,159	866	51,293	97	769	866	123
2011	50,312		—	50,312	511	49,801	83	428	511	—
2010	45,014		—	45,014	220	44,794	77	143	220	—
2009	22,173		—	22,173	195	21,978	76	119	195	—
2008	30,484		(24,549)	5,935	262	5,673	51	211	262	—
Prior	37,984		—	37,984	—	37,984	—	—	—	—
	<u>\$ 1,135,429</u>	<u>\$ 47,367,117</u>	<u>\$ (355,450)</u>	<u>\$ 48,147,096</u>	<u>\$ 46,870,246</u>	<u>\$ 1,276,850</u>	<u>\$ 340,518</u>	<u>\$ 46,529,728</u>	<u>\$ 46,870,246</u>	<u>\$ 493,947</u>
Allowance for doubtful accounts	<u>(497,545)</u>					<u>(511,806)</u>				
Net Property Tax Receivable	<u>\$ 637,884</u>					<u>\$ 765,044</u>				

See independent auditors' report

Town of Middletown, Rhode Island
 Supplementary Information
 Tax Collector Annual Report
 For the Year Ended June 30, 2019

Schedule of net assessed property value by category:

Description of property	Valuations	Levy
Real property	\$ 3,088,581,510	\$ 44,418,510
Motor vehicles	141,149,209	1,678,466
Tangible personal	92,376,144	1,270,141
	3,322,106,863	47,367,117
Total	3,322,106,863	47,367,117
Exemptions	114,065,122	
	3,208,041,741	47,367,117
Current year assessment	\$ 3,208,041,741	\$ 47,367,117
Reconciliation of current year property		
Current year collections		\$ 46,870,246
Revenue collected within 60 days subsequent to year ended June 30, 2019		493,947
		47,364,193
Prior year revenue received in current		(340,518)
Current year real estate and personal		\$ 47,023,675

See independent auditors' report

Town of Middletown, RI
Supplementary Information
Annual Supplemental Transparency Report (MTP2)
For the Year Ended June 30, 2019

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)

See independent auditors' report

Town of Middletown, RI
Supplementary Information
Annual Supplemental Transparency Report (MTP2)
For the Year Ended June 30, 2019

<u>REVENUE</u>	<u>Municipal</u>	<u>Education Department</u>
Current Year Levy Tax Collection	\$ 46,669,817	\$ -
Last Year's Levy Tax Collection	551,164	-
Prior Years Property Tax Collection	30,624	-
Interest & Penalty	131,783	-
PILOT & Tax Treaty (excluded from levy) Collection	108,379	-
Other Local Property Taxes	61,515	-
Licenses and Permits	844,142	-
Fines and Forfeitures	707,905	-
Investment Income	49,759	-
Departmental	3,206,503	-
Rescue Run Revenue	691,664	-
Police & Fire Detail	888,003	-
Other Local Non-Property Tax Revenues	35,747	-
Tuition	-	-
Impact Aid	-	793,666
Medicaid	-	476,178
Federal Stabilization Funds	-	-
Federal Food Service Reimbursement	-	315,299
CDBG	-	-
COPS Grants	-	-
SAFER Grants	-	-
Other Federal Aid Funds	1,590,663	1,284,152
MV Excise Tax Reimbursement	76,146	-
State PILOT Program	-	-
Distressed Community Relief Fund	-	-
Library Resource Aid	145,601	-
Library Construction Aid	50,092	-
Public Service Corporation Tax	202,925	-
Meals & Beverage Tax / Hotel Tax	1,930,935	-
LEA Aid	-	7,979,347
Group Home	-	-
Housing Aid Capital Projects	73,235	-
Housing Aid Bonded Debt	276,683	-
State Food Service Revenue	-	9,750
Incentive Aid	-	-
Property Revaluation Reimbursement	-	-
Other State Revenue	78,731	46,263
Motor Vehicle Phase Out	221,836	-
Other Revenue	402,331	876,624
Local Appropriation for Education	-	26,510,694
Regional Appropriation for Education	-	-
Supplemental Appropriation for Education	-	-
Regional Supplemental Appropriation for Education	-	-
Other Education Appropriation	-	110,956
Rounding	-	-
Total Revenue	<u>\$ 59,026,183</u>	<u>\$ 38,402,929</u>
Financing Sources: Transfer from Capital Funds	\$ -	\$ -
Financing Sources: Transfer from Other Funds	195,954	121,800
Financing Sources: Debt Proceeds	-	-
Financing Sources: Other	-	-
Rounding	-	-
Total Other Financing Sources	<u>\$ 195,954</u>	<u>\$ 121,800</u>

See independent auditors' report

Town of Middletown, RI
Supplementary Information
Annual Supplemental Transparency Report (MTP2)
For the Year Ended June 30, 2019

<u>EXPENDITURES</u>	<u>General</u> <u>Government</u>	<u>Finance</u>	<u>Social</u> <u>Services</u>	<u>Centralized</u> <u>IT</u>	<u>Planning</u>	<u>Libraries</u>	<u>Public</u> <u>Works</u>	<u>Parks and</u> <u>Rec</u>	<u>Police</u> <u>Department</u>
Compensation- Group A	\$ 505,135	\$ 542,708	\$ 206,982	\$ 152,658	\$ 361,510	\$ 347,763	\$ 767,487	\$ 790,733	\$ 3,099,851
Compensation - Group B	-	-	-	-	-	-	-	-	167,407
Compensation - Group C	-	-	-	-	-	-	-	-	-
Compensation -Volunteer	-	-	-	-	-	-	-	-	-
Overtime- Group A	20,850	2,496	19,605	2,492	-	757	113,492	89,334	342,320
Overtime - Group B	-	-	-	-	-	-	-	-	13,065
Overtime - Group C	-	-	-	-	-	-	-	-	-
Police & Fire Detail	-	-	-	-	-	-	-	-	549,632
Active Medical Insurance - Group A	51,035	92,882	29,369	25,185	53,201	34,846	157,184	20,382	376,792
Active Medical Insurance- Group B	-	-	-	-	-	-	-	-	18,933
Active Medical Insurance- Group C	-	-	-	-	-	-	-	-	-
Active Dental Insurance- Group A	3,292	5,704	1,750	1,564	3,887	2,302	10,786	1,314	23,038
Active Dental Insurance- Group B	-	-	-	-	-	-	-	-	1,096
Active Dental Insurance- Group C	-	-	-	-	-	-	-	-	-
Payroll Taxes	37,008	39,624	17,225	11,279	26,529	27,169	63,520	66,500	308,563
Life Insurance	6,428	7,418	2,620	1,908	5,277	1,269	2,190	2,120	4,602
State Defined Contribution - Group A	3,680	3,621	1,524	1,470	2,479	-	5,139	1,605	-
State Defined Contribution - Group B	-	-	-	-	-	-	-	-	-
State Defined Contribution - Group C	-	-	-	-	-	-	-	-	-
Other Benefits- Group A	7,421	16,628	-	-	-	1,246	19,109	34,193	161,485
Other Benefits- Group B	-	-	-	-	-	-	-	-	12,961
Other Benefits- Group C	-	-	-	-	-	-	-	-	-
Local Defined Benefit Pension - Group A	1,366	-	-	-	-	125,198	47,817	-	572,744
Local Defined Benefit Pension - Group B	-	-	-	-	-	-	-	-	3,268
Local Defined Benefit Pension - Group C	-	-	-	-	-	-	-	-	-
State Defined Benefit Pension - Group A	45,716	44,507	21,120	16,502	20,434	-	48,785	17,448	214,077
State Defined Benefit Pension - Group B	-	-	-	-	-	-	-	-	5,741
State Defined Benefit Pension - Group C	-	-	-	-	-	-	-	-	-
Other Defined Benefit / Contribution	16,509	8,053	-	-	9,577	11,399	9,704	2,483	10,331
Purchased Services	570,566	59,510	56,005	18,958	134,931	81,849	121,934	105,808	114,695
Materials/Supplies	34,969	4,780	15,851	36,075	378	109,288	189,938	137,807	59,215
Software Licenses	-	-	-	308,235	-	-	1,833	-	-
Capital Outlays	6,856	-	6,090	360,627	-	20,000	544,763	177,735	238,403
Insurance	250,547	-	-	-	-	-	-	-	-
Maintenance	127,544	504	15,360	18,340	-	12,437	601,801	133,311	173,457
Vehicle Operations	-	1,781	-	3,721	1,603	-	165,238	41,965	150,204
Utilities	91,266	1,537	20,634	55,350	1,260	70,058	37,695	100,699	101,365
Contingency	-	-	-	-	-	-	-	-	-
Street Lighting	-	-	-	-	-	-	209,426	-	-
Revaluation	-	-	-	-	-	-	-	-	-
Snow Removal-Raw Material & External Contracts	-	-	-	-	-	-	47,962	-	-
Trash Removal & Recycling	-	-	-	-	-	-	735,463	-	-
Claims & Settlements	10,427	-	-	-	-	-	-	-	-
Community Support	221,976	-	-	-	-	-	-	-	-
Other Operation Expenditures	60,181	2,419	-	765	1,414	255	2,420	7,669	13,257
Tipping Fees	-	-	-	-	-	-	130,617	-	-
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	-	-	-	-	-	-	-	-	-
Rounding	-	-	-	-	-	-	-	-	-
Total Expenditures	\$ 2,072,772	\$ 834,172	\$ 414,135	\$ 1,015,129	\$ 622,480	\$ 847,669	\$ 4,032,470	\$ 1,731,106	\$ 6,736,502

See independent auditors' report

Town of Middletown, RI
Supplementary Information
Annual Supplemental Transparency Report (MTP2)
For the Year Ended June 30, 2019

EXPENDITURES	Fire Department	Centralized Dispatch	Public Safety Other	Education Appropriation	Debt	OPEB	Total Municipal	Education Department
Compensation - Group A	\$ 1,896,561	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,671,388	\$ 16,623,454
Compensation - Group B	223,178	-	-	-	-	-	390,585	1,607,741
Compensation - Group C	-	-	-	-	-	-	-	2,975,430
Compensation -Volunteer	-	-	-	-	-	-	-	-
Overtime - Group A	346,953	-	-	-	-	-	938,299	-
Overtime - Group B	68,564	-	-	-	-	-	81,629	-
Overtime - Group C	-	-	-	-	-	-	-	180,711
Police & Fire Detail	13,493	-	-	-	-	-	563,125	-
Active Medical Insurance - Group A	351,022	-	-	-	-	-	1,191,898	2,098,982
Active Medical Insurance - Group B	28,273	-	-	-	-	-	47,206	168,756
Active Medical Insurance - Group C	-	-	-	-	-	-	-	636,512
Active Dental Insurance- Group A	22,522	-	-	-	-	-	76,159	147,814
Active Dental Insurance- Group B	3,543	-	-	-	-	-	4,639	11,318
Active Dental Insurance- Group C	-	-	-	-	-	-	-	39,907
Payroll Taxes	188,050	-	-	-	-	-	785,467	554,871
Life Insurance	13,470	-	-	-	-	-	47,302	43,799
State Defined Contribution- Group A	500	-	-	-	-	-	20,018	335,068
State Defined Contribution - Group B	1,002	-	-	-	-	-	1,002	21,820
State Defined Contribution - Group C	-	-	-	-	-	-	-	23,052
Other Benefits- Group A	86,711	-	-	-	-	-	326,793	233,801
Other Benefits- Group B	2,358	-	-	-	-	-	15,319	11,341
Other Benefits- Group C	-	-	-	-	-	-	-	6,885
Local Defined Benefit Pension- Group A	937,121	-	-	-	-	-	1,684,246	-
Local Defined Benefit Pension - Group B	-	-	-	-	-	-	3,268	4,774
Local Defined Benefit Pension - Group C	-	-	-	-	-	-	-	4,732
State Defined Benefit Pension- Group A	115,016	-	-	-	-	-	543,605	2,194,035
State Defined Benefit Pension - Group B	11,248	-	-	-	-	-	16,989	187,932
State Defined Benefit Pension - Group C	-	-	-	-	-	-	-	284,332
Other Defined Benefit / Contribution	7,313	-	-	-	-	-	75,369	-
Purchased Services	87,405	-	-	-	-	-	1,351,661	8,455,772
Materials/Supplies	106,083	-	-	-	-	-	694,384	390,003
Software Licenses	-	-	-	-	-	-	310,068	11,681
Capital Outlays	-	-	-	-	-	-	1,354,474	1,792,233
Insurance	-	-	-	-	-	-	250,547	113,220
Maintenance	68,259	-	-	-	-	-	1,151,013	209,669
Vehicle Operations	80,687	-	-	-	-	-	445,199	17,787
Utilities	456,763	-	-	-	-	-	936,627	758,959
Contingency	-	-	-	-	-	-	-	-
Street Lighting	-	-	-	-	-	-	209,426	-
Revaluation	-	-	-	-	-	-	-	-
Snow Removal-Raw Material & External Contracts	-	-	-	-	-	-	47,962	-
Trash Removal & Recycling	-	-	-	-	-	-	735,463	-
Claims & Settlements	-	-	-	-	-	-	10,427	695
Community Support	-	-	-	-	-	-	221,976	-
Other Operation Expenditures	6,535	-	-	-	-	-	94,915	169,690
Tipping Fees	-	-	-	-	-	-	130,617	-
Local Appropriation for Education	-	-	-	26,510,694	-	-	26,510,694	-
Regional Appropriation for Education	-	-	-	-	-	-	-	-
Supplemental Appropriation for Education	-	-	-	-	-	-	-	-
Regional Supplemental Appropriation for Education	-	-	-	-	-	-	-	-
Other Education Appropriation	-	-	-	110,956	-	-	110,956	-
Municipal Debt- Principal	-	-	-	-	1,904,808	-	1,904,808	-
Municipal Debt- Interest	-	-	-	-	653,082	-	653,082	-
School Debt- Principal	-	-	-	-	708,078	-	708,078	-
School Debt- Interest	-	-	-	-	348,348	-	348,348	-
Retiree Medical Insurance- Total	-	-	-	-	-	-	-	-
Retiree Dental Insurance- Total	-	-	-	-	-	-	-	-
OPEB Contribution- Total	-	-	-	-	-	3,097,535	3,097,535	566,578
Rounding	-	-	-	-	-	-	-	-
Total Expenditures	\$ 5,122,630	\$ -	\$ -	\$ 26,621,650	\$ 3,614,316	\$ 3,097,535	\$ 56,762,566	\$ 40,883,352

Financing Uses: Transfer to Capital Funds	\$ -	\$ -
Financing Uses: Transfer to Other Funds	50,538	-
Financing Uses: Payment to Bond Escrow Agent	-	-
Financing Uses: Other	-	-
Total Other Financing Uses	\$ 50,538	\$ -
Net Change in Fund Balance¹	2,409,039	(2,358,624)
Fund Balance¹- beginning of year	\$16,728,515	\$11,944,161
Funds removed from Reportable Government Services (RGS)	-	-
Funds added to Reportable Government Services (RGS)	-	-
Prior period adjustments	-	-
Misc. Adjustment	-	(3)
Fund Balance¹ - beginning of year adjusted	16,728,515	11,944,178
Rounding	-	1
Fund Balance¹ - end of year	\$ 19,137,548	\$ 9,585,555

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

See independent auditors' report

Town of Middletown, RI
Supplementary Information
Annual Supplemental Transparency Report (MTP2)
For the Year Ended June 30, 2019

Combining Schedule of Reportable Government Services with Reconciliation to MTP2
Municipal
Fiscal Year Ended June 30, 2019

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 ² (Deficit)	Prior Period Adjustment	Restated Beginning Fund Balance ² (Deficit)	Ending Fund Balance ¹ (Deficit)
Fund Balance¹ - per MTP-2 at June 30, 2018						\$ 16,728,515		\$ 16,728,515	
<i>No funds removed from RGS for fiscal 2018</i>						-		-	
<i>No funds added to RGS for fiscal 2018</i>						-		-	
<i>No misc. adjustments made for fiscal 2018</i>						-		-	
Fund Balance¹ - per MTP-2 at June 30, 2018 adjusted						<u>\$ 16,728,515</u>		<u>\$ 16,728,515</u>	
General Fund	\$ 54,438,412	\$ 1,714,482	\$ 27,332,838	\$ 26,698,301	\$ 2,121,755	\$ 10,466,981	\$ -	\$ 10,466,981	\$ 12,588,736
Public Private Venture	1,344,189	-	-	1,518,528	(174,339)	257,855	-	257,855	83,516
Parks & Recreation	2,198,684	26,113	1,828,156	-	396,641	5,464,182	-	5,464,182	5,860,823
Refuse and Recycling	1,044,898	-	979,922	-	64,976	539,497	-	539,497	604,473
Totals per audited financial statements	<u>\$ 59,026,183</u>	<u>\$ 1,740,595</u>	<u>\$ 30,140,916</u>	<u>\$ 28,216,829</u>	<u>\$ 2,409,033</u>	<u>\$ 16,728,515</u>	<u>\$ -</u>	<u>\$ 16,728,515</u>	<u>\$ 19,137,548</u>
Reconciliation from financial statements to MTP2									
Reclassify transfer of municipal appropriation to Education Department as expenditure on MTP2	\$ -	\$ -	\$ 26,510,694	\$ (26,510,694)	\$ -	\$ -	\$ -	\$ -	\$ -
Reclassify transfer of municipal appropriation from a Special Revenue Fund (GASB 54) to Education Department as expenditure on MTP-2	-	-	110,956	(110,956)	-	-	-	-	-
Reclassify transfer of other education appropriation from Public Private Venture to Education Department as expenditure on MTP-2	-	-	-	-	-	-	-	-	-
Eliminate transfers between Funds reported on MTP2:									
- from a Special Revenue Fund (GASB 54) to Parks & Recreation Fund	-	(26,113)	-	(26,113)	-	-	-	-	-
- from Public Private Venture to a Special Revenue Fund (GASB 54)	-	(565,896)	-	(565,896)	-	-	-	-	-
- from Public Private Venture to General Fund	-	(952,632)	-	(952,632)	-	-	-	-	-
Rounding	-	-	-	-	-	-	-	-	-
Totals Per MTP2	<u>\$ 59,026,183</u>	<u>\$ 195,954</u>	<u>\$ 56,762,566</u>	<u>\$ 50,538</u>	<u>\$ 2,409,033</u>	<u>\$ 16,728,515</u>	<u>\$ -</u>	<u>\$ 16,728,515</u>	<u>\$ 19,137,548</u>

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

See independent auditors' report

Town of Middletown, RI
Supplementary Information
Annual Supplemental Transparency Report (MTP2)
For the Year Ended June 30, 2019

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

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)
Fund Balance¹ - per MTP-2 at June 30, 2018						\$ 11,944,181		\$ 11,944,181	
<i>Rounding from FY 2018</i>						(3)		(3)	
Fund Balance¹ - per MTP-2 at June 30, 2018 adjusted						<u>\$ 11,944,178</u>		<u>\$ 11,944,178</u>	
School Unrestricted Fund	\$ 10,925,526	\$ 26,510,694	\$ 37,753,099	\$ -	\$ (316,879)	\$ 3,194,913	\$ -	\$ 3,194,913	\$ 2,878,034
School Capital Improvement Bond Project	134,674	-	2,010,459	-	(1,875,785)	7,626,755	-	7,626,755	5,750,970
School Capital Project Fund	37,365	232,756	513,238	-	(243,117)	284,114	-	284,114	40,997
School Special Revenue Funds	2,228,396	-	2,141,782	-	86,614	601,014	-	601,014	687,628
Totals per audited financial statements	<u>\$ 13,325,961</u>	<u>\$ 26,743,450</u>	<u>\$ 42,418,578</u>	<u>\$ -</u>	<u>\$ (2,349,167)</u>	<u>\$ 11,706,796</u>	<u>\$ -</u>	<u>\$ 11,706,796</u>	<u>\$ 9,357,629</u>
Reconciliation from financial statements to MTP2									
Municipal appropriation for Education reported as a transfer on financial statements but a revenue on MTP2	\$ 26,510,694	\$ (26,510,694)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State contributions on behalf of teacher pensions are reported as revenue and expenditures on financial statements only	(1,569,732)	-	(1,569,732)	-	-	-	-	-	-
Student Scholarships	25,049	-	34,505	-	(9,456)	237,382	-	237,382	227,926
Reclassify transfer of municipal appropriation from a special revenue fund/town to school dept as a revenue on MTP-2.	110,956	(110,956)	-	-	-	-	-	-	-
Rounding	1	-	1	-	(1)	-	-	-	-
Totals Per MTP2	<u>\$ 38,402,929</u>	<u>\$ 121,800</u>	<u>\$ 40,883,352</u>	<u>\$ -</u>	<u>\$ (2,358,624)</u>	<u>\$ 11,944,178</u>	<u>\$ -</u>	<u>\$ 11,944,178</u>	<u>\$ 9,585,555</u>
Reconciliation from MTP2 to UCOA									
Relass of source in MTP2/audit to revenue in UCOA	\$ 121,800	\$ (121,800)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Totals per UCOA Validated Totals Report	<u>\$ 38,524,729</u>	<u>\$ -</u>	<u>\$ 40,883,352</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

See independent auditors' report

Town of Middletown, RI
Supplementary Information
Annual Supplemental Transparency Report (MTP2)
For the Year Ended June 30, 2019

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

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 City's (or Town's) budget and accounting system. To report these costs, the City (or 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

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.

See independent auditors' report

Town of Middletown, RI
Supplementary Information
Annual Supplemental Transparency Report (MTP2)
For the Year Ended June 30, 2019

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/>.

See independent auditors' report

Town of Middletown, Rhode Island
 Supplementary Information
 Combining Statement of Fiduciary Net Position - Employee Benefit Trust Funds
 June 30, 2019

	Pension Trust Fund	Other Post- Employment Benefits Trust Fund	Total
Assets			
Cash and cash equivalents	\$ —	\$ 264,143	\$ 264,143
Investments:			
Mutual funds	44,686,973	10,744,305	55,431,278
Group annuity	11,009,365	—	11,009,365
Money market funds	488,841	532,493	1,021,334
U.S. Treasury Obligations	3,626,033	712,662	4,338,695
Due from other funds	684,784	—	684,784
Due from External Parties	125,198	—	125,198
Total Assets	<u>60,621,194</u>	<u>12,253,603</u>	<u>72,874,797</u>
Liabilities			
Accounts payable	57,545	17,143	74,688
Total liabilities	<u>57,545</u>	<u>17,143</u>	<u>74,688</u>
Net Position			
Restricted for benefits	60,563,649	12,236,460	72,800,109
Total net position	<u>60,563,649</u>	<u>12,236,460</u>	<u>72,800,109</u>
Total liabilities and net position	<u>\$ 60,621,194</u>	<u>\$ 12,253,603</u>	<u>\$ 72,874,797</u>

See independent auditors' report

Town of Middletown, Rhode Island
Supplementary Information
Combining Statement of Changes in Fiduciary Net Position - Employee Benefit Trust Funds
June 30, 2019

	Pension Trust Fund	Other Post- Employment Benefits Trust Fund	Total
Additions to net position:			
Contributions:			
Employer	\$ 1,681,526	\$ 3,610,377	\$ 5,291,903
Plan members	50,622	22,283	72,905
	<u>1,732,148</u>	<u>3,632,660</u>	<u>5,364,808</u>
Investment income, net:			
Interest income	1,213,497	221,412	1,434,909
Net appreciation in fair value of	2,376,712	355,548	2,732,260
	<u>3,590,209</u>	<u>576,960</u>	<u>4,167,169</u>
Total additions	<u>5,322,357</u>	<u>4,209,620</u>	<u>9,531,977</u>
Deductions from net position:			
Benefits	4,816,924	1,644,694	6,461,618
Investment expenses	147,998	70,290	218,288
Total deductions	<u>4,964,922</u>	<u>1,714,984</u>	<u>6,679,906</u>
Change in net position	<u>357,435</u>	<u>2,494,636</u>	<u>2,852,071</u>
Net position, beginning of year	<u>60,206,214</u>	<u>9,741,824</u>	<u>69,948,038</u>
Net position, end of year	<u>\$ 60,563,649</u>	<u>\$ 12,236,460</u>	<u>\$ 72,800,109</u>

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Town of Middletown, Rhode Island
Supplementary Information
Non-Major Governmental Funds
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	Special Revenue Funds - Town					
	Library Grant Fund	Community Development Block Grant Fund	Public Safety Relief/Goodman	Fire Alarm Fund	Fire Prevention Fund	Criminal Investigations Fund
Assets						
Cash and cash equivalents	\$ 4	\$ 8,915	\$ 7,273	\$ —	\$ —	\$ —
Accounts receivable, net						
Federal and state government						
Loans receivable		100,000				
Other receivable						
Prepaid expenses		1,000				
Due from other funds	—		—	500	30,704	1,086
Total assets	4	109,915	7,273	500	30,704	1,086
Deferred outflows of resources						
Deferred outflows	—	—	—	—	—	—
Total deferred outflows of resources	—	—	—	—	—	—
Total assets and deferred outflows of resources	\$ 4	\$ 109,915	\$ 7,273	\$ 500	\$ 30,704	\$ 1,086
Liabilities						
Accounts payable and accrued expenses	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Due to other funds		2,056				
Total liabilities	—	2,056	—	—	—	—
Deferred inflows of resources						
Unearned revenues	—	7,859	—	—	—	—
Total deferred inflows of resources	—	7,859	—	—	—	—
Fund balances:						
Nonspendable		100,000				
Assigned						
Restricted	4	7,859	7,273	500	30,704	1,086
Total fund balances	4	107,859	7,273	500	30,704	1,086
Total liabilities, deferred inflows of resources, and fund balances	\$ 4	\$ 117,774	\$ 7,273	\$ 500	\$ 30,704	\$ 1,086

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	Special Revenue Funds - Town					
	Capital Improvement Impact Fund	Library Gift Fund (ET)	Library Donations Fund	Library Public Access Print Serv	Forfeited and Confiscated Funds(ET)	Retired Police Officers' Fund
Assets						
Cash and cash equivalents	\$ 390,611	\$ 24,149	\$ 14,818	\$ 21,057	\$ 20,315	\$ —
Accounts receivable, net						
Federal and state government						
Loans receivable						
Other receivable		—				
Prepaid expenses						
Due from other funds	236,967	741			2,948	516
Total assets	<u>627,578</u>	<u>24,890</u>	<u>14,818</u>	<u>21,057</u>	<u>23,263</u>	<u>516</u>
Deferred outflows of resources						
Deferred outflows	—	—	—	—	—	—
Total deferred outflows of resources	—	—	—	—	—	—
Total assets and deferred outflows of resources	<u>\$ 627,578</u>	<u>\$ 24,890</u>	<u>\$ 14,818</u>	<u>\$ 21,057</u>	<u>\$ 23,263</u>	<u>\$ 516</u>
Liabilities						
Accounts payable and accrued expenses	—	—	—	—	2,051	—
Due to other funds	—	—	1,790	4,477	—	—
Total liabilities	—	—	<u>1,790</u>	<u>4,477</u>	<u>2,051</u>	—
Deferred inflows of resources						
Unearned revenues	—	—	—	—	—	—
Total deferred inflows of resources	—	—	—	—	—	—
Fund balances:						
Nonspendable	—	—	—	—	—	—
Assigned	627,578	24,890	13,028	16,580	—	516
Restricted					21,212	
Total fund balances	<u>627,578</u>	<u>24,890</u>	<u>13,028</u>	<u>16,580</u>	<u>21,212</u>	<u>516</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 627,578</u>	<u>\$ 24,890</u>	<u>\$ 14,818</u>	<u>\$ 21,057</u>	<u>\$ 23,263</u>	<u>\$ 516</u>

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	Special Revenue Funds - Town				
	Civilian Police Academy Fund	PPV Public Safety	JFK Building SRF	Joel Peckham School Cap Imp SRF	Total Town Special Revenue Funds
Assets					
Cash and cash equivalents	\$ —	\$ —	\$ —	\$ —	\$ 487,142
Accounts receivable, net					
Federal and state government					—
Loans receivable					100,000
Other receivable			4,500		4,500
Prepaid expenses					1,000
Due from other funds	1,660	83,516	170,480	—	529,118
Total assets	1,660	83,516	174,980	—	1,121,760
Deferred outflows of resources					
Deferred outflows	—	—	—	—	—
Total deferred outflows of resources	—	—	—	—	—
Total assets and deferred outflows of resources	\$ 1,660	\$ 83,516	\$ 174,980	\$ —	\$ 1,121,760
Liabilities					
Accounts payable and accrued expenses			9,738		11,789
Due to other funds					8,323
Total liabilities	—	—	9,738	—	20,112
Deferred inflows of resources					
Unearned revenues	—	—	—	—	7,859
Total deferred inflows of resources	—	—	—	—	7,859
Fund balances:					
Nonspendable					100,000
Assigned	1,660	83,516	165,242	—	972,577
Restricted					21,212
Total fund balances	1,660	83,516	165,242	—	1,093,789
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,660	\$ 83,516	\$ 174,980	\$ —	\$ 1,121,760

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	Special Revenue Funds - School					
	IDEA Part B Allocation	IDEA Part B Preschool	Title I	Title IIA	Title III	Perkins Vocational
Assets						
Cash and cash equivalents	\$ (312,159)	\$ (8,225)	\$ (157,942)	\$ (49,395)	\$ (12,019)	\$ 17,027
Accounts receivable, net						
Federal and state government	319,825	8,225	157,942	49,395	12,019	
Loans receivable						
Other receivable						
Prepaid expenses						
Due from other funds						
Total assets	<u>7,666</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>17,027</u>
Deferred outflows of resources						
Deferred outflows	—	—	—	—	—	—
Total deferred outflows of resources	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total assets and deferred outflows of resources	<u>\$ 7,666</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 17,027</u>
Liabilities						
Accounts payable and accrued expenses	\$ 7,666	\$ —	\$ —	\$ —	\$ —	\$ —
Due to other funds						
Total liabilities	<u>7,666</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Deferred inflows of resources						
Unearned revenues	—	—	—	—	—	—
Total deferred inflows of resources	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund balances:						
Nonspendable						
Assigned						
Restricted						17,027
Total fund balances	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>17,027</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 7,666</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 17,027</u>

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	Special Revenue Funds - School					
	McKinney Homless I	McKinney Homless II	Homeless Children and Youth Competitive Award I	US Dept. of Defense Grant MAPS	Healthier Challenge Grant	Early Childhood
Assets						
Cash and cash equivalents	\$ (3,386)	\$ (37,472)	\$ —	\$ (6,983)	\$ 1,530	\$ 22,504
Accounts receivable, net						
Federal and state government	3,386	37,472		6,983		
Loans receivable						
Other receivable						
Prepaid expenses						
Due from other funds						
Total assets	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,530</u>	<u>22,504</u>
Deferred outflows of resources						
Deferred outflows	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total deferred outflows of resources	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total assets and deferred outflows of resources	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,530</u>	<u>\$ 22,504</u>
Liabilities						
Accounts payable and accrued expenses	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Due to other funds						
Total liabilities	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Deferred inflows of resources						
Unearned revenues	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total deferred inflows of resources	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund balances:						
Nonspendable						
Assigned						
Restricted					1,530	22,504
Total fund balances	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,530</u>	<u>22,504</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,530</u>	<u>\$ 22,504</u>

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	Special Revenue Funds - School					
	Literacy	Student Equity	CTE Categorical Aid	RIDE Leadership Mini Grant	RIDE Leadership Mini Grant	General Assembly Grant Strategic Plan Development
Assets						
Cash and cash equivalents	\$ 16,501	\$ 48,957	\$ 15,731	\$ 4,288	\$ (65)	\$ —
Accounts receivable, net						
Federal and state government					65	
Loans receivable						
Other receivable						
Prepaid expenses						
Due from other funds						
Total assets	<u>16,501</u>	<u>48,957</u>	<u>15,731</u>	<u>4,288</u>	<u>—</u>	<u>—</u>
Deferred outflows of resources						
Deferred outflows	—	—	—	—	—	—
Total deferred outflows of resources	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total assets and deferred outflows of resources	<u>\$ 16,501</u>	<u>\$ 48,957</u>	<u>\$ 15,731</u>	<u>\$ 4,288</u>	<u>\$ —</u>	<u>\$ —</u>
Liabilities						
Accounts payable and accrued expenses	\$ —	\$ —	\$ —	\$ 4,288	\$ —	\$ —
Due to other funds						
Total liabilities	<u>—</u>	<u>—</u>	<u>—</u>	<u>4,288</u>	<u>—</u>	<u>—</u>
Deferred inflows of resources						
Unearned revenues	—	—	—	—	—	—
Total deferred inflows of resources	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund balances:						
Nonspendable						
Assigned						
Restricted	16,501	48,957	15,731			
Total fund balances	<u>16,501</u>	<u>48,957</u>	<u>15,731</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 16,501</u>	<u>\$ 48,957</u>	<u>\$ 15,731</u>	<u>\$ 4,288</u>	<u>\$ —</u>	<u>\$ —</u>

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	Special Revenue Funds - School					Van Beuren Charitable Foundation
	English Language Categorical	RIDE Mini Grant	RIDE Open Science Field Test Grant	Feinstein Foundation Grant	Rhode Island Foundation	
Assets						
Cash and cash equivalents	\$ (2,165)	\$ (8,930)	\$ (4,582)	\$ 36,782	\$ 6,122	\$ 78,956
Accounts receivable, net						
Federal and state government	2,165	8,930	4,582			
Loans receivable						
Other receivable						
Prepaid expenses						
Due from other funds						
Total assets	<u>—</u>	<u>—</u>	<u>—</u>	<u>36,782</u>	<u>6,122</u>	<u>78,956</u>
Deferred outflows of resources						
Deferred outflows	—	—	—	—	—	—
Total deferred outflows of resources	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total assets and deferred outflows of resources	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 36,782</u>	<u>\$ 6,122</u>	<u>\$ 78,956</u>
Liabilities						
Accounts payable and accrued expenses	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (8,782)
Due to other funds						
Total liabilities	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(8,782)</u>
Deferred inflows of resources						
Unearned revenues	—	—	—	—	—	—
Total deferred inflows of resources	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund balances:						
Nonspendable						
Assigned						
Restricted				36,782	6,122	87,738
Total fund balances	<u>—</u>	<u>—</u>	<u>—</u>	<u>36,782</u>	<u>6,122</u>	<u>87,738</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 36,782</u>	<u>\$ 6,122</u>	<u>\$ 78,956</u>

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	Special Revenue Funds - School					
	Target Private Donations	Office Max Donations	Scholarship America	RI Art Association	PTO/PTG Donations	Middletown Education Collaborative
Assets						
Cash and cash equivalents	\$ 195	\$ 100	\$ 472	\$ 132	\$ 16,408	\$ (484)
Accounts receivable, net						
Federal and state government						2,735
Loans receivable						
Other receivable					319	
Prepaid expenses						
Due from other funds						
Total assets	<u>195</u>	<u>100</u>	<u>472</u>	<u>132</u>	<u>16,727</u>	<u>2,251</u>
Deferred outflows of resources						
Deferred outflows	—	—	—	—	—	—
Total deferred outflows of resources	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total assets and deferred outflows of resources	<u>\$ 195</u>	<u>\$ 100</u>	<u>\$ 472</u>	<u>\$ 132</u>	<u>\$ 16,727</u>	<u>\$ 2,251</u>
Liabilities						
Accounts payable and accrued expenses	\$ —	\$ —	\$ —	\$ —	\$ 2,400	\$ —
Due to other funds						
Total liabilities	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,400</u>	<u>—</u>
Deferred inflows of resources						
Unearned revenues	—	—	—	—	—	—
Total deferred inflows of resources	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund balances:						
Nonspendable						
Assigned						
Restricted	195	100	472	132	14,327	2,251
Total fund balances	<u>195</u>	<u>100</u>	<u>472</u>	<u>132</u>	<u>14,327</u>	<u>2,251</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 195</u>	<u>\$ 100</u>	<u>\$ 472</u>	<u>\$ 132</u>	<u>\$ 16,727</u>	<u>\$ 2,251</u>

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	Special Revenue Funds - School					
	Safety Town	National Math & Science Inc.	Angel Fund	Middle School Donors	Forest Ave School Donors	Donations Music Boosters
Assets						
Cash and cash equivalents	\$ 500	\$ 6,621	\$ 500	\$ 4,568	\$ 3,749	\$ —
Accounts receivable, net						
Federal and state government						
Loans receivable						
Other receivable						
Prepaid expenses						
Due from other funds						
Total assets	<u>500</u>	<u>6,621</u>	<u>500</u>	<u>4,568</u>	<u>3,749</u>	<u>—</u>
Deferred outflows of resources						
Deferred outflows	—	—	—	—	—	—
Total deferred outflows of resources	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total assets and deferred outflows of resources	<u>\$ 500</u>	<u>\$ 6,621</u>	<u>\$ 500</u>	<u>\$ 4,568</u>	<u>\$ 3,749</u>	<u>\$ —</u>
Liabilities						
Accounts payable and accrued expenses						
Due to other funds						
Total liabilities	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Deferred inflows of resources						
Unearned revenues	—	—	—	—	—	—
Total deferred inflows of resources	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund balances:						
Nonspendable						
Assigned						
Restricted	500	6,621	500	4,568	3,749	—
Total fund balances	<u>500</u>	<u>6,621</u>	<u>500</u>	<u>4,568</u>	<u>3,749</u>	<u>—</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 500</u>	<u>\$ 6,621</u>	<u>\$ 500</u>	<u>\$ 4,568</u>	<u>\$ 3,749</u>	<u>\$ —</u>

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	Special Revenue Funds - School					
	Aquidneck School Donors	High School Donors	Donations Boosters	School Lunch	Athletics and Summer Programs	Total School Special Revenue Funds
Assets						
Cash and cash equivalents	\$ 6,112	\$ 16,432	\$ 593	\$ 366,450	\$ 107,558	\$ 174,981
Accounts receivable, net						
Federal and state government				21,508		635,232
Loans receivable						
Other receivable				19,542		19,861
Prepaid expenses						
Due from other funds						
Total assets	<u>6,112</u>	<u>16,432</u>	<u>593</u>	<u>407,500</u>	<u>107,558</u>	<u>830,074</u>
Deferred outflows of resources						
Deferred outflows	—	—	—	—	—	—
Total deferred outflows of resources	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total assets and deferred outflows of resources	<u>\$ 6,112</u>	<u>\$ 16,432</u>	<u>\$ 593</u>	<u>\$ 407,500</u>	<u>\$ 107,558</u>	<u>\$ 830,074</u>
Liabilities						
Accounts payable and accrued expenses	\$ —	\$ —	\$ —	\$ 22,310	\$ 455	\$ 28,337
Due to other funds				104,359		104,359
Total liabilities	<u>—</u>	<u>—</u>	<u>—</u>	<u>126,669</u>	<u>455</u>	<u>132,696</u>
Deferred inflows of resources						
Unearned revenues	—	—	—	—	9,750	9,750
Total deferred inflows of resources	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>9,750</u>	<u>9,750</u>
Fund balances:						
Nonspendable						
Assigned						
Restricted	6,112	16,432	593	280,831	97,353	687,628
Total fund balances	<u>6,112</u>	<u>16,432</u>	<u>593</u>	<u>280,831</u>	<u>97,353</u>	<u>687,628</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 6,112</u>	<u>\$ 16,432</u>	<u>\$ 593</u>	<u>\$ 407,500</u>	<u>\$ 107,558</u>	<u>\$ 830,074</u>

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	Permanent Funds			
	McCartney Scholarship Fund	McKie Scholarship Fund	Bennett Welfare Fund	Freebody Welfare Fund
Assets				
Cash and cash equivalents	\$ 17,587	\$ 18,456	\$ 3,597	\$ 2,999
Accounts receivable, net				
Federal and state government				
Loans receivable				
Other receivable				
Prepaid expenses				
Due from other funds				
Total assets	<u>17,587</u>	<u>18,456</u>	<u>3,597</u>	<u>2,999</u>
Deferred outflows of resources				
Deferred outflows	—	—	—	—
Total deferred outflows of resources	—	—	—	—
Total assets and deferred outflows of resources	<u>\$ 17,587</u>	<u>\$ 18,456</u>	<u>\$ 3,597</u>	<u>\$ 2,999</u>
Liabilities				
Accounts payable and accrued expenses	\$ —	\$ —	\$ —	\$ —
Due to other funds				
Total liabilities	—	—	—	—
Deferred inflows of resources				
Unearned revenues	—	—	—	—
Total deferred inflows of resources	—	—	—	—
Fund balances:				
Nonspendable	16,432	18,296	3,000	2,500
Assigned				
Restricted	<u>1,155</u>	<u>160</u>	<u>597</u>	<u>499</u>
Total fund balances	<u>17,587</u>	<u>18,456</u>	<u>3,597</u>	<u>2,999</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 17,587</u>	<u>\$ 18,456</u>	<u>\$ 3,597</u>	<u>\$ 2,999</u>

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	Permanent Funds			
	Burial Fund	Summerfield Trust Fund	Middletown Main Drainage	Total Permanent Funds
Assets				
Cash and cash equivalents	\$ 1,333,527	\$ 2,975	\$ 18,887	\$ 198,028
Accounts receivable, net				
Federal and state government				
Loans receivable				
Other receivable				
Prepaid expenses				
Due from other funds	7,522			7,522
Total assets	<u>1,341,049</u>	<u>2,975</u>	<u>18,887</u>	<u>205,550</u>
Deferred outflows of resources				
Deferred outflows	—	—	—	—
Total deferred outflows of resources	—	—	—	—
Total assets and deferred outflows of resources	<u>\$ 1,341,049</u>	<u>\$ 2,975</u>	<u>\$ 18,887</u>	<u>\$ 205,550</u>
Liabilities				
Accounts payable and accrued expenses	\$ 5,239	\$ —	\$ —	\$ 5,239
Due to other funds				
Total liabilities	<u>5,239</u>	<u>—</u>	<u>—</u>	<u>5,239</u>
Deferred inflows of resources				
Unearned revenues	—	—	—	—
Total deferred inflows of resources	—	—	—	—
Fund balances:				
Nonspendable	135,810	2,500	15,880	194,418
Assigned				
Restricted	—	475	3,007	5,893
Total fund balances	<u>135,810</u>	<u>2,975</u>	<u>18,887</u>	<u>200,311</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 141,049</u>	<u>\$ 2,975</u>	<u>\$ 18,887</u>	<u>\$ 205,550</u>

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Town of Middletown, Rhode Island
Supplementary Information
Non-Major Governmental Funds
Combined Balance Sheet
June 30, 2019

	Capital Project Funds			Total Non-Major Funds
	Town Capital Projects Fund	School Capital Improvement Fund	Total Capital Funds	
Assets				
Cash and cash equivalents	\$ 103,900	\$ (60,898)	\$ 43,002	\$ 903,153
Accounts receivable, net				
Federal and state government				635,232
Loans receivable	1,269,189		1,269,189	1,369,189
Other receivable				24,361
Prepaid expenses				1,000
Due from other funds	—	203,044	203,044	739,684
Total assets	<u>1,373,089</u>	<u>142,146</u>	<u>1,515,235</u>	<u>3,672,619</u>
Deferred outflows of resources				
Deferred outflows	—	—	—	—
Total deferred outflows of resources	—	—	—	—
Total assets and deferred outflows of resources	<u>\$ 1,373,089</u>	<u>\$ 142,146</u>	<u>\$ 1,515,235</u>	<u>\$ 3,672,619</u>
Liabilities				
Accounts payable and accrued expenses	\$ 738,111	\$ 101,149	\$ 839,260	\$ 884,625
Due to other funds	54,326		54,326	167,008
Total liabilities	<u>792,437</u>	<u>101,149</u>	<u>893,586</u>	<u>1,051,633</u>
Deferred inflows of resources				
Unearned revenues	—	—	—	17,609
Total deferred inflows of resources	—	—	—	17,609
Fund balances:				
Nonspendable	—	—	—	294,418
Assigned	578,352	—	578,352	1,550,929
Restricted	2,300	40,997	43,297	758,030
Total fund balances	<u>580,652</u>	<u>40,997</u>	<u>621,649</u>	<u>2,603,377</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,373,089</u>	<u>\$ 142,146</u>	<u>\$ 1,515,235</u>	<u>\$ 3,672,619</u>

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Town of Middletown, Rhode Island
Supplementary Information
Non-Major Governmental Funds
Combined Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2019

	Special Revenue Funds - Town					
	Library Grant Fund	Community Development Block Grant	Public Safety Relief/Goodman	Fire Alarm Fund	Fire Prevention Fund	Criminal Investigations Fund
Revenues						
Intergovernmental	\$ —	\$ 43,841	\$ —	\$ —	\$ —	\$ —
Licenses, permits and fees					12,710	
Interest and investment income			15			
Other						
Total revenues	<u>—</u>	<u>43,841</u>	<u>15</u>	<u>—</u>	<u>12,710</u>	<u>—</u>
Expenditures						
General government						
Public safety						
Public works						
Library						
Education						
Community Services		43,841				
Capital outlay						
Total expenditures	<u>—</u>	<u>43,841</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Excess (deficiency) of revenues over expenditures	<u>—</u>	<u>—</u>	<u>15</u>	<u>—</u>	<u>12,710</u>	<u>—</u>
Other financing sources (uses)						
Transfers from other funds						
Transfers to other funds					(3,039)	
Total other financing sources (uses)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(3,039)</u>	<u>—</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>—</u>	<u>—</u>	<u>15</u>	<u>—</u>	<u>9,671</u>	<u>—</u>
Fund balances, beginning	4	100,000	7,258	500	21,033	1,086
Fund balances, ending	<u>\$ 4</u>	<u>\$ 100,000</u>	<u>\$ 7,273</u>	<u>\$ 500</u>	<u>\$ 30,704</u>	<u>\$ 1,086</u>

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Town of Middletown, Rhode Island
Supplementary Information
Non-Major Governmental Funds
Combined Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2019

	Special Revenue Funds - Town					
	Capital Improvement Impact Fund	Library Gift Fund (ET)	Library Donations Fund	Library Public Access Print Serv	Forfeited and Confiscated Funds (ET)	Retired Police Officers' Fund
Revenues						
Intergovernmental	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Licenses, permits and fees	98,764	2,231				
Interest and investment income	820	224			43	
Other			2,871	3,691	9,158	
Total revenues	<u>99,584</u>	<u>2,455</u>	<u>2,871</u>	<u>3,691</u>	<u>9,201</u>	<u>—</u>
Expenditures						
General government						
Public safety						
Public works						
Library						
Education						
Community Services						
Capital outlay						
Total expenditures	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Excess (deficiency) of revenues over expenditures	<u>99,584</u>	<u>2,455</u>	<u>2,871</u>	<u>3,691</u>	<u>9,201</u>	<u>—</u>
Other financing sources (uses)						
Transfers from other funds						
Transfers to other funds	(15,351)	(52)	(1,157)	(2,229)	(2,610)	
Total other financing sources (uses)	<u>(15,351)</u>	<u>(52)</u>	<u>(1,157)</u>	<u>(2,229)</u>	<u>(2,610)</u>	<u>—</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	84,233	2,403	1,714	1,462	6,591	—
Fund balances, beginning	543,345	22,487	11,314	15,118	14,621	516
Fund balances, ending	<u>\$ 627,578</u>	<u>\$ 24,890</u>	<u>\$ 13,028</u>	<u>\$ 16,580</u>	<u>\$ 21,212</u>	<u>\$ 516</u>

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Town of Middletown, Rhode Island
 Supplementary Information
 Non-Major Governmental Funds
 Combined Statement of Revenues, Expenditures and Changes in Fund Balance
 For the Year Ended June 30, 2019

	Special Revenue Funds - Town				
	Civilian Police Academy Fund	PPV Public Safety	JFK Building SRF	Joel Peckham School Capital Improvement	Total Town Special Revenue Funds
Revenues					
Intergovernmental	\$ —	\$ 1,344,189	\$ —	\$ —	\$ 1,388,030
Licenses, permits and fees					113,705
Interest and investment income					1,102
Other			188,151		203,871
Total revenues	<u>—</u>	<u>1,344,189</u>	<u>188,151</u>	<u>—</u>	<u>1,706,708</u>
Expenditures					
General government					—
Public safety					—
Public works					—
Library					—
Education					—
Community Services					43,841
Capital outlay					—
Total expenditures	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>43,841</u>
Excess (deficiency) of revenues over expenditures	<u>—</u>	<u>1,344,189</u>	<u>188,151</u>	<u>—</u>	<u>1,662,867</u>
Other financing sources (uses)					
Transfers from other funds					
Transfers to other funds		(1,518,528)	(289,448)	(3,868)	(1,836,282)
Total other financing sources (uses)	<u>—</u>	<u>(1,518,528)</u>	<u>(289,448)</u>	<u>(3,868)</u>	<u>(1,836,282)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>—</u>	<u>(174,339)</u>	<u>(101,297)</u>	<u>(3,868)</u>	<u>(173,415)</u>
Fund balances, beginning	1,660	257,855	266,539	3,868	1,267,204
Fund balances, ending	<u>\$ 1,660</u>	<u>\$ 83,516</u>	<u>\$ 165,242</u>	<u>\$ —</u>	<u>\$ 1,093,789</u>

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Town of Middletown, Rhode Island
Supplementary Information
Non-Major Governmental Funds
Combined Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2019

	Special Revenue Funds - School					
	IDEA Part B Allocation	IDEA Part B Preschool	Title I	Title IIA	Title III	Perkins Vocational
Revenues						
Intergovernmental	\$ 695,435	\$ 32,900	\$ 387,690	\$ 85,116	\$ 12,019	\$ 7,400
Licenses, permits and fees						
Interest and investment income						
Other						
Total revenues	<u>695,435</u>	<u>32,900</u>	<u>387,690</u>	<u>85,116</u>	<u>12,019</u>	<u>7,400</u>
Expenditures						
General government						
Public safety						
Public works						
Library						
Education	695,435	32,900	387,690	85,116	12,019	7,400
Community Services						
Capital outlay						
Total expenditures	<u>695,435</u>	<u>32,900</u>	<u>387,690</u>	<u>85,116</u>	<u>12,019</u>	<u>7,400</u>
Excess (deficiency) of revenues over expenditures	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Other financing sources (uses)						
Operating transfers from other funds						
Operating transfers to other funds						
Total other financing sources (uses)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund balances, beginning						17,027
Fund balances, ending	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 17,027</u>

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	Special Revenue Funds - School					
	Mckinney Homeless I	Mckinney Homeless II	Homeless Children & Youth I	US Dept. of Defense Grant MAPS	Healthier Challenge Grant	Early Childhood
Revenues						
Intergovernmental	\$ 3,386	\$ 37,472	\$ 15,750	\$ 6,983	\$ —	\$ —
Licenses, permits and fees						
Interest and investment income						
Other						
Total revenues	<u>3,386</u>	<u>37,472</u>	<u>15,750</u>	<u>6,983</u>	<u>—</u>	<u>—</u>
Expenditures						
General government						
Public safety						
Public works						
Library						
Education	3,386	37,472	15,750	6,983		
Community Services						
Capital outlay						
Total expenditures	<u>3,386</u>	<u>37,472</u>	<u>15,750</u>	<u>6,983</u>	<u>—</u>	<u>—</u>
Excess (deficiency) of revenues over expenditures	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Other financing sources (uses)						
Operating transfers from other funds						
Operating transfers to other funds						
Total other financing sources (uses)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund balances, beginning					1,530	22,504
Fund balances, ending	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,530</u>	<u>\$ 22,504</u>

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	Special Revenue Funds - School					General Assembly Grant-Strategic Plan Devmt
	Literacy	Student Equity	CTE Categorical Aid	RIDE Leadership Mini Grant	RIDE Leadership Mini Grant	
Revenues						
Intergovernmental	\$ —	\$ —	\$ 15,731	\$ —	\$ 65	\$ 3,000
Licenses, permits and fees						
Interest and investment income						
Other						
Total revenues	<u>—</u>	<u>—</u>	<u>15,731</u>	<u>—</u>	<u>65</u>	<u>3,000</u>
Expenditures						
General government						
Public safety						
Public works						
Library						
Education				4,731	65	3,000
Community Services						
Capital outlay				26,841		
Total expenditures	<u>—</u>	<u>—</u>	<u>—</u>	<u>31,572</u>	<u>65</u>	<u>3,000</u>
Excess (deficiency) of revenues over expenditures	<u>—</u>	<u>—</u>	<u>15,731</u>	<u>(31,572)</u>	<u>—</u>	<u>—</u>
Other financing sources (uses)						
Operating transfers from other funds						
Operating transfers to other funds						
Total other financing sources (uses)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>—</u>	<u>—</u>	<u>15,731</u>	<u>(31,572)</u>	<u>—</u>	<u>—</u>
Fund balances, beginning	16,501	48,957		31,572		
Fund balances, ending	<u>\$ 16,501</u>	<u>\$ 48,957</u>	<u>\$ 15,731</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

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	Special Revenue Funds - School					
	English Language Categorical	RIDE Mini Grant	RIDE Open Science Field Test Grant	Feinstein Foundation Grant	Rhode Island Foundation	Van Beuren Charitable Foundation
Revenues						
Intergovernmental	\$ 2,165	\$ 24,430	\$ 4,582	\$ —	\$ —	\$ —
Licenses, permits and fees						
Interest and investment income						
Other				10,500		
Total revenues	<u>2,165</u>	<u>24,430</u>	<u>4,582</u>	<u>10,500</u>	<u>—</u>	<u>—</u>
Expenditures						
General government						
Public safety						
Public works						
Library						
Education	2,165	24,430	4,582	3,973		1,986
Community Services						
Capital outlay						
Total expenditures	<u>2,165</u>	<u>24,430</u>	<u>4,582</u>	<u>3,973</u>	<u>—</u>	<u>1,986</u>
Excess (deficiency) of revenues over expenditures	<u>—</u>	<u>—</u>	<u>—</u>	<u>6,527</u>	<u>—</u>	<u>(1,986)</u>
Other financing sources (uses)						
Operating transfers from other funds						
Operating transfers to other funds						
Total other financing sources (uses)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>—</u>	<u>—</u>	<u>—</u>	<u>6,527</u>	<u>—</u>	<u>(1,986)</u>
Fund balances, beginning	16,501	48,957		30,255	6,122	89,724
Fund balances, ending	<u>\$ 16,501</u>	<u>\$ 48,957</u>	<u>\$ —</u>	<u>\$ 36,782</u>	<u>\$ 6,122</u>	<u>\$ 87,738</u>

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Town of Middletown, Rhode Island
Supplementary Information
Non-Major Governmental Funds
Combined Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2019

	Special Revenue Funds - School					
	Target Private Donations	Office Max Donations	Scholarship America	RI Art Association	PTO/PTG Donations	Middletown Education Collaborative
Revenues						
Intergovernmental	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Licenses, permits and fees						
Interest and investment income						
Other					29,966	21,376
Total revenues	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>29,966</u>	<u>21,376</u>
Expenditures						
General government						
Public safety						
Public works						
Library						
Education					6,232	19,141
Community Services						
Capital outlay					9,924	1,125
Total expenditures	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>16,156</u>	<u>20,266</u>
Excess (deficiency) of revenues over expenditures	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>13,810</u>	<u>1,110</u>
Other financing sources (uses)						
Operating transfers from other funds						
Operating transfers to other funds						
Total other financing sources (uses)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>13,810</u>	<u>1,110</u>
Fund balances, beginning	195	100	472	132	517	1,141
Fund balances, ending	<u>\$ 195</u>	<u>\$ 100</u>	<u>\$ 472</u>	<u>\$ 132</u>	<u>\$ 14,327</u>	<u>\$ 2,251</u>

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Town of Middletown, Rhode Island
Supplementary Information
Non-Major Governmental Funds
Combined Statement of Revenues, Expenditures and Changes in Fund Balance
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	Special Revenue Funds - School					
	Safety Town	National Math & Science Inc	Angel Fund	Middle School Donors	Forest Ave School Donors	Donations Music Boosters
Revenues						
Intergovernmental	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Licenses, permits and fees						
Interest and investment income						
Other			500	493		1,547
Total revenues	<u>—</u>	<u>—</u>	<u>500</u>	<u>493</u>	<u>—</u>	<u>1,547</u>
Expenditures						
General government						
Public safety						
Public works						
Library						
Education				243		1,547
Community Services						
Capital outlay						
Total expenditures	<u>—</u>	<u>—</u>	<u>—</u>	<u>243</u>	<u>—</u>	<u>1,547</u>
Excess (deficiency) of revenues over expenditures	<u>—</u>	<u>—</u>	<u>500</u>	<u>250</u>	<u>—</u>	<u>—</u>
Other financing sources (uses)						
Operating transfers from other funds						
Operating transfers to other funds						
Total other financing sources (uses)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>—</u>	<u>—</u>	<u>500</u>	<u>250</u>	<u>—</u>	<u>—</u>
Fund balances, beginning	500	6,621		4,318	3,749	
Fund balances, ending	<u>\$ 500</u>	<u>\$ 6,621</u>	<u>\$ 500</u>	<u>\$ 4,568</u>	<u>\$ 3,749</u>	<u>\$ —</u>

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	Special Revenue Funds - School					
	Aquidneck School Donors	High School Donors	Donations Boosters	School Lunch	Athletics and Summer Programs	Total School Special Revenue Funds
Revenues						
Intergovernmental	\$ —	\$ —	\$ —	\$ 325,049	\$ —	\$ 1,659,173
Licenses, permits and fees				466,235	26,576	492,811
Interest and investment income						—
Other	500	4,732	3,000	3,798		76,412
Total revenues	<u>500</u>	<u>4,732</u>	<u>3,000</u>	<u>795,082</u>	<u>26,576</u>	<u>2,228,396</u>
Expenditures						
General government						—
Public safety						—
Public works						—
Library						—
Education	400	4,723	3,000	710,211	29,312	2,103,892
Community Services						—
Capital outlay						37,890
Total expenditures	<u>400</u>	<u>4,723</u>	<u>3,000</u>	<u>710,211</u>	<u>29,312</u>	<u>2,141,782</u>
Excess (deficiency) of revenues over expenditures	<u>100</u>	<u>9</u>	<u>—</u>	<u>84,871</u>	<u>(2,736)</u>	<u>86,614</u>
Other financing sources (uses)						
Operating transfers from other funds						
Operating transfers to other funds						
Total other financing sources (uses)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>100</u>	<u>9</u>	<u>—</u>	<u>84,871</u>	<u>(2,736)</u>	<u>86,614</u>
Fund balances, beginning	<u>6,012</u>	<u>16,423</u>	<u>593</u>	<u>195,960</u>	<u>100,089</u>	<u>601,014</u>
Fund balances, ending	<u>\$ 6,112</u>	<u>\$ 16,432</u>	<u>\$ 593</u>	<u>\$ 280,831</u>	<u>\$ 97,353</u>	<u>\$ 687,628</u>

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Non-Major Governmental Funds
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For the Year Ended June 30, 2019

	Permanent Trust Funds			
	McCartney Scholarship Fund	Mckie Scholarship Fund	Bennett Welfare Fund	Freebody Welfare Fund
Revenues				
Intergovernmental	\$ —	\$ —	\$ —	\$ —
Licenses, permits and fees				
Interest and investment income	37	38	8	6
Other				
Total revenues	<u>37</u>	<u>38</u>	<u>8</u>	<u>6</u>
Expenditures				
General government				
Public safety				
Public works				
Library				
Education				
Community Services				
Capital outlay				
Total expenditures	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Excess (deficiency) of revenues over expenditures	<u>37</u>	<u>38</u>	<u>8</u>	<u>6</u>
Other financing sources (uses)				
Operating transfers from other funds				
Operating transfers to other funds				
Total other financing sources (uses)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	37	38	8	6
Fund balances, beginning	17,550	18,418	3,589	2,993
Fund balances, ending	<u>\$ 17,587</u>	<u>\$ 18,456</u>	<u>\$ 3,597</u>	<u>\$ 2,999</u>

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	Permanent Trust Funds			
	Burial fund	Summerfield Trust Fund	Middletown Main Drainage	Total Permanent Funds
Revenues				
Intergovernmental	\$ —	\$ —	\$ —	\$ —
Licenses, permits and fees	26,650			26,650
Interest and investment income	280	6	39	414
Other	1,680			1,680
Total revenues	<u>28,610</u>	<u>6</u>	<u>39</u>	<u>28,744</u>
Expenditures				
General government				
Public safety				
Public works	77,968			77,968
Library				
Education				
Community Services				
Capital outlay				
Total expenditures	<u>77,968</u>	<u>—</u>	<u>—</u>	<u>77,968</u>
Excess (deficiency) of revenues over expenditures	<u>(49,358)</u>	<u>6</u>	<u>39</u>	<u>(49,224)</u>
Other financing sources (uses)				
Operating transfers from other funds	50,538			50,538
Operating transfers to other funds				
Total other financing sources (uses)	<u>50,538</u>	<u>—</u>	<u>—</u>	<u>50,538</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	1,180	6	39	1,314
Fund balances, beginning	<u>134,630</u>	<u>2,969</u>	<u>18,848</u>	<u>198,997</u>
Fund balances, ending	<u>\$ 135,810</u>	<u>\$ 2,975</u>	<u>\$ 18,887</u>	<u>\$ 200,311</u>

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Town of Middletown, Rhode Island
 Supplementary Information
 Non-Major Governmental Funds
 Combined Statement of Revenues, Expenditures and Changes in Fund Balance
 For the Year Ended June 30, 2019

	Capital Project Funds			
	Town Capital Projects Fund	School Capital Improvement Fund	Total Capital Funds	Total Non- Major funds
Revenues				
Intergovernmental	\$ —	\$ —	\$ —	\$ 3,047,203
Licenses, permits and fees		37,365	37,365	670,531
Interest and investment income	926		926	2,442
Other			—	281,963
Total revenues	<u>926</u>	<u>37,365</u>	<u>38,291</u>	<u>4,002,139</u>
Expenditures				
General government			—	—
Public safety			—	—
Public works	74,611		74,611	152,579
Library			—	—
Education		263,882	263,882	2,367,774
Community Services			—	43,841
Capital outlay	2,725,253	249,356	2,974,609	3,012,499
Total expenditures	<u>2,799,864</u>	<u>513,238</u>	<u>3,313,102</u>	<u>5,576,693</u>
Excess (deficiency) of revenues over expenditures	<u>(2,798,938)</u>	<u>(475,873)</u>	<u>(3,274,811)</u>	<u>(1,574,554)</u>
Other financing sources (uses)				
Operating transfers from other funds		232,756	232,756	283,294
Operating transfers to other funds				(1,836,282)
Total other financing sources (uses)	<u>—</u>	<u>232,756</u>	<u>232,756</u>	<u>(1,552,988)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(2,798,938)</u>	<u>(243,117)</u>	<u>(3,042,055)</u>	<u>(3,127,542)</u>
Fund balances, beginning	<u>3,379,590</u>	<u>284,114</u>	<u>3,663,704</u>	<u>5,730,919</u>
Fund balances, ending	<u>\$ 580,652</u>	<u>\$ 40,997</u>	<u>\$ 621,649</u>	<u>\$ 2,603,377</u>

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Town of Middletown, Rhode Island
Supplementary Information
Private Purpose Trust Funds
Combined Statement of Fiduciary Net Position
June 30, 2019

	Clarke Scholarship	Middletown Scholarships	Patricia Parsonage Scholarship	Jospeh Krupowicz Scholarship	Twain Tennyson Scholarship	John Clarke Northwest Scholarship	Total Private Purpose Trust Funds
Assets							
Cash and cash equivalents	\$ 10,635	\$ 84,732	\$ 258	\$ 6,069	\$ (3,000)	\$ 7,462	\$ 106,156
Investments			2,400	7,067	130,860	9,178	149,505
Total assets	10,635	84,732	2,658	13,136	127,860	16,640	255,661
Liabilities							
Payables to external parties			500	5,600	11,000		17,100
Total liabilities	—	—	500	5,600	11,000	—	17,100
Net position:							
Restricted for scholarships	10,635	84,732	2,158	7,536	116,860	16,640	238,561
Total net position	\$ 10,635	\$ 84,732	\$ 2,158	\$ 7,536	\$ 116,860	\$ 16,640	\$ 238,561

See independent auditors' report

Town of Middletown, Rhode Island
Supplementary Information
Private Purpose Trust Funds
Combined Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2019

	Clarke Scholarship	Middletown Scholarships	Patricia Parsonage Scholarship	Jospeh Krupowicz Scholarship	Twain Tennyson Scholarship	John Clarke Northwest Scholarship	Total Private Purpose Trust Funds
Additions to net position:							
Contributions and donations	\$ —	\$ 23,350	\$ —	\$ —	\$ —	\$ —	\$ 23,350
Investment income, net:							
Interest income	22		6		1,693		1,721
Total additions	<u>22</u>	<u>23,350</u>	<u>6</u>	<u>—</u>	<u>1,693</u>	<u>—</u>	<u>25,071</u>
Deductions from net position:							
Investment expenses				55			55
Scholarships		31,450			3,000		34,450
Total deductions	<u>—</u>	<u>31,450</u>	<u>—</u>	<u>55</u>	<u>3,000</u>	<u>—</u>	<u>34,505</u>
Changes in net position	<u>22</u>	<u>(8,100)</u>	<u>6</u>	<u>(55)</u>	<u>(1,307)</u>	<u>—</u>	<u>(9,434)</u>
Net position, beginning of year	10,613	92,832	2,152	7,591	118,167	16,640	247,995
Net position, end of year	<u>\$ 10,635</u>	<u>\$ 84,732</u>	<u>\$ 2,158</u>	<u>\$ 7,536</u>	<u>\$ 116,860</u>	<u>\$ 16,640</u>	<u>\$ 238,561</u>

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Town of Middletown, Rhode Island
Supplementary Information
Agency Funds
Combined Statement of Fiduciary Net Position
June 30, 2019

	Maintenance Bonds	Ann Court	Probate Court Bond	West View Roadwy	Student Activity General	Student Activity High School	FSA Account	Total Private Purpose Trust Funds
Assets								
Cash and cash equivalents	\$ —	\$ —	\$ —	\$ —	\$ 115,679	\$ 39,616	\$ 19,270	\$ 174,565
Receivables from external parties	138,910	6,667	39,788	5,368	2,838	—		193,571
Total assets	138,910	138,910	277,820	555,640	1,111,280	2,083,650	4,028,390	368,136
Liabilities								
Accounts payable and accrued expenses					17,201			17,201
Payables to external parties							19,270	19,270
Deposits held in custody for others	138,910	6,667	39,788	5,368	101,316	39,616		331,665
Total liabilities	\$ 138,910	\$ 6,667	\$ 39,788	\$ 5,368	\$ 118,517	\$ 39,616	\$ 19,270	\$ 368,136

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CERTIFIED PUBLIC ACCOUNTANTS

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**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 Members of the
Town Council
Town of Middletown, Rhode Island

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Town of Middletown, Rhode Island (Town), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated January 31, 2020.

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 opinion 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

Hague, Sabady & Co. PC

Fall River, Massachusetts

January 31, 2020