

TOWN OF MIDDLETOWN, RHODE ISLAND

BASIC FINANCIAL STATEMENT

Year Ended June 30, 2018



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Town Administrator

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Town of Middletown, Rhode Island

June 30, 2018

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Town of Middletown, Rhode Island

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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, 2018, 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, 2018, 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.

Change in Accounting Principle

As described in Note 9 to the financial statements, in 2018, the Town adopted new accounting guidance, GASBS No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Our opinion is not modified with respect to this matter.

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 disclosure, and the other post-employment benefit disclosure on pages 4-19 and 104-124, 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 financial statements. The supplementary school unrestricted fund budgetary comparison information, Annual Supplemental Transparency Report (MTP2) and tax collector's annual report 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, Annual Supplemental Transparency Report (MTP2) and tax collector's annual report are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary school unrestricted fund budgetary comparison information, Annual Supplemental Transparency Report (MTP2)

and tax collector's annual report 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 February 6, 2019, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Middletown, Rhode Island's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Haque, Sahady & Co. PC". The signature is written in black ink and is positioned above a thin horizontal line.

Fall River, Massachusetts
February 6, 2019

Town of Middletown, Rhode Island
Management Discussion & Analysis (MD&A)
For the Year Ended June 30, 2018

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, 2018 (FY2018).

Financial Highlights

The assets and deferred outflows of the Town government-wide exceeded its liabilities and deferred inflows as of June 30, 2018 by \$21,216,427 (*net position*). Net position includes \$53,247,346 of net investment in capital assets; \$861,857 of restricted net position; and \$(32,892,776) of unrestricted net position. Total assets were \$126,961,321; total deferred outflows were \$16,202,092; total liabilities were \$107,921,355 and total deferred inflows were \$14,025,631 at June 30, 2018. Total net position increased by \$3,217,884 in the current fiscal year.

As of June 30, 2018, the Town's governmental funds reported combined ending fund balances of \$27,019,568, a decrease of \$1,196,239 in comparison with the prior year. The favorable fiscal year results in the Capital projects fund were offset by the unfavorable results in the General Fund, School Department and Other Governmental Funds resulted in the net decrease in fund balance. See page 10 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, 2018, the unassigned fund balance for the General Fund was \$5,991,254, or 10.15% of total budgeted 2018 General Fund expenditures and other financing uses, totaling \$59,005,160. This portion is unassigned and available for spending at the Town's discretion.

The Town's long-term obligations increased by \$1,897,784 (4.3%) during the current fiscal year. The factors causing this increase were principal payments of \$3,640,482, a reduction of \$49,350 of unearned grant revenue, a reduction of claims and judgements of \$2,273, a reduction of \$488,000 in pollution remediation obligations, a reduction of \$108,841 of deferred bond issuance premiums, a decrease in accrued compensated absences of \$59,651 offset by an increase in the issuance of general obligation bond and capital lease proceeds of \$5,691,306 and the issuance of \$4,550,000 of sewer fund revenue bond less the balance of undrawn loan proceeds of \$3,994,925.

Effective for the fiscal year ending June 30, 2018, the Town adopted the provisions of Statement No. 75 of the Governmental Accounting Standards Board, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (GASB 75). GASB 75 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses and expenditures related to other postemployment benefits (OPEB) administered through trusts or equivalent arrangements. For defined benefit OPEBs, GASB 75 identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. In addition, GASB 75 requires more extensive footnote disclosures in the Town's financial statements. Due to the adoption of GASB 75, the Town has restated its 2017 financial statements, resulting in a \$25,728,018 decrease in net position at July 1, 2017, as reported in the accompanying statement of activities.

Town of Middletown, Rhode Island
Management Discussion & Analysis (MD&A)
For the Year Ended June 30, 2018

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*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town 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 in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of costs through user fees and charges (*business-type activities*). The governmental activities of the Town include 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, a Stormwater Fund, and a Refuse and Recycle Fund.

The government-wide financial statements can be found on pages 20-23 of this report.

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.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, 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.

Town of Middletown, Rhode Island
Management Discussion & Analysis (MD&A)

For the Year Ended June 30, 2018

Overview of the Financial Statements (continued)

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.

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 twenty-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, capital projects fund and School Department 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. 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 104-125 of this report.

The basic governmental fund financial statements can be found on pages 24-25 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; the Stormwater and Refuse and Recycle Fund are nonmajor funds. The Town has no internal service funds.

The basic proprietary fund financial statements can be found on pages 28-31 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 accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 32-33 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 34-103 of this report.

Town of Middletown, Rhode Island
Management Discussion & Analysis (MD&A)

For the Year Ended June 30, 2018

Overview of the Financial Statements (continued)

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 104-124 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 \$21,216,427 June 30, 2018.

Net investment in capital assets comprises \$53,247,346 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's Net Position

	Governmental Activities		Business Type Activities		Total	
	2018	2017 Restated	2018	2017	2018	2017 Restated
Current and other assets	\$ 35,859,678	\$ 35,824,550	\$ 7,666,225	\$ 5,925,190	\$ 43,525,903	\$ 41,749,740
Capital assets	<u>62,367,928</u>	<u>58,027,274</u>	<u>21,067,490</u>	<u>20,660,570</u>	<u>83,435,418</u>	<u>78,687,844</u>
Total assets	<u>98,227,606</u>	<u>93,851,824</u>	<u>28,733,715</u>	<u>26,585,760</u>	<u>126,961,321</u>	<u>120,437,584</u>
Deferred outflows	16,158,600	14,414,835	43,492	44,420	16,202,092	14,459,255
Long-term liabilities	39,066,803	36,319,581	7,376,289	8,225,727	46,443,092	44,545,308
Other liabilities	<u>59,547,580</u>	<u>64,011,427</u>	<u>1,930,683</u>	<u>1,285,727</u>	<u>61,478,263</u>	<u>65,297,154</u>
Total liabilities	<u>98,614,383</u>	<u>100,331,008</u>	<u>9,306,972</u>	<u>9,511,454</u>	<u>107,921,355</u>	<u>109,842,462</u>
Deferred inflows	<u>13,973,924</u>	<u>7,017,073</u>	<u>51,707</u>	<u>38,760</u>	<u>14,025,631</u>	<u>7,055,833</u>
Net position:						
Net investment in capital assets	37,782,260	35,343,062	15,465,086	13,833,843	53,247,346	49,176,905
Restricted	861,857	2,209,841	-	-	861,857	2,209,841
Unrestricted	<u>(36,846,218)</u>	<u>(36,634,326)</u>	<u>3,953,442</u>	<u>3,246,123</u>	<u>(32,892,776)</u>	<u>(33,388,203)</u>
Total Net Position	<u>\$ 1,797,899</u>	<u>\$ 918,577</u>	<u>\$ 19,418,528</u>	<u>\$ 17,079,966</u>	<u>\$ 21,216,427</u>	<u>\$ 17,998,543</u>

A portion of the Town's net position, totaling \$861,857 (4.1%), represents resources that are subject to external restrictions on how they may be used. *Unrestricted net position*, totaling \$(32,892,776), includes the results of GASB 68 and GASB 75.

At June 30, 2018, 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

Town of Middletown, Rhode Island

Management Discussion & Analysis (MD&A)

For the Year Ended June 30, 2018

balance in the unrestricted net position for the governmental activities. The government as a whole reports a positive net position.

Government-wide Financial Analysis (continued)

Governmental activities. Governmental activities increased the Town's net position by \$879,322 from the previous year, principally due to capital assets purchased from current year resources of \$344,000, net reduction in pension and other postemployment expense of \$1,437,000 due to GASB 68 and GASB 75, revenue received to pay principal on long-term debt of \$2,724,000, certain accruals not requiring the use of current resources of \$111,000, capitalization of deferred outflows on advanced refunding and bond premiums of \$68,000, revenue received in excess of expenditures of \$905,000 offset by depreciation expense in the amount of \$3,888,000, Other Governmental Funds expenditures in excess of revenues of \$1,525,000.

Business-type activities. Business-type activities increased the Town's net position by \$2,338,562, primarily due to Sewer fund maintenance costs lower than the prior year, a 1.1% increase in assessments and user fees, and a swing in environmental remediation from a prior year expense of \$1.1 million to current year revenue of \$364,000. Parks and Recreation fund revenue increased approximately \$480,000 over the prior year and Refuse & Recycling fund revenue increased approximately \$92,000 due to a 2.7% increase in user fees.

Town of Middletown, Rhode Island
Management Discussion & Analysis (MD&A)
For the Year Ended June 30, 2018

Government-wide Financial Analysis (continued)

Town of Middletown's Changes in Net Position

	Governmental Activities		Business Type Activities		Total	
	2018	2017 Restated	2018	2017	2018	2017 Restated
Revenues:						
Program revenues:						
Charges for services	\$ 5,099,563	\$ 5,400,121	\$ 8,913,232	\$ 9,085,296	\$ 14,012,795	\$ 14,485,417
Operating grants and contributions	13,966,333	14,488,191	-	-	13,966,333	14,488,191
Capital grants and contributions	191,421	746,650	-	-	191,421	746,650
General revenues:						
Property taxes	47,267,137	47,066,606	-	-	47,267,137	47,066,606
Grants and contributions not restricted to specific programs	2,508,930	2,087,041	-	-	2,508,930	2,087,041
Other	454,534	920,657	12,012	5,637	466,546	926,294
Total revenues	<u>69,487,918</u>	<u>70,709,266</u>	<u>8,925,244</u>	<u>9,090,933</u>	<u>78,413,162</u>	<u>79,800,199</u>
Expenses:						
General government	6,703,646	3,559,368	-	-	6,703,646	3,559,368
Public safety	15,221,418	14,011,514	-	-	15,221,418	14,011,514
Public works/sanitation	1,707,517	3,408,323	-	-	1,707,517	3,408,323
Planning/inspection	639,891	535,295	-	-	639,891	535,295
Library	931,736	856,884	-	-	931,736	856,884
Education	41,658,036	41,372,639	-	-	41,658,036	41,372,639
Community services	667,992	973,766	-	-	667,992	973,766
Interest on long-term debt	964,753	740,948	-	-	964,753	740,948
Refuse and recycle	-	-	972,209	890,170	972,209	890,170
Parks and recreation	-	-	1,787,145	1,789,305	1,787,145	1,789,305
Sewer	-	-	3,939,155	5,436,204	3,939,155	5,436,204
Stormwater	-	-	1,780	94,824	1,780	94,824
Total expenses	<u>68,494,989</u>	<u>65,458,737</u>	<u>6,700,289</u>	<u>8,210,503</u>	<u>75,195,278</u>	<u>73,669,240</u>
Increase (decrease) in net position before transfers	992,929	5,250,529	2,224,955	880,430	3,217,884	6,130,959
Transfers	(113,607)	(180,989)	113,607	180,989	-	-
Increase (decrease) in net position	879,322	5,069,540	2,338,562	1,061,419	3,217,884	6,130,959
Net position – beginning as restated	918,577	(4,150,963)	17,079,966	16,018,547	17,998,543	11,867,584
Net position – ending	<u>\$ 1,797,899</u>	<u>\$ 918,577</u>	<u>\$ 19,418,528</u>	<u>\$ 17,079,966</u>	<u>\$ 21,216,427</u>	<u>\$ 17,998,543</u>

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.

Town of Middletown, Rhode Island
Management Discussion & Analysis (MD&A)

For the Year Ended June 30, 2018

Financial Analysis of the Government's Funds (continued)

Governmental funds (continued). As of June 30, 2018, the Town's governmental funds reported combined ending fund balances of \$27,019,568. Of this amount, \$5,991,254 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 \$134,630; 2) long-term loans receivable in the amount of \$100,000; 3) grants in the amount of \$533,404; 4) prepaid expenses and other purposes in the amount of \$93,823; 5) various commitments for West Main Road development, special education, open space, storm-water management and capital improvements totaling \$16,333,924 and 6) other specific purposes in the amount of \$3,832,533. See page 21. A total of \$100,000 of the Governmental fund balance as of June 30, 2018 is budgeted to be used in FY 2018.

The General Fund is the chief operating fund of the Town. At June 30, 2018, unassigned fund balance of the General Fund was \$5,991,254, while total fund balance was \$10,466,981. 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 10.6% of total General Fund expenditures and other financing uses of \$56,357,762, while total fund balance represents 18.6% of that same amount.

During FY2018, the fund balance of the Town's General Fund decreased by \$323,219, principally due the purchase of land funded from committed fund balance in the amount of \$1,300,000 offset by revenues received in excess of expenditures of \$905,000 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 \$11,706,796 which includes an assigned fund balance of \$1,990,054 at June 30, 2018. The assigned fund balance represents 4.66% of total School Department expenditures of \$42,679,370. The School Department's fund balance decreased by \$2,559,518 during the fiscal year ended June 30, 2018. This decrease is primarily due to the planned use of fund balance from bond proceeds for the bond projects in the capital improvement program. A total of \$122,742 of the School Department assigned fund balance as of June 30, 2018 is budgeted to use in FY2019.

The Capital Projects fund had a fund balance of \$3,379,590, which represents a \$3,211,032 increase during the fiscal year ended June 30, 2018. The increase in fund balance is due primarily to \$5,300,000 bond proceeds that are not recognized as revenue offset by expenditures of \$2,088,968.

The Other Governmental Funds had a total fund balance of \$1,466,201, which represents a \$1,524,534 decrease in fund balance during the fiscal year ended June 30, 2018. 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 \$137,271 and the Capital Improvement Impact fund of \$1,459,569 offset by the excess of revenues over expenditures in the and in the JFK Building special revenue fund of \$58,016.

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.

Town of Middletown, Rhode Island
Management Discussion & Analysis (MD&A)
For the Year Ended June 30, 2018

Financial Analysis of the Government's Funds (continued)

Proprietary funds (continued). Net position of the Sewer Fund at June 30, 2018 amounted to \$13,414,849, of which \$2,442,633 is unrestricted. Parks and Recreation Fund net position amounted to \$5,464,182, of which \$971,312 is unrestricted. Refuse and Recycling Fund net position amounted to \$539,497, all of which is unrestricted. Stormwater Fund net position amounted to \$0. The total growth (decrease) in net position for each of the four funds was \$1,808,910, \$482,163, \$92,665, and \$(45,176), respectively. Other factors concerning the finances of these four 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 FY2018 revenues totaled an increase of approximately \$904,000, primarily due to an increase in Intergovernmental Grant revenue approved and received from federal and state grants; intergovernmental state revenue for hotel tax, licenses, building permits, fee from land evidence, police and fire details, bequests and an increase in insurance proceeds. See page 104.

Further, there was an overall increase in budgeted expenditures of approximately \$2,871,000. The major items contributing to the net increase in expenditures are as follows:

- \$1,300,000 increase for the purchase of Navy surplus land.
- \$568,000 increase for Fire ambulance, vehicle and equipment purchases.
- \$373,000 increase in Public Safety private detail pay incurred by private companies.
- \$286,000 increase in Federal, State and local Grant expenditures.
- \$130,000 increase for full property revaluation services performed by the tax assessor.
- \$84,000 increase for Information Technology software and license costs.
- \$47,000 increase for Police security gates.
- \$68,000 increase in insurance claim expenditures.
- \$45,500 increase for records archival project.
- \$37,500 increase for drainage improvements on King Fisher road.
- \$120,000 decrease in Capital expenditures to defer town hall carpet replacement.

Actual expenditures were below budgeted expenditures by approximately \$793,000 primarily as a net result of reduced debt service payments due do to the timing of bond closing at the end of the year instead of the beginning in the amount of \$415,000; \$146,000 of reduced public safety expenditures; \$108,000 of reduced general government expenditures and \$62,000 unspent capital expenditures.

Town of Middletown, Rhode Island
Management Discussion & Analysis (MD&A)
For the Year Ended June 30, 2018

School Department Special Revenue Fund Budgetary Highlights

Differences between the original budget and the final amended budget for FY18 Revenues totaled a decrease of approximately \$40,500 which includes:

- Decreases in federal and state grants as well as increases in fees for service and other revenues

Final budgeted expenditures were less than original budgeted expenditures by \$366,617 due to:

- Increases in salaries of approximately \$194,536
- Reduction in benefits of approximately \$44,323
- Increases in purchased services, supplies and materials and other expenditures of approximately \$1,530,855 related to construction projects funded from bond proceeds
- Decrease in Capital Expenditures of approximately \$2,047,685

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, 2018 amounts to \$83,435,418 (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 \$4,747,574 or 6%, of which \$4,340,654 increased for governmental activities and \$406,920 increased for business-type activities.

Major capital asset events during FY2018 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 baseball field building improvements

Purchase of:

- Various public safety vehicles per fleet management schedules, including three police sports utility vehicles, two fire vehicles, two rescue ambulances and one beach gator
- Police security gates and generator enclosure
- Sewer truck, pump station generator and equipment
- Various public safety equipment including ambulance power load system
- Budget builder software module
- Senior Center parking lot improvements
- Beach improvements including parking lot improvements and dune restoration and path reconstruction
- Beach and campground Solar lights, bath house water pressure booster, four shower stations and shade structure

Town of Middletown, Rhode Island
Management Discussion & Analysis (MD&A)
For the Year Ended June 30, 2018

Capital Asset and Debt Administration (continued)

Capital assets (continued)

- Library reference collection
 - School auto scrubber, student and staff elite books and a school van
 - 3.25 acres of land known as “Navy lodge property” and an easement on the Spruce Acres property
 -
- 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	
	2018	2017	2018	2017	2018	2017
Land	\$ 9,092,536	\$ 7,492,536	\$ 3,167,391	\$ 3,167,391	\$12,259,927	\$10,659,927
Buildings and improvements	23,312,371	14,487,729	197,657	212,556	23,510,028	14,700,285
Land improvements	3,913,734	3,237,350	1,164,517	921,628	5,078,251	4,158,978
Furniture and equipment	2,407,938	2,790,782	817,710	855,014	3,225,648	3,645,796
Infrastructure	16,422,232	14,637,566	14,798,230	15,296,255	31,220,462	29,933,821
Construction in progress	4,664,749	12,932,599	861,987	145,145	5,526,736	13,077,744
Library books	49,994	49,988	-	-	49,994	49,988
Motor vehicles	2,504,374	2,398,724	59,998	62,581	2,564,372	2,461,305
Total	<u>\$62,367,928</u>	<u>\$58,027,274</u>	<u>\$21,067,490</u>	<u>\$20,660,570</u>	<u>\$83,435,418</u>	<u>\$78,687,844</u>

The Town’s active construction projects as of June 30, 2018 include road reconstruction, drainage and sanitary upgrades in designated areas of the Town, beach improvements to parking lot and dunes, entrance way, roof repairs and window repairs at school buildings. Remaining commitments at June 30, 2018 total approximately \$9,200,000. The road reconstruction and beach improvements to parking lots are funded through the Capital Improvement Program special revenue fund, road bond proceeds, and the National Wildlife Foundation Sachuest Bay Coastal Resiliency Grant; 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 12 on pages 51-52 and 101-102, respectively, of this report.

Town of Middletown, Rhode Island

Management Discussion & Analysis (MD&A)

For the Year Ended June 30, 2018

Long-term debt

At June 30, 2018, the Town had total bonded debt outstanding of \$33,550,000, entirely backed by the full faith and credit of the Town. In addition, the Town has \$6,765,289 outstanding loans payable to the Rhode Island Infrastructure Bank and capital leases in the amount of \$415,646. 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	
	2018	2017	2018	2017	2018	2017
General obligation bonds	\$ 33,550,000	\$ 30,587,114	\$ -	\$ -	\$ 33,550,000	\$ 30,587,114
Loans payable	300,000	350,000	6,465,289	6,828,128	6,765,289	7,178,128
Capital leases	415,646	361,195	-	-	415,646	361,195
Total	<u>\$ 34,265,646</u>	<u>\$ 31,298,309</u>	<u>\$ 6,465,289</u>	<u>\$ 6,828,128</u>	<u>\$ 40,730,935</u>	<u>\$ 38,126,437</u>

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, 2017 was \$3,322,106,863, limiting the amount of non-excepted general obligation bonds outstanding to \$99,663,206. At June 30, 2018, bonds outstanding totaled \$33,550,000, of which \$4,045,000 were issued subject to the 3% debt limit and \$29,505,000 were issued pursuant to special bond acts and are not subject to the 3% debt limit. Total bonds outstanding of \$33,550,000 represent 1.01% of assessed property value.

Additional information on the Town's long-term debt can be found in Note 7 on pages 54-60 of this report.

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.

Town of Middletown, Rhode Island

Management Discussion & Analysis (MD&A)

For the Year Ended June 30, 2018

Economic Factors (continued)

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 2016 estimated population of 16,042. 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 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.

As of October 2018, Middletown had a labor force of approximately 7,962 and an unemployment rate of approximately 2.5% (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 contain twelve formal schools, including the Naval War College and the Naval Justice School, and host 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.

Town of Middletown, Rhode Island

Management Discussion & Analysis (MD&A)

For the Year Ended June 30, 2018

Economic Factors (continued)

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 the Sears Hometown Store. In the past two 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.

Residential permitting activity is strong. A 12-lot high-end residential subdivision is under construction, as are two condominium developments totaling 50+ units. Several smaller subdivisions have also been approved recently. Three subdivision applications of eight, eleven, and 24 lots each are currently under review. 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; tank farms 1 & 2 in Portsmouth; and portions of Defense Highway (Burma Rd.) in Middletown and 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

Town of Middletown, Rhode Island

Management Discussion & Analysis (MD&A)

For the Year Ended June 30, 2018

Economic Factors (continued)

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, 15 acres of land along the Narragansett Bay shoreline for development of a public park. That parcel is expected to transfer in 2020.

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 set to begin in Spring 2019. 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 will be funded by the recently adopted 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 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 organizations, have created and funded the regional economic development office, known as 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.

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. 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

Town of Middletown, Rhode Island
Management Discussion & Analysis (MD&A)
For the Year Ended June 30, 2018

Litigation (continued)

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.

In regard to the storm-water system, the projects evaluated were: Project (1) - construction of a gravel wetland to manage storm-water for the Newport Avenue catchment area; and Project (2) - redirection of Esplanade Outfall 1 to Esplanade Outfall 2. Project (1) was deemed not feasible; instead, the Town will perform other measures in the watershed to help mitigate storm-water runoff pollution, although this is not required by the consent decree.

The Town awarded the construction contract for Project (2) in August 2011, in the amount of \$3,269,000, and construction commenced soon thereafter. This project involved installation of an outfall diffuser pipe into the Atlantic Ocean. Soon after the first section of pipe was placed on the ocean floor, the Town's contractor, CB Utility Co. Inc. (CBUC) discovered that the pipe moved after installation. On April 13, 2012, CBUC halted construction pending investigation by the Town's Engineer and Construction Manager, Woodard & Curran (W&C). W&C acknowledged liability for the defective design and took steps to remediate it. Claims were asserted by W&C, CBUC, and the Town thereafter. Mediation occurred on December 3, 2012 regarding CBUC's delay and causeway repair claims. The mediation resulted in a settlement by CBUC in favor of the Town.

A contract amendment based upon W&C's re-design was entered into between the Town and CBUC on or about January 11, 2013. The Town also resolved the claims with W&C.

The total cost of the Project was \$6.2 million, and the contract was completed as of July 28, 2015. The Town is not aware of any pending or threatened claims or litigation concerning the construction of the Project.

Project costs were funded by bond proceeds and the capital improvement program.

Subsequent Events

Construction commitments:

Subsequent to year-end, the Town executed one contract. The contract, awarded to East Coast Landscaping & Construction, Inc. in the amount of \$394,000, relates to town wide asphalt patch program in various sections of Town and will be paid from the Capital Improvement Program Special Revenue Fund.

Town of Middletown, Rhode Island
Management Discussion & Analysis (MD&A)
For the Year Ended June 30, 2018

Subsequent Events (continued)

Pension and OPEB Trust funds:

The fair value of the Town's pension investment account as of October 31, 2018 was \$57,507,366, which represents a 4.07% decrease in value since June 30, 2018. The fair value of the Town's OPEB investment account (Managed Funds) as of October 31, 2018 was \$9,975,113, which represents a 4.84% increase in value since June 30, 2018. 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. The Town continues to review various options with its actuarial consultant and investment advisors regarding contributions, funded status, and actuarial assumptions of both plans.

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, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and cash equivalents	\$ 19,353,117	\$ 6,237,268	\$ 25,590,385
Investments	2,287,301	-	2,287,301
Accounts receivable, less allowance for doubtful accounts of \$497,545			
Property taxes	637,885	-	637,885
Federal and state government	2,413,503	-	2,413,503
Assessments and user fees	-	574,637	574,637
Loans	100,000	-	100,000
Other	6,623,852	-	6,623,852
Federal government	-	51,071	51,071
Prepaid expenses	35,215	-	35,215
Internal balances	(500,960)	500,960	-
Pensions	4,909,765	-	4,909,765
Noncurrent assessments and user fees	-	302,289	302,289
Capital assets not being depreciated	13,757,285	4,029,378	17,786,663
Capital assets being depreciated, net	48,610,643	17,038,112	65,648,755
Total assets	<u>98,227,606</u>	<u>28,733,715</u>	<u>126,961,321</u>
DEFERRED OUTFLOWS:			
Pensions	15,660,934	43,492	15,704,426
Advance refundings	398,305	-	398,305
OPEB	99,361	-	99,361
Total deferred outflows	<u>16,158,600</u>	<u>43,492</u>	<u>16,202,092</u>

The accompanying notes are an integral part of this statement

Town of Middletown, Rhode Island

Statement of Net Position

June 30, 2018

LIABILITIES:

Accounts payable and accrued expenses	3,272,734	1,728,500	5,001,234
Unearned revenue	419,074	-	419,074
Pensions	37,358,873	202,183	37,561,056
OPEB	18,496,899	-	18,496,899
Long-term obligations:			
Due within one year	2,787,459	1,219,714	4,007,173
Due in more than one year	36,279,344	6,156,575	42,435,919
	<u>98,614,383</u>	<u>9,306,972</u>	<u>107,921,355</u>

DEFERRED INFLOWS:

Pensions	8,944,896	51,707	8,996,603
OPEB	5,029,028	-	5,029,028
	<u>13,973,924</u>	<u>51,707</u>	<u>14,025,631</u>

NET POSITION:

Net investment in capital assets	37,782,260	15,465,086	53,247,346
Restricted for:			
Prepaid items	35,215	-	35,215
Long-term loans receivable	100,000	-	100,000
Perpetual care	134,630	-	134,630
Principal of endowments	58,608	-	58,608
Grants	533,404	-	533,404
Unrestricted	<u>(36,846,218)</u>	<u>3,953,442</u>	<u>(32,892,776)</u>
	<u>\$ 1,797,899</u>	<u>\$ 19,418,528</u>	<u>\$ 21,216,427</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, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 6,703,646	\$ 782,222	\$ 266,833	\$ -	\$ (5,654,591)	\$ -	\$ (5,654,591)
Public safety	15,221,418	2,913,293	236,464	-	(12,071,661)	-	(12,071,661)
Public works and sanitation	1,707,517	3,252	35,202	191,421	(1,477,642)	-	(1,477,642)
Planning and inspection	639,891	695,214	-	-	55,323	-	55,323
Library	931,736	14,533	160,222	-	(756,981)	-	(756,981)
Education	41,658,036	691,049	13,060,875	-	(27,906,112)	-	(27,906,112)
Community services	667,992	-	206,737	-	(461,255)	-	(461,255)
Interest on long-term debt	964,753	-	-	-	(964,753)	-	(964,753)
Total governmental activities	68,494,989	5,099,563	13,966,333	191,421	(49,237,672)	-	(49,237,672)
Business-Type activities:							
Sewer	3,939,155	5,738,771	-	-	-	1,799,616	1,799,616
Parks and recreation	1,787,145	2,110,712	-	-	-	323,567	323,567
Refuse and recycle	972,209	1,063,749	-	-	-	91,540	91,540
Stormwater	1,780	-	-	-	-	(1,780)	(1,780)
Total business-type activities	6,700,289	8,913,232	-	-	-	2,212,943	2,212,943
Total	\$ 75,195,278	\$ 14,012,795	\$ 13,966,333	\$ 191,421	(49,237,672)	2,212,943	(47,024,729)

The accompanying notes are an integral part of this statement

Town of Middletown, Rhode Island

Statement of Activities

For the Year Ended June 30, 2018

	Governmental Activities	Business-Type Activities	Total
General revenues:			
Property taxes	47,267,137	-	47,267,137
Grants and contributions not restricted to specific programs	2,508,930	-	2,508,930
Investment earnings	102,527	12,012	114,539
Miscellaneous	352,007	-	352,007
Transfers	(113,607)	113,607	-
Total general revenues and transfers	<u>50,116,994</u>	<u>125,619</u>	<u>50,242,613</u>
Change in net position	<u>879,322</u>	<u>2,338,562</u>	<u>3,217,884</u>
Net position, beginning of year:			
As previously reported	26,646,595	17,079,966	43,726,561
Prior period adjustment (Note 9)	(25,728,018)	-	(25,728,018)
As restated	<u>918,577</u>	<u>17,079,966</u>	<u>17,998,543</u>
Net position, end of year	<u>\$ 1,797,899</u>	<u>\$ 19,418,528</u>	<u>\$ 21,216,427</u>

The accompanying notes are an integral part of this statement

Town of Middletown, Rhode Island

Governmental Funds

Balance Sheet

June 30, 2018

	General Fund	School Department	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 8,546,478	\$ 10,025,739	\$ 105,245	\$ 675,655	\$ 19,353,117
Investments	2,287,301	-	-	-	2,287,301
Accounts receivable, less allowance for doubtful accounts of \$497,545					
Property taxes	637,885	-	-	-	637,885
Federal and state government	803,488	1,610,015	-	-	2,413,503
Loans	-	-	-	100,000	100,000
Other	401,647	1,272,205	4,950,000	-	6,623,852
Prepaid expenses	35,215	-	-	-	35,215
Due from other funds	1,261,577	2,072,594	-	732,753	4,066,924
Total assets	\$ 13,973,591	\$ 14,980,553	\$ 5,055,245	\$ 1,508,408	\$ 35,517,797
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued expenses	\$ 920,330	\$ 976,285	\$ 424,587	\$ 26,810	\$ 2,348,012
Accrued payroll	373,398	215,128	-	-	588,526
Accrued compensated absences	2,990	-	-	-	2,990
Due to other funds	1,236,684	2,072,594	1,251,068	7,538	4,567,884
Unearned revenue	-	-	-	7,859	7,859
Total liabilities	2,533,402	3,264,007	1,675,655	42,207	7,515,271
Deferred inflows of resources (Note 1)	973,208	9,750	-	-	982,958
Fund balances:					
Nonspendable:					
Prepaid items	35,215	-	-	-	35,215
Long-term loans receivable	-	-	-	100,000	100,000
Perpetual care	-	-	-	134,630	134,630
Principal of endowments	-	-	-	58,608	58,608
Restricted for:					
Stormwater management	-	-	95,577	-	95,577
Construction projects	-	7,626,755	3,281,713	-	10,908,468
Open Space	-	-	2,300	-	2,300
Grants	17,858	500,925	-	14,621	533,404
Committed to:					
West Main Road development	1,577,207	-	-	-	1,577,207
Special education	-	1,304,945	-	-	1,304,945
Capital improvements	2,161,310	284,117	-	-	2,445,427
Assigned	684,137	1,990,054	-	1,158,342	3,832,533
Unassigned	5,991,254	-	-	-	5,991,254
Total fund balances	10,466,981	11,706,796	3,379,590	1,466,201	27,019,568
Total liabilities, deferred inflows and fund balances	\$ 13,973,591	\$ 14,980,553	\$ 5,055,245	\$ 1,508,408	\$ 35,517,797

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, 2018

	General Fund	School Department	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 47,322,990	\$ -	\$ -	\$ -	\$ 47,322,990
Intergovernmental	3,273,462	11,502,116	-	1,172,912	15,948,490
Licenses, permits and fees	2,461,007	601,649	-	174,539	3,237,195
Interest and investment income	19,514	80,348	10	2,655	102,527
State contribution to teachers' pension plan	-	1,558,759	-	-	1,558,759
Other revenues	1,051,254	79,650	-	210,350	1,341,254
Total revenues	54,128,227	13,822,522	10	1,560,456	69,511,215
Expenditures:					
Current:					
General government	2,921,636	-	-	1,537,410	4,459,046
Public safety	9,584,825	-	-	-	9,584,825
Public works	1,873,019	-	64,000	44,681	1,981,700
Planning and inspection	647,001	-	-	-	647,001
Library	825,897	-	-	-	825,897
Education	-	42,677,683	-	-	42,677,683
Community services	252,461	-	-	40,000	292,461
Other expenditures	6,162,408	-	-	-	6,162,408
Grants	465,811	-	-	-	465,811
Capital outlay	3,414,561	-	2,024,978	-	5,439,539
Debt service:					
Principal	2,723,970	-	-	-	2,723,970
Interest	1,024,812	-	-	-	1,024,812
Total expenditures	29,896,401	42,677,683	2,088,978	1,622,091	76,285,153
Excess (deficiency) of revenues over expenditures	24,231,826	(28,855,161)	(2,088,968)	(61,635)	(6,773,938)
Other financing sources (uses):					
Bond proceeds	-	-	5,300,000	-	5,300,000
Capital lease proceeds	391,306	-	-	-	391,306
Transfers from other funds	1,515,010	26,297,330	-	8,715	27,821,055
Transfers to other funds	(26,461,361)	(1,687)	-	(1,471,614)	(27,934,662)
Total other financing sources (uses)	(24,555,045)	26,295,643	5,300,000	(1,462,899)	5,577,699
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(323,219)	(2,559,518)	3,211,032	(1,524,534)	(1,196,239)
Fund balances, beginning of year	10,790,200	14,266,314	168,558	2,990,735	28,215,807
Fund balances, end of year	\$ 10,466,981	\$ 11,706,796	\$ 3,379,590	\$ 1,466,201	\$ 27,019,568

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, 2018

Total fund balances for governmental funds		\$ 27,019,568
Assets used in governmental activities which are not financial resources and therefore are not reported in the funds:		
Capital assets, net	\$ 62,367,928	
Pension asset	4,909,765	67,277,693
Deferred outflows:		
Pensions	15,660,934	
OPEB	99,361	
Advanced refundings	398,305	16,158,600
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.		571,743
Liabilities not due and payable in the current period which therefore are not reported in the funds:		
OPEB liability	(18,496,899)	
Pension liability	(37,358,873)	
Bonds payable	(34,731,822)	
Loans payable	(300,000)	
Capital leases	(415,646)	
Claims and judgments	(322,929)	
Unearned revenue	(542,850)	
Compensated absences payable	(2,753,556)	
Accrued interest	(333,206)	(95,255,781)
Deferred inflows:		
Pensions	(8,944,896)	
OPEB	(5,029,028)	(13,973,924)
Net position of governmental activities		<u>\$ 1,797,899</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, 2018

Net change in fund balances for governmental funds		\$ (1,196,239)
<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	\$ 8,228,610	
Depreciation expense	<u>(3,887,956)</u>	4,340,654
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		(906,545)
Change in pension asset is recorded in the statement of activities, but not in the governmental funds		883,248
Change in pension liability is recorded in the statement of activities, but not in the governmental funds		(508,330)
Change in pension deferred inflows/outflows is recorded in the statement of activities, but governmental funds		(242,169)
Change in OPEB liability is recorded in the statement of activities, but not in the governmental funds		6,234,373
Change in OPEB deferred inflows/outflows is recorded in the statement of activities, but not governmental funds		(4,929,667)
<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	2,723,970	
Bond proceeds	(5,300,000)	
Issuance of capital lease	(391,306)	
Amortization of:		
Deferred outflows on advance refunding	(41,250)	
Bond premiums	<u>108,841</u>	(2,899,745)
Some expenditures not requiring the use of current financial resources in governmental funds are recorded in the statement of activities:		
Claims and judgments	2,273	
Unearned revenue	49,350	
Accrued compensated absences	<u>59,651</u>	111,274
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>(7,532)</u>
Change in net position of governmental activities		<u>\$ 879,322</u>

The accompanying notes are an integral part of this statement

Town of Middletown, Rhode Island

Enterprise Funds

Statement of Net Position

June 30, 2018

	<u>Sewer Fund</u>	<u>Parks and Recreation Fund</u>	<u>Refuse and Recycle Fund</u>	<u>Stormwater Fund</u>	<u>Total</u>
ASSETS:					
Current assets:					
Cash and cash equivalents	\$ 4,575,300	\$ 1,116,645	\$ 545,323	\$ -	\$ 6,237,268
Accounts receivable, assessments and user fees	463,438	29,166	82,033	-	574,637
Federal Government	-	51,071	-	-	51,071
Due from other funds	649,950	12,832	-	-	662,782
Total current assets	5,688,688	1,209,714	627,356	-	7,525,758
Noncurrent assets:					
Assessments and user fees receivable, less current portion	302,289	-	-	-	302,289
Capital assets not being depreciated	1,229,105	2,800,273	-	-	4,029,378
Capital assets being depreciated, net	15,345,515	1,692,597	-	-	17,038,112
Total assets	22,565,597	5,702,584	627,356	-	28,895,537
DEFERRED OUTFLOWS:					
Pension	43,492	-	-	-	43,492
LIABILITIES:					
Current liabilities:					
Accounts payable and accrued expenses	1,344,376	117,212	67,960	-	1,529,548
Due to other funds	158,851	-	2,971	-	161,822
Accrued payroll	18,890	91,533	1,247	-	111,670
Accrued compensated absences	41,944	29,657	15,681	-	87,282
Current portion of loans payable	1,219,714	-	-	-	1,219,714
Total current liabilities	2,783,775	238,402	87,859	-	3,110,036
Pension	202,183	-	-	-	202,183
Noncurrent liabilities, loans payable, net of current portion	6,156,575	-	-	-	6,156,575
Total liabilities	9,142,533	238,402	87,859	-	9,468,794
DEFERRED INFLOWS:					
Pension	51,707	-	-	-	51,707
NET POSITION:					
Net investment in capital assets	10,972,216	4,492,870	-	-	15,465,086
Unrestricted	2,442,633	971,312	539,497	-	3,953,442
Total net position	\$ 13,414,849	\$ 5,464,182	\$ 539,497	\$ -	\$ 19,418,528

The accompanying notes are an integral part of this statement

Town of Middletown, Rhode Island

Enterprise Funds

Statement Revenues, Expenses and Changes in Net Position

For the Year Ended June 30, 2018

	Sewer Fund	Parks and Recreation Fund	Refuse and Recycle Fund	Stormwater Fund	Total
Operating revenues:					
Assessments and user fees	\$ 5,704,274	\$ -	\$ 1,055,589	\$ -	\$ 6,759,863
Beach admittance and rental fees	-	1,804,311	-	-	1,804,311
Campground admittance and rental fees	-	206,724	-	-	206,724
Grant Revenue	-	60,063	-	-	60,063
Other revenues	34,497	39,614	8,160	-	82,271
Total operating revenues	5,738,771	2,110,712	1,063,749	-	8,913,232
Operating expenses:					
Salaries and benefits	666,775	-	61,206	-	727,981
Materials and supplies	21,926	-	94,239	-	116,165
Professional services	50,460	-	171,792	1,780	224,032
Repairs and maintenance	728,489	-	88	-	728,577
Utilities	245,411	-	-	-	245,411
Sewage disposal	1,580,007	-	-	-	1,580,007
Refuse disposal	-	-	644,884	-	644,884
Beaches	-	819,640	-	-	819,640
Lifeguards	-	258,166	-	-	258,166
Harbormaster	-	48,566	-	-	48,566
Security	-	58,018	-	-	58,018
Campground	-	44,663	-	-	44,663
Parks and recreation	-	199,992	-	-	199,992
Civic appropriations	-	97,050	-	-	97,050
Miscellaneous	120,696	90,150	-	-	210,846
Depreciation	669,375	170,900	-	-	840,275
Total operating expenses	4,083,139	1,787,145	972,209	1,780	6,844,273
Operating income (loss)	1,655,632	323,567	91,540	(1,780)	2,068,959
Nonoperating revenues (expenses):					
Interest revenue	9,294	1,593	1,125	-	12,012
Environmental remediation	363,576	-	-	-	363,576
Interest expense	(119,517)	-	-	-	(119,517)
Bond issuance costs	(100,075)	-	-	-	(100,075)
Total nonoperating revenues (expenses)	153,278	1,593	1,125	-	155,996
Income (loss) before transfers	1,808,910	325,160	92,665	(1,780)	2,224,955
Transfers to other funds	-	-	-	(43,396)	(43,396)
Transfers from other funds	-	157,003	-	-	157,003
Change in net position	1,808,910	482,163	92,665	(45,176)	2,338,562
Net position, beginning of year:	11,605,939	4,982,019	446,832	45,176	17,079,966
Net position, end of year	\$ 13,414,849	\$ 5,464,182	\$ 539,497	\$ -	\$ 19,418,528

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, 2018

	Sewer Fund	Parks and Recreation Fund	Refuse and Recycle Fund	Stormwater Fund	Total
Cash flows from operating activities:					
Cash received from customers	\$ 5,621,593	\$ 2,226,817	\$ 1,027,951	\$ -	\$ 8,876,361
Cash received from other sources	34,498	99,677	8,160	-	142,335
Cash paid to employees	(651,752)	(969,014)	(52,424)	-	(1,673,190)
Cash paid to suppliers	(2,604,218)	(580,896)	(914,427)	(13,594)	(4,113,135)
Cash paid to civic groups	-	(97,050)	-	-	(97,050)
Net cash provided by (used in) operating activities	2,400,121	679,534	69,260	(13,594)	3,135,321
Cash flows from noncapital financing activities:					
Interfund balances	(519,045)	94,203	3,052	13,594	(408,196)
Environmental remediation	(71,412)	-	-	-	(71,412)
Debt service reserve and closing costs	455,000	-	-	-	455,000
Net cash provided by (used in) noncapital financing activities	(135,457)	94,203	3,052	13,594	(24,608)
Cash flows from capital and related financing activities:					
Transfers from other funds	-	106,469	-	-	106,469
Capital contributions	46,847	-	-	-	46,847
Acquisition and construction of fixed assets	(226,315)	(496,525)	-	-	(722,840)
Issuance costs paid for bonds	(916,513)	-	-	-	(916,513)
Interest paid on bonds and notes	(158,677)	-	-	-	(158,677)
Net cash used in capital and related financing activities	(1,254,658)	(390,056)	-	-	(1,644,714)
Cash provided by investing activities, interest received	9,294	1,593	1,125	-	12,012
Net increase (decrease) in cash and cash equivalents	1,019,300	385,274	73,437	-	1,478,011
Cash and cash equivalents, beginning of year	3,556,000	731,371	471,886	-	4,759,257
Cash and cash equivalents, end of year	\$ 4,575,300	\$ 1,116,645	\$ 545,323	\$ -	\$ 6,237,268

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, 2018

	Sewer Fund	Parks and Recreation Fund	Recycle and Refuse Fund	Stormwater Fund	Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ 1,655,632	\$ 323,567	\$ 91,540	\$ (1,780)	\$ 2,068,959
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	669,375	170,900	-	-	840,275
Changes in assets and liabilities:					
Increase in:					
Accounts receivable	(82,681)	-	(27,638)	-	(110,319)
Accounts payable and accrued expenses	142,772	-	-	-	142,772
Accrued payroll	2,672	7,197	-	-	9,869
Accrued compensated absences	-	1,610	9,689	-	11,299
Net pension liability	3,429	-	-	-	3,429
Deferred inflows, pension	12,947	-	-	-	12,947
Decrease in:					
Accounts receivable	-	215,782	-	-	215,782
Deferred outflows, pension	928	-	-	-	928
Accounts payable and accrued expenses	-	(39,522)	(3,424)	(11,814)	(54,760)
Accrued payroll	-	-	(907)	-	(907)
Accrued compensated absences	(4,953)	-	-	-	(4,953)
Net cash provided by (used in) operating activities	<u>\$ 2,400,121</u>	<u>\$ 679,534</u>	<u>\$ 69,260</u>	<u>\$ (13,594)</u>	<u>\$ 3,135,321</u>

The accompanying notes are an integral part of this statement

Town of Middletown, Rhode Island

Fiduciary Funds

Statement of Net Position

June 30, 2018

	Pension Trust Fund	Other Post- Employment Benefits Trust Fund	Clarke Scholarship Private Purpose Trust Fund	Agency Funds
ASSETS:				
Cash and cash equivalents	\$ -	\$ -	\$ 10,613	\$ 68,800
Investments:				
Mutual funds	42,865,571	8,433,933	-	-
Group annuity	12,530,423	-	-	-
Money market funds	982,495	438,389	-	147,812
U.S. Treasury Obligations	3,570,974	641,841	-	-
Receivables	319,065	243,072	-	49,361
Total assets	60,268,528	9,757,235	10,613	\$ 265,973
LIABILITIES:				
Accounts payable	\$ 62,314	\$ 15,411	\$ -	\$ 21,218
Deposits held in custody for others	-	-	-	244,755
Total liabilities	62,314	15,411	-	\$ 265,973
NET POSITION:				
Restricted for pension benefits	\$ 60,206,214			
Restricted for OPEB benefits		\$ 9,741,824		
Held in trust for other purposes			\$ 10,613	

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, 2018

	Pension Trust Fund	Other Post- Employment Benefits Trust Fund	Clarke Scholarship Private Purpose Trust Fund
Additions to net position:			
Contributions:			
Employer	\$ 2,403,830	\$ 3,550,098	\$ -
Plan members	59,952	21,358	-
	<u>2,463,782</u>	<u>3,571,456</u>	<u>-</u>
Investment income, net:			
Interest income	1,143,885	144,042	21
Net appreciation in fair value of investments	3,724,837	425,441	-
	<u>4,868,722</u>	<u>569,483</u>	<u>21</u>
Total additions	<u>7,332,504</u>	<u>4,140,939</u>	<u>21</u>
Deductions from net position:			
Benefits	4,864,424	1,661,234	-
Investment expenses	161,654	77,578	-
Total deductions	<u>5,026,078</u>	<u>1,738,812</u>	<u>-</u>
Change in net position	2,306,426	2,402,127	21
Net position, beginning of year	<u>57,899,788</u>	<u>7,339,697</u>	<u>10,592</u>
Net position, end of year	<u>\$ 60,206,214</u>	<u>\$ 9,741,824</u>	<u>\$ 10,613</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, 2018

1. Summary of significant accounting policies:

The 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 instances, 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. Certain immaterial differences in the accompanying financial statements may exist due to rounding.

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.

Basis of presentation:

Government-wide financial statements:

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.

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2018

1. Summary of significant accounting policies (continued):

Basis of presentation (continued):

Government-wide financial statements (continued):

The statement of activities presents a comparison between expenses and program revenue for each function of the Town's governmental activities. Program revenues include a) fees, fines and charges paid by the recipients of goods or services offered by the programs and b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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.

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2018

1. Summary of significant accounting policies (continued):

Basis of presentation (continued):

Fund financial statements (continued):

Governmental funds (continued):

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 other funds.

Special revenue funds:

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

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2018

1. Summary of significant accounting policies (continued):

Basis of presentation (continued):

Fund financial statements (continued):

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.

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 are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. 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.

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2018

1. Summary of significant accounting policies (continued):

Basis of presentation (continued):

Measurement focus and basis of accounting (continued):

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). 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.

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, the Refuse and Recycling Fund, and the Stormwater 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.

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2018

1. Summary of significant accounting policies (continued):

Basis of presentation (continued):

Measurement focus and basis of accounting (continued):

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.

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.

At June 30, 2018, the Town's deferred inflows, as reported on the accompanying Balance Sheet – Governmental Funds, consist of the following:

Property taxes paid in advance of applicable fiscal year	\$	239,060
Property tax receivable for payments not received within 60 days after year-end		298,002
Grants not received within 60 days after year-end		3,520
Records preservation revenue received in advance of corresponding expenditure		78,404
Deferred revenue from summer programs		9,750
Private police detail deposits received in advance of corresponding expenditure		61,966
Other receivables not received within 60 days after year-end		182,817
Donations received that have not met the eligibility requirements		109,439
Total deferred inflows	\$	<u><u>982,958</u></u>

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, 2018

1. Summary of significant accounting policies (continued):

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.

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:

For the fiscal year ending June 30, 2018, the Town adopted the provisions of Statement No. 75 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (GASB 75). GASB 75 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses and expenditures related to other postemployment benefits (OPEB) administered through trusts or equivalent arrangements. For defined benefit OPEBs, GASB 75 identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. In addition, GASB 75 requires more extensive footnote disclosures in the Town's financial statements. Due to the adoption of GASB 75, the Town has restated its 2017 financial statements, resulting in a \$25,728,018 decrease in net position at July 1, 2017, as reported in the accompanying statement of activities.

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.

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2018

1. Summary of significant accounting policies (continued):

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.

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.

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2018

1. Summary of significant accounting policies (continued):

Capital assets (continued):

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.

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.

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2018

1. Summary of significant accounting policies (continued):

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.

Fund equity:

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

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2018

1. Summary of significant accounting policies (continued):

Fund equity (continued):

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

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.

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2018

1. Summary of significant accounting policies (continued):

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, 2018

2. Fund balances:

At June 30, 2018, 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, 2018, which is a continued result of the implementation of GASB 68 and GASB 75.

3. Deposits and investments:

Cash and cash equivalents (deposits):

At June 30, 2018, the carrying amount of the Town's deposits, including \$763,798 of cash equivalents, was \$25,669,798 and the bank balance was \$26,020,245. Of the bank balance, \$513,798 was uninsured and uncollateralized; \$25,506,447 was insured and collateralized.

At June 30, 2018, deposits are categorized as follows:

	Insured/ collateralized in Town's name	Total bank balance	Carrying amount
Deposits:			
Demand deposits	\$ 25,256,447	\$ 25,256,447	\$ 24,906,000
Money market	250,000	763,798	763,798
	\$ 25,506,447	\$ 26,020,245	\$ 25,669,798

Investments:

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

	Carrying amount	Maturities	Rating
Certificates of deposit (governmental funds)	\$2,287,301	7/12/18 to 10/1/18	Not rated
Certificates of deposit (fiduciary funds)	18,645	10/15/18 to 5/26/19	Not rated
Mutual funds (fiduciary funds)	129,167	Not applicable	Not rated
	\$2,435,113		

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2018

3. Deposits and investments (continued):

Investments (continued):

The fair value of the Town's pension investment account (Managed Funds) as of October 31, 2018 was \$57,507,366, which represents a -4.07% decrease in value since June 30, 2018. The fair value of the Town's OPEB investment account (Managed Funds) as of October 31, 2018 was \$9,975,113, which represents a 4.84% increase in value since June 30, 2018. 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. The Town continues to review various options with its actuarial consultant and investment advisors regarding contributions, funded status, and actuarial assumptions of both plans.

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, 2018

3. Deposits and investments (continued):

Investments (continued):

As of June 30, 2018, the following pension investments represent 5% or more of the Town Plan's net assets:

John Hancock Life Insurance Company, GAC 795	\$12,530,423
T. Rowe Price Blue Chip Growth	8,678,681
Robeco All Cap Value Institutional	8,422,373
Vanguard Total Bond Market ETF	3,683,760

As of June 30, 2018, the following OPEB investments represent 5% or more of the Town OPEB Plan's net assets:

Robeco All Cap Value Institutional	\$1,907,777
Schwab US Broad Market ETF	1,855,441
Blackrock Inflation Protected Bond I	671,048
Baird Aggregate Bond Institutional	622,333
TCW Core Fixed Income I	622,526
iShares Core MSCI Total Int'l Stock ETF	610,319
Lazard International Strategic Equity Institutional	487,537

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, 2018

4. Interfund transactions:

Interfund receivables and payables at June 30, 2018 are as follows:

Receivable Fund	Payable Fund	Amount
Due to/from:		
Governmental funds:		
General Fund	Governmental funds:	
	Non-major funds	\$ 7,538
	Town Capital Projects Fund	1,251,068
	Refuse and Recycling Fund	2,971
		1,261,577
School Department	Agency Funds	2,072,594
Non-major governmental funds	Governmental funds, General Fund	573,902
	Enterprise funds, Sewer Fund	158,851
		732,753
Park and Recreation Fund	Governmental funds, General Fund	12,832
Sewer Fund	Governmental funds, General Fund	649,950

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2018

4. Interfund transactions (continued):

Operating transfers between funds for the year ended June 30, 2018 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	\$ 1,471,614
	Enterprise funds: Stormwater Fund	43,396
School Department	Governmental funds, General Fund	26,295,643
Non-major Governmental Funds	Governmental funds, General Fund	8,715
Enterprise funds: Parks & Recreation Fund	Governmental funds, General Fund	<u>157,003</u>
		<u>\$ 27,976,371</u>

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2018

5. Capital assets:

Capital asset activity for the year ended June 30, 2018 was as follows:

	Beginning balances	Increases	Decreases	Ending balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 7,492,536	\$ 1,600,000	\$ -	\$ 9,092,536
Construction in progress:				
Infrastructure	2,631,985	2,032,764	-	4,664,749
Other	-	-	-	-
Total capital assets not being depreciated	10,124,521	3,632,764	-	13,757,285
Capital assets being depreciated:				
Infrastructure	35,176,027	759,152	-	35,935,179
Land improvements	5,613,395	976,711	-	6,590,106
Buildings and improvements	38,884,062	1,755,829	-	40,639,891
Furniture and equipment	9,802,413	427,602	-	10,230,015
Library books	1,617,972	20,000	-	1,637,972
Motor vehicles	7,000,501	742,905	544,691	7,198,715
Total capital assets being depreciated	98,094,370	4,682,199	544,691	102,231,878
Less accumulated depreciation for:				
Infrastructure	(18,701,357)	(811,590)	-	(19,512,947)
Land improvements	(2,376,045)	(300,327)	-	(2,676,372)
Buildings and improvements	(16,162,642)	(1,164,878)	-	(17,327,520)
Furniture and equipment	(6,781,812)	(1,040,265)	-	(7,822,077)
Library books	(1,567,984)	(19,994)	-	(1,587,978)
Motor vehicles	(4,601,777)	(550,902)	(458,338)	(4,694,341)
Total accumulated depreciation	(50,191,617)	(3,887,956)	(458,338)	(53,621,235)
Total capital assets being depreciated, net	47,902,753	794,243	86,353	48,610,643
Governmental activities capital assets, net	\$ 58,027,274	\$ 4,427,007	\$ 86,353	\$ 62,367,928

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2018

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	145,145	717,782	940	861,987
Total capital assets not being depreciated	3,312,536	717,782	940	4,029,378
Capital assets being depreciated:				
Land improvements	1,810,485	332,420	-	2,142,905
Buildings and improvements	412,837	-	-	412,837
Equipment	3,761,434	187,854	(7,874)	3,957,162
Sewer lines and pumps	20,188,060	-	-	20,188,060
Vehicles	207,452	10,079	42,009	175,522
Total capital assets being depreciated	26,380,268	530,353	34,135	26,876,486
Less accumulated depreciation for:				
Land improvements	(888,857)	(89,531)	-	(978,388)
Buildings and improvements	(200,281)	(14,899)	-	(215,180)
Equipment	(2,906,420)	(225,158)	7,874	(3,139,452)
Sewer lines and pumps	(4,891,805)	(498,025)	-	(5,389,830)
Vehicles	(144,871)	(12,662)	(42,009)	(115,524)
Total accumulated depreciation	(9,032,234)	(840,275)	(34,135)	(9,838,374)
Total capital assets being depreciated, net	17,348,034	(309,922)	-	17,038,112
Business-type activities capital assets, net	\$20,660,570	\$ 407,860	\$ 940	\$21,067,490
Depreciation was charged to functions as follows:				
Governmental activities:				
General government		\$ 410,458		
Public safety		855,207		
Public works and sanitation		1,093,194		
Planning and inspection		2,499		
Library		95,010		
Education		1,408,385		
Community services		23,203		
		\$3,887,956		
Business-type activities:				
Sewer fund		\$ 669,375		
Parks and recreation fund		170,900		
Refuse and recycle fund		-		
		\$ 840,275		

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2018

6. Accounts payable and accrued expenses:

	<u>Vendors</u>	<u>Other Governments</u>	<u>Employees</u>	<u>Accrued Interest</u>	<u>Total</u>
Governmental activities:					
General Fund	\$ 743,084	\$ 157,205	\$ 20,041	\$ -	\$ 920,330
School Department	733,213	243,072	-	-	976,285
Capital Projects Fund	424,587	-	-	-	424,587
Nonmajor funds	24,759	2,051	-	-	26,810
Reconciliation of balances in fund financial statements to government- wide financial statements.	-	-	591,516	\$333,206	924,722
	<u>\$1,925,643</u>	<u>\$ 402,328</u>	<u>\$ 611,557</u>	<u>\$333,206</u>	<u>\$3,272,734</u>
Business-type activities:					
Sewer	\$ 816,695	\$ 477,578	\$ 60,834	\$ 50,103	\$1,405,210
Parks and Recreation	117,212	-	121,190	-	238,402
Refuse and Recycle	67,960	-	16,928	-	84,888
	<u>\$1,001,867</u>	<u>\$ 477,578</u>	<u>\$ 198,952</u>	<u>\$ 50,103</u>	<u>\$1,728,500</u>

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2018

7. Long-term obligations:

Changes in long-term obligations during the year ended June 30, 2018 were as follows:

	Balance, July 1, 2017	Additions	Retirements	Balance, June 30, 2018	Due within one year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$30,587,114	\$5,300,000	\$ 2,337,114	\$33,550,000	\$2,377,000
Deferred premiums	1,290,663	-	108,841	1,181,822	119,824
Total bonds payable	31,877,777	5,300,000	2,445,955	34,731,822	2,496,824
Loan payable	350,000	-	50,000	300,000	50,000
Capital leases	361,195	391,306	336,855	415,646	185,886
Claims and judgments (Note 11)	325,202	-	2,273	322,929	2,409
Unearned revenue, grants	592,200	-	49,350	542,850	49,350
Accrued compensated absences	2,813,207	(59,651)	-	2,753,556	2,990
	<u>\$36,319,581</u>	<u>\$5,631,655</u>	<u>\$ 2,884,433</u>	<u>\$39,066,803</u>	<u>\$2,787,459</u>
Business -type activities:					
Loans payable	\$ 6,826,727	\$4,550,000	\$ 916,513	\$10,460,214	\$1,219,714
Less undrawn loan proceeds held by the State	-	(3,994,925)		(3,994,925)	
	6,826,727	555,075	916,513	6,465,289	\$1,219,714
Environmental remediation obligation (Note 12)	1,399,000	-	488,000	911,000	-
	<u>\$ 8,225,727</u>	<u>\$ 555,075</u>	<u>\$ 1,404,513</u>	<u>\$ 7,376,289</u>	<u>\$1,219,714</u>

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2018

7. 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, 2018 are as follows:

Purpose	Amount of original issue	Date of issue	Interest rate	Date of maturity	Balance, June 30, 2017	New issues	Retired	Balance, June 30, 2018
General obligation bonds:								
Police Station	\$ 6,000,000	4/1/08	3.0-4.05%	4/1/22	\$ 300,000	-	\$ 300,000	\$ -
Town Refunding Bond 2010	4,885,000	5/20/10	2.0-5.0%	7/15/22	2,345,000	-	475,000	1,870,000
Road, Drainage, Sidewalks & Judgement 2011	5,000,000	2/1/11	3.0-4.25%	2/1/31	3,500,000	-	250,000	3,250,000
Town General Bond 13	210,000	11/1/12	2.15%	11/5/17	17,114	-	17,114	-
Town General Bond 14	10,120,000	2/12/14	.47%-4.00%	2/1/34	8,445,000	-	560,000	7,885,000
Town Refunding Bond 2016	6,300,000	6/23/16	2.00-4.00%	4/1/28	6,230,000	-	370,000	5,860,000
Public School Rev Bond 2017D (RIHEBC)	9,750,000	5/16/17	2.00-4.00%	4/1/37	9,750,000	-	365,000	9,385,000
2018 Open Space Bond (2008)	300,000	3/21/18	3.839%	2/1/23	-	300,000	-	300,000
2018 Road & Bridge (RIIB)	5,000,000	6/20/18	.10-2.50%	9/1/37	-	5,000,000	-	5,000,000
Total general obligation bonds	47,565,000				30,587,114	5,300,000	2,337,114	33,550,000
Loan payable:								
Rhode Island Clean Water Protection Finance Agency, Open Space	1,000,000	11/13/03	1.17%	9/1/23	350,000	-	50,000	300,000
Total	<u>\$ 48,565,000</u>				<u>\$ 30,937,114</u>	<u>\$ 5,300,000</u>	<u>\$ 2,387,114</u>	<u>\$ 33,850,000</u>

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2018

7. 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 at December 31, 2017 was \$3,322,106,863 limiting the amount of non-excepted general obligation bonds outstanding to \$99,663,206. At June 30, 2018, bonds outstanding totaled \$33,550,000, of which \$4,045,000 were issued subject to the 3% debt limit and \$29,505,000 were issued pursuant to special bond acts and are not subject to the 3% debt limit. Total bonds outstanding of \$33,550,000 represent 1.01% 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. 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

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2018

7. Long-term obligations (continued):

General obligation bonds and loan payable (continued):

June 30, 2018, the balance of the defeased debt totaled \$5,860,000.

As of June 30, 2018, 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.

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2018

7. 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, 2017	New issues	Maturities	Balance, June 30, 2018
Enterprise Fund, Sewer:								
Rhode Island Clean Water Finance Agency	\$ 1,000,000	11/1/01	1.88%	9/1/21	\$ 266,443	\$ -	\$ 50,229	\$ 216,214
Rhode Island Clean Water Finance Agency	2,500,000	12/30/04	1.30%	9/1/24	1,000,000	-	125,000	875,000
Rhode Island Clean Water Finance Agency	6,000,000	12/15/05	1.34%	9/1/26	3,000,000	-	300,000	2,700,000
Rhode Island Clean Water Finance Agency	2,750,000	12/21/06	1.29%-1.43	9/1/27	1,508,000	-	138,000	1,370,000
Rhode Island Clean Water Finance Agency	1,503,284	12/12/07	1.32%-1.54	9/1/17	153,284	-	153,284	-
Rhode Island Clean Water Finance Agency	1,500,000	6/28/12	.22%-1.89%	9/1/22	899,000	-	150,000	749,000
RIIB - Upper Easton's Point Phase II	<u>4,550,000</u>	4/25/18	.39%-1.83%	9/1/27	-	4,550,000	-	4,550,000
	<u>\$ 19,803,284</u>				6,826,727	4,550,000	916,513	10,460,214
Less undrawn loan proceed held by the State					-	(3,994,925)		(3,994,925)
					6,826,727			6,465,289
Less current portion					<u>(916,513)</u>			<u>(1,219,714)</u>
					<u>\$ 5,910,214</u>			<u>\$ 5,245,575</u>

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2018

7. 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, 2018 of \$14,345 is reported within the governmental activities, interest on long-term debt on the statement of activities.

On November 15, 2013, the Town entered into a lease purchase agreement in the amount of \$245,000 with an interest rate of 3.01%. The lease funded the purchase of school bleachers and a Town vehicle in the amounts of \$63,901 and \$181,099, respectively.

On May 1, 2014, the Town entered into a lease purchase agreement in the amount of \$45,425 with an interest rate of 3.04%. This lease also funded the same Town vehicle that was funded in the lease dated November 15, 2013.

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, 2017	New issues	Maturities	Balance, June 30, 2018
Equipment	\$ 2,276,000	7/1/03	4.85%	11/30/18	\$ 316,543		\$208,465	\$ 108,078
School Bleachers & DPW Vehicle	245,000	11/15/13	3.01%	8/1/17	35,787		35,787	-
DPW Vehicle (Add'l Lease)	45,425	5/1/14	3.04%	8/1/17	8,865		8,865	-
Fire Two Ambulances	391,306	5/14/18	4.25%	8/1/21	-	391,306	83,738	307,568
	<u>\$ 2,957,731</u>				<u>\$ 361,195</u>	<u>\$391,306</u>	<u>\$336,855</u>	<u>\$ 415,646</u>

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2018

7. Long-term obligations (continued):

At June 30, 2018, scheduled annual debt service requirements for the bonds payable, loans payable and capital leases (excluding interest adjustments for the undrawn balance) are as follows:

Year ending June 30,	Principal	Interest	Total
Governmental activities:			
<i>Bonds and loans payable:</i>			
2019	\$ 2,427,000	\$ 992,852	\$ 3,419,852
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
2024-2028	10,159,000	2,940,240	13,099,240
2029-2033	6,777,000	1,414,082	8,191,082
2034-2038	4,408,000	368,643	4,776,643
	\$ 33,850,000	\$ 9,249,572	\$ 43,099,572
 <i>Capital lease obligations:</i>			
2019	\$ 185,886	\$ 8,577	\$ 194,463
2020	73,169	10,569	83,738
2021	76,535	7,203	83,738
2022	80,056	3,683	83,739
	\$ 415,646	\$ 30,032	\$ 445,678
 Business-type activities:			
<i>Loans payable:</i>			
2019	\$ 1,219,714	\$ 167,281	\$ 1,386,995
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
2024-2028	4,405,000	200,710	4,605,710
	\$ 10,460,214	\$ 892,951	\$ 11,353,165

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2018

8. Pension plans:

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.

Teachers' Plan

Defined Benefit Pension Plan:

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, 2018

8. Pension plans (continued):

Defined Benefit Pension 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, 2018

8. Pension plans (continued):

Teachers' Plan

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	\$ 750
\$17,001 to \$25,000	\$ 875
\$25,001 to \$33,000	\$ 1,000
\$33,001 to \$40,000	\$ 1,125
\$40,001 and over	\$ 1,250

Benefits payable to children/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, 2018

8. Pension plans (continued):

Teachers' Plan

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 2017, 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 9.89% and 13.24% of annual covered payroll for the fiscal year ended June 30, 2018 for the state and the Town, respectively.

The Town contributed a total of \$2,372,889, \$2,371,498, and \$2,362,604, for the fiscal years ended June 30, 2018, 2017, and 2016, 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 \$9,600; one-half (1/2) of the cost is contributed by the member by deductions from his or her salary, and the other half (1/2) is contributed and paid by the respective school district by which the member is employed. These contributions are in addition to the contributions required for regular pension benefits.

The Town contributed \$23,475, \$20,831, and \$22,340 to the TSB Plan for the fiscal years ended June 30, 2018, 2017, and 2016, 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, 2018

8. Pension plans (continued):

Teachers' Plan (continued):

Defined Benefit Pension Plan:

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

ERS:

At June 30, 2018, the Town reported a liability of \$31,988,869 for its proportionate share of the net pension liability that reflected 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	\$31,998,869
State's proportionate share of the net pension liability associated with the Town	<u>24,175,899</u>
Total net pension liability	<u><u>\$56,164,768</u></u>

The net pension liability was measured as of June 30, 2017, 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, 2016 rolled forward to June 30, 2017. 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. At June 30, 2017 the Town's proportion was 1.014%.

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2018

8. 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):

ERS (continued):

For the year ended June 30, 2018 the Town ERS Plan recognized gross pension expense of \$4,805,196 and revenue of \$2,230,482 for support provided by the State. At June 30, 2018 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	\$ -	\$ 758,380
Changes of assumptions	2,793,767	504,095
Net difference between projected and actual earnings on pension plan investments	2,475,132	1,667,072
Changes in proportion and differences between System contributions and proportionate share contributions	411,896	1,755,730
Contributions subsequent to the measurement date	2,372,889	-
	\$ 8,053,684	\$ 4,685,277
Net amount of deferred outflows and (inflows) excluding Town contributions subsequent to measurement date		\$ 995,518

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2018

8. 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):

ERS (continued):

\$ 2,232,855 reported as deferred outflows of resources related to pensions resulting from the Town ERS contributions in fiscal year 2018 subsequent to the measurement date will be recognized as a reduction of the net pension liability for the fiscal year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred (inflows) of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2019	\$ 55,283
2020	587,857
2021	193,704
2022	(368,572)
2023	168,358
Thereafter	<u>358,888</u>
	<u>\$ 995,518</u>

TSB

At June 30, 2018, the Town reported an asset of \$2,921,405 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, 2017, the measurement date, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of June 30, 2016. The Town's proportion of the net pension asset was based on its share of contributions to the TSB for fiscal year 2016 relative to the total contributions of all participating employers for that fiscal year. At June 30, 2016, the Town's proportion was 3.53%.

For the year ended June 30, 2018 the Town's TSB Plan recognized pension expense of \$613,729 – a decrease in the net pension asset. At June 30, 2018 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, 2018

8. 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:	
2019	\$ 118,680
2020	262,320
2021	157,593
2022	3,525
2023	88,867
Thereafter	<u>110,038</u>
	<u>\$ 741,023</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% - 13.50%
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, 2016 valuation rolled forward to June 30, 2017 and the calculation of the total pension liability at June 30, 2016 were consistent with the results of an actuarial experience study performed as of June 30, 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

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2018

8. Pension plans (continued):

Teachers' Plan (continued):

Defined Benefit Pension Plan:

Actuarial Assumptions:

ERS and TSB (continued):

investment expense and inflation) for each major asset class, based on a collective summary of capital market expectations from 35 sources. The June 30, 2017 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	20.60%	6.85%
International Developed Equity	15.90%	6.71%
Emerging Markets Equity	3.50%	8.91%
Private Growth		
Private Equity	11.30%	9.62%
Non-Core RE	2.20%	5.17%
OPP Private Credit	1.50%	9.62%
Income		
High Yield Infrastructure	1.00%	4.26%
REITS	1.00%	5.17%
Liquid Credit	2.80%	4.26%
Private Credit	3.20%	4.26%
Crisis Protection Class		
Treasury Duration	4.00%	0.83%
Systematic Trend	4.00%	3.81%
Inflation Protection		
Core Real Estate	3.60%	5.17%
Private Infrastructure	2.40%	5.57%
TIPs	1.00%	1.72%
Natural Resources	1.00%	3.98%
Volatility Protection		
IG Fixed Income	11.50%	2.12%
Absolute Return	6.50%	3.81%
Cash	3.00%	0.83%

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, 2018

8. 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	\$40,202,365	\$31,988,869	\$25,871,121
Net pension asset (TSB)	\$1,998,160	\$2,921,405	\$3,608,739

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, 2018

8. 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 \$350,651 for the fiscal year ended June 30, 2018.

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, 2018

8. 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.

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

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2018

8. Pension plans (continued):

Municipal Plan (continued)

Defined Benefit Pension Plan:

Benefit Provisions:

additional service. Special rules and limits govern the purchase of additional service and the contribution required.

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

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

General employees

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

Members who had at least five years of contributory service as of June 30, 2012 will be eligible for retirement at an individually determined age. This age is the result of interpolating between the member's prior Retirement Date, described below, and the retirement age applicable to members hired after June 30, 2012 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.

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2018

8. Pension plans (continued):

Municipal Plan (continued)

Defined Benefit Pension Plan:

Benefit Provisions (continued):

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

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

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

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

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.

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2018

8. Pension plans (continued):

Municipal Plan (continued)

Defined Benefit Pension Plan:

Benefit Provisions (continued):

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

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

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

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

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

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, 2018

8. Pension plans (continued):

Municipal Plan (continued)

Defined Benefit Pension Plan:

Other 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, 2016 valuation date, the following employees were covered by the benefit terms:

	MERS General	MERS Police/Fire
Retirees and Beneficiaries	48	1
Inactive, Non-retired Members	42	12
Active Members	118	58
Total	208	71

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2018

8. Pension plans (continued):

Municipal Plan (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 employees are required to contribute 10% of their salaries due to the COLA provision. The 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 \$526,709 in the year ended June 30, 2018 which was 10.52% of annual covered payroll. For employees covered under the police/fire unit, the Town contributed \$270,184 in the year ended June 30, 2018 which was 6.50% of annual covered payroll.

Net Pension Liability (Asset):

The total pension liability was determined by actuarial valuations performed as of June 30, 2016 and rolled forward to June 30, 2017, 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, 2018

8. 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, 2017 measurement date (June 30, 2016 valuation rolled forward to June 30, 2017)	
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, 2015 valuation rolled forward to June 30, 2016 and the calculation of the total pension liability at June 30, 2016 were consistent with the results of an actuarial experience study performed as of June 30, 2013.

The long-term expected rate of return best-estimate on pension plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of pension plan investment expense and inflation) for each major asset class, based on a collective summary of capital market expectations from 35 sources. The June 30, 2016 expected arithmetic returns over the long term (20 years) by asset class are summarized in the following table:

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2018

8. 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	20.60%	6.85%
International Developed Equity	15.90%	6.71%
Emerging Markets Equity	3.50%	8.91%
Private Growth		
Private Equity	11.30%	9.62%
Non-Core RE	2.20%	5.17%
OPP Private Credit	1.50%	9.62%
Income		
High Yield Infrastructure	1.00%	4.26%
REITS	1.00%	5.17%
Liquid Credit	2.80%	4.26%
Private Credit	3.20%	4.26%
Crisis Protection Class		
Treasury Duration	4.00%	0.83%
Systematic Trend	4.00%	3.81%
Inflation Protection		
Core Real Estate	3.60%	5.17%
Private Infrastructure	2.40%	5.57%
TIPs	1.00%	1.72%
Natural Resources	1.00%	3.98%
Volatility Protection		
IG Fixed Income	11.50%	2.12%
Absolute Return	6.50%	3.81%
Cash	3.00%	0.83%

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, 2018

8. Pension plans (continued):

Municipal Plan (continued)

Defined Benefit Pension Plan:

Net Pension Liability (Asset):

MERS General Unit	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance as of June 30, 2016	\$ 21,701,944	\$ 16,785,735	\$ 4,916,209
Changes for the year:			
Service cost	469,665	-	469,665
Interest on total pension liability	1,607,436	-	1,607,436
Differences between expected and actual experience	(107,419)	-	(107,419)
Changes in assumptions	1,017,603	-	1,017,603
Contributions - employer	-	571,040	(571,040)
Contributions - employee	-	179,523	(179,523)
Net investment income	-	1,963,771	(1,963,771)
Benefit payments, including employee refunds	(1,008,605)	(1,008,605)	-
Administrative expense	-	(18,553)	18,553
Other changes	-	18,936	(18,936)
Net changes	<u>1,978,680</u>	<u>1,706,112</u>	<u>272,568</u>
Balance as of June 30, 2017	<u>\$ 23,680,624</u>	<u>\$ 18,491,847</u>	<u>\$ 5,188,777</u>
MERS Police/Fire Units	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance as of June 30, 2016	\$ 5,744,873	\$ 5,772,514	\$ (27,641)
Changes for the year:			
Service cost	729,877	-	729,877
Interest on total pension liability	456,771	-	456,771
Differences between expected and actual experience	203,814	-	203,814
Changes in assumptions	510,364	-	510,364
Contributions - employer	-	258,363	(258,363)
Contributions - employee	-	404,870	(404,870)
Net investment income	-	767,082	(767,082)
Benefit payments, including employee refunds	(39,061)	(39,061)	-
Administrative expense	-	(7,247)	7,247
Other changes	-	66,707	(66,707)
Net changes	<u>1,861,765</u>	<u>1,450,714</u>	<u>411,051</u>
Balance as of June 30, 2017	<u>\$ 7,606,638</u>	<u>\$ 7,223,228</u>	<u>\$ 383,410</u>

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2018

8. 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	\$7,904,571	\$5,188,777	\$3,166,685
Net pension asset - MERS Police/Fire	\$1,225,420	\$383,410	\$(243,406)

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, 2018 the employer recognized pension expense of \$788,795 for the MERS General unit and \$321,200 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	\$ 853,473	\$ 32,737
Difference between expected and actual experience	11,428	318,823
Net difference between projected and actual earnings on pension plan investments	1,119,615	804,177
Contributions subsequent to the measurement date	<u>526,709</u>	<u>-</u>
	<u>\$ 2,511,225</u>	<u>\$ 1,155,737</u>
Net amount of deferred outflows and (inflows) excluding contributions subsequent to measurement date		<u>\$ 828,779</u>

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2018

8. 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:	
2019	\$ 140,867
2020	373,444
2021	199,434
2022	(48,844)
2023	134,518
Thereafter	<u>29,360</u>
	<u>\$ 828,779</u>

MERS Police / Fire Unit:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 473,524	\$ 73,093
Difference between expected and actual experience	375,085	60,860
Net difference between projected and actual earnings on pension plan investments	345,734	311,884
Contributions subsequent to the measurement date	<u>270,184</u>	<u>-</u>
	<u>\$ 1,464,527</u>	<u>\$ 445,837</u>
Net amount of deferred outflows and (inflows) excluding contributions subsequent to measurement date		<u>\$ 748,506</u>

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2018

8. 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:	
2019	\$ 57,458
2020	122,535
2021	74,074
2022	(8,865)
2023	52,838
Thereafter	<u>450,466</u>
	<u>\$ 748,506</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.

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 \$23,664 for the fiscal year ended June 30, 2018.

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, 2018

8. 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 2018.

Plan Membership

As of June 30, 2018, pension plan membership consisted of the following:

<u>Membership Status</u>	<u>Count</u>
Inactive plan members or beneficiaries currently receiving benefits	138
Inactive plan members entitled to but not yet receiving benefits	3
Active plan members	<u>10</u>
	<u><u>151</u></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, 2018

8. 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, 2018

8. 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, 2018

8. Pension plans (continued):

Town Plan (continued)

Contributions (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, 2018, the Town contributed \$2,403,830 to the Plan.

Investments:

Rate of return

For the year ended June 30, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 8.61%. 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 21, 2018 and was also included in the plan assets.

Net pension liability

The components of the net pension liability at June 30, 2018 were as follows:

Total pension liability	\$ 58,217,854
Plan fiduciary net position	<u>(60,206,214)</u>
Town's net pension asset	\$ <u>(\$1,988,360)</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>103.42%</u>

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2018

8. Pension plans (continued):

Town Plan (continued):

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

For the year ended June 30, 2018, the Town recognized pension expense of \$2,215,735. At June 30, 2018, the Town reported deferred outflows of resources of \$644,118 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 0.26 years. This means that the difference between expected and actual experience, and the effect of changes in assumptions are effectively recognized immediately.

Town Private Plan

	Deferred Outflows of Resources	Deferred inflows of Resources
Differences between projected and actual earnings	\$ 1,742,960	\$ 1,542,220
Total	\$ 1,742,960	\$ 1,542,220

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
2019	\$	644,117
2020		153,439
2021		(472,701)
2022		(124,115)
Total	\$	200,740

Actuarial Assumptions:

The June 30, 2018 total pension liability was determined by 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, 2018

8. Pension plans (continued):

Town Plan (continued)

Actuarial Assumptions (continued):

<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, 2017 and projected to June 30, 2018 according to the valuation's demographic assumptions.

Mortality rates were based on 115% of RP-2000 Combined Mortality for Males with White Collar adjustments, projected generationally with Scale AA from 2000 and 95% of RP-2000 Combined Mortality for Females with White Collar adjustments, projected generationally with Scale AA from 2000.

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:

<u>Asset Class</u>	<u>Allocation</u>
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 20-year projection of inflation from GEMS is 2.78%, which forms the basis of the underlying inflation assumption of 3.0% per year.

Municipal bond rate

2.98%. This 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, 2018

8. Pension plans (continued):

Town Plan (continued)

Actuarial Assumptions (continued):

Retirement Age

Police and Fire Department Rates according to the following table:

<u>Years of Service</u>	<u>Percent Retiring</u>
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

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 2.98% would have been used in the development of the blended GASB discount rate after that point. The 2.98% 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, 2018

8. Pension plans (continued):

Town Plan (continued)

Net Pension Liability (Asset):

	Increase (Decrease)		Net Pension
Town Plan	Total Pension Liability	Plan Fiduciary Net Position	Liability (Asset)
Balances as of June 30, 2017	\$ 57,364,228	\$ 57,899,788	\$ (535,560)
Changes for the Year			
Service cost	140,071		140,071
Interest on the total pension liability	4,133,704		4,133,704
Changes in benefits			
Difference between expected and actual experience	1,444,275		
Changes in assumptions			
Employer contributions		2,403,830	(2,403,830)
Employee contributions		59,952	(59,952)
Net investment income		4,868,722	(4,868,722)
Benefit payments, including employee refunds	(4,864,424)	(4,864,424)	-
Administrative expense		(161,654)	161,654
Other changes			
Net changes	<u>853,626</u>	<u>2,306,426</u>	<u>(1,452,800)</u>
Balances as of June 30, 2018	<u>\$ 58,217,854</u>	<u>\$ 60,206,214</u>	<u>\$ (1,988,360)</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>\$3,619,921</u>	<u>\$(1,988,360)</u>	<u>\$(6,748,172)</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, 2018

8. Pension plans (continued):

Town Plan (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 \$640,587, and the plan members and the Town each contributed \$38,436 during the fiscal year ended June 30, 2018.

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2018

9. 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, 2018 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, 2018.

Benefits and employee contributions:

The Trust paid 100% of the amount for medical and dental costs incurred by eligible retirees, which totaled \$1,661,234 for the year ended June 30, 2018.

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, 2018, the membership census is as follows:

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

Net OPEB Liability:

The Town's net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

<u>Description</u>	<u>Amounts</u>
Total OPEB Liability (TOL)	\$ 28,238,723
Fiduciary Net Position	<u>9,741,824</u>
Net OPEB Liability (NOL)	18,496,899
Funded ratio (Fiduciary Net Position / NOL)	34.50%
Covered payroll (active plan members)	\$ 25,008,014
NOL as a percentage of covered payroll	73.96%

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2018

9. Other postemployment benefits (continued):

Changes in Net OPEB Liability:

	Total OPEB Liability	Increase (Decrease) Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2017	\$ 32,070,969	\$ 7,339,697	\$ 24,731,272
Service cost	478,012	-	478,012
Interest	2,380,004	-	2,380,004
Differences between actual and expected experience	(3,021,201)	-	(3,021,201)
Changes in assumptions	(2,007,827)	-	(2,007,827)
Contributions - employer	-	3,550,098	(3,550,098)
Contributions - active employees	-	21,358	(21,358)
Net investment income	-	520,405	(520,405)
Benefit payments	(1,661,234)	(1,661,234)	-
Administrative expenses	-	(28,500)	28,500
Net changes	<u>(3,832,246)</u>	<u>2,402,127</u>	<u>(6,234,373)</u>
Balances at June 30, 2018	<u>\$ 28,238,723</u>	<u>\$ 9,741,824</u>	<u>\$ 18,496,899</u>

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

For the year ended June 30, 2018 the Town recognized OPEB expense of \$1,580,110. At June 30, 2018 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	\$ -	\$ 2,007,827
Difference between expected and actual experience	<u>99,361</u>	<u>3,021,201</u>
	<u>\$ 99,361</u>	<u>\$ 5,029,028</u>
Net amount of deferred outflows and (inflows) excluding contributions subsequent to measurement date		<u>\$ (4,929,667)</u>

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2018

9. Other postemployment benefits (continued):

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:		
2019	\$	(665,282)
2020		(665,282)
2021		(665,282)
2022		(665,282)
2023		(685,154)
Thereafter		<u>(1,583,385)</u>
	\$	<u>(4,929,667)</u>

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	\$ 21,349,841	\$ 18,496,899	\$ 16,048,584

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 Healthcare Trend Rate		
	1% Decrease	Current trend rate	1% Increase
Total OPEB liability	\$ 15,760,317	\$ 18,496,899	\$ 21,939,292

Rate of Return:

For the year ended June 30, 2018, the annual money-weighted rate of return on investment, net of investment expense was 6.52%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2018

9. Other postemployment benefits (continued):

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.

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, 2018
Actuarial cost method:	Entry age normal, level percent of salary.
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, 2018 and for future periods
Inflation	3.0% as of June 30, 2018 and for future periods
Funding Method:	Pre-funding the UAAL by contributing the ARC annually over the 19 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, 2018

9. Other postemployment benefits (continued):

Investment Policy:

Investment Target Allocation

<u>Asset Class</u>	<u>Target Allocation</u>
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%</u>

10. 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, 2018.

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2018

10. Risk management (continued):

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.

11. 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. 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

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2018

11. Litigation and contingencies (continued):

Litigation (continued):

fund financial statements.

In regard to the storm-water system, the projects evaluated were: Project (1) - construction of a gravel wetland to manage storm-water for the Newport Avenue catchment area; and Project (2) -redirection of Esplanade Outfall 1 to Esplanade Outfall 2. Project (1) was deemed not feasible; instead, the Town will perform other measures in the watershed to help mitigate storm-water runoff pollution, although this is not required by the consent decree.

The Town awarded the construction contract for Project (2) in August 2011, in the amount of \$3,269,000, and construction commenced soon thereafter. This project involved installation of an outfall diffuser pipe into the Atlantic Ocean. Soon after the first section of pipe was placed on the ocean floor, the Town's contractor, CB Utility Co. Inc. (CBUC) discovered that the pipe moved after installation. On April 13, 2012, CBUC halted construction pending investigation by the Town's Engineer and Construction Manager, Woodard& Curran (W&C). W&C acknowledged liability for the defective design and took steps to remediate it. Claims were asserted by W&C, CBUC, and the Town thereafter. Mediation occurred on December 3, 2012 regarding CBUC's delay and causeway repair claims. The mediation resulted in a settlement by CBUC in favor of the Town.

A contract amendment based upon W&C's re-design was entered into between the Town and CBUC on or about January 11, 2013. The Town also resolved the claims with W&C.

The total cost of the Project was \$6.2 million, and the contract was completed as of July 28, 2015. The Town is not aware of any pending or threatened claims or litigation concerning the construction of the Project.

Project costs were funded by bond proceeds and the capital improvement program.

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 \$3,323,033 for the year ended June 30, 2018.

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, 2018

12. Commitments and subsequent events:

Construction commitments:

The Town has active construction projects as of June 30, 2018, including culvert replacement, road reconstruction, drainage and sanitary upgrades in designated areas of the Town, beach improvements to parking lot and dunes, and roof repairs and window repairs at school buildings. At June 30, 2018, the Town's commitments with contractors are as follows:

Project	Spent To Date	Remaining Commitments
Kingfisher Road: Hartford Paving	\$ 37,355	\$ 8,721
North Easton's Pond BMP: Crossman Engineering	16,075	4,655
Permanent Patch Program: Pawtucket Hot Mix Asphalt	345,315	51,685
Red Road Paving & Utility Repair: C B Utility Co	1,864,003	144,773
Red Road Phase II: East Coast Construction	30,000	3,202,345
Upper Easton's Point Sewer Lining: National Water Main Cleaning Co	541,021	2,758,795
Upper Easton's Sewer Spot Repair: C B Utility Co	966,273	94,392
Third Beach Road Raising: D'Ambra Construction	470,112	16,688
Second Beach Painting: Scholar Painting	11,095	2,861
Town Line Sewers: C B Utility Co	54,397	1,670,775
Second Beach, Campground, War Memorial: Contractor's Network	205,053	73,476
Second Beach Parking Lot Improvements: Yard Works Inc	157,518	395
Aquidneck School Main Entrance: Martone Constructions, Torrado	18,880	252,020
Gaudet School Main Entrance: Torrado	7,080	40,120
Forrest Ave and Gaudet School Flat Roofs: Capeway Roofing, Torrado	23,600	552,964
Aquidneck and Forest Ave School Shingle Roofs: Capeway Roofing	8,496	246,220
All Schools Windows and Doors: Torrado	45,996	79,084
	<u>\$ 4,802,269</u>	<u>\$ 9,199,969</u>

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2018

12. Commitments and subsequent events (continued):

Construction commitments (continued):

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:

Subsequent to year-end, the Town executed one contract. The contract, awarded to East Coast Landscaping & Construction, Inc. in the amount of \$394,000, relates to town wide asphalt patch program in various sections of Town and will be paid from the Capital Improvement Program Special Revenue Fund.

13. 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 2018. 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 2018 was \$2,446,763. The towns have no equity interest in the net assets of NCRSEP at June 30, 2018.

At June 30, 2018, 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, 2018

14. Fund balance restatement:

During the 2018 fiscal year audit, the Town implemented GASB statement 75 which replaced the prior year net OPEB obligation asset of \$996,746 with a beginning net OPEB liability of \$24,731,272.

15. 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, 2018:

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, 2018, 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, 2018, 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

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Taxes	\$47,277,140	\$47,111,112	\$47,322,990	\$ 211,878
Intergovernmental	2,928,404	3,395,476	3,273,462	(122,014)
Licenses, permits and fees	1,889,572	2,340,727	2,461,005	120,278
Interest and investment	10,000	10,000	19,515	9,515
Other revenues	262,256	414,090	333,492	(80,598)
Total revenues	<u>52,367,372</u>	<u>53,271,405</u>	<u>53,410,464</u>	<u>139,059</u>
Expenditures:				
Current:				
General government	2,696,946	3,023,111	2,914,385	108,726
Public safety	9,267,414	9,731,414	9,584,825	146,589
Public works and sanitation	1,849,245	1,862,101	1,873,018	(10,917)
Planning and inspection	688,424	713,767	647,001	66,766
Library	828,402	828,402	824,280	4,122
Community services	376,051	377,131	374,690	2,441
Other expenditures	6,206,591	6,095,111	6,129,872	(34,761)
Grants	205,159	377,119	343,384	33,735
Capital outlay	1,495,223	3,476,663	3,414,562	62,101
Debt service	4,171,052	4,171,052	3,756,031	415,021
Total expenditures	<u>27,784,507</u>	<u>30,655,871</u>	<u>29,862,048</u>	<u>793,823</u>
Excess of revenues over expenditures, budgetary basis	<u>24,582,865</u>	<u>22,615,534</u>	<u>23,548,416</u>	<u>932,882</u>
Other financing sources (uses):				
Transfers from other funds	3,691,424	3,967,449	3,252,348	(715,101)
Transfers to other funds	(28,349,289)	(28,349,289)	(28,414,239)	(64,950)
Reappropriated fund balance	75,000	1,375,000	-	(1,375,000)
Proceeds from capital leases	-	391,306	391,306	-
Total other financing sources (uses)	<u>(24,582,865)</u>	<u>(22,615,534)</u>	<u>(24,770,585)</u>	<u>(2,155,051)</u>
Excess of revenues and other financing sources over expenditures and other financing uses, budgetary basis	<u>\$ -</u>	<u>\$ -</u>	<u>(1,222,169)</u>	<u>\$(1,222,169)</u>
Adjustments of budgetary basis to U.S. GAAP basis			<u>898,950</u>	
Excess of expenditures and other financing uses over revenues and other financing sources, U.S. GAAP basis			(323,219)	
Fund balance, beginning of year			<u>10,790,200</u>	
Fund balance, end of year			<u>\$ 10,466,981</u>	

See independent auditors' report

Town of Middletown, Rhode Island

REQUIRED SUPPLEMENTARY INFORMATION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –

BUDGETARY COMPARISON

For the Year Ended June 30, 2018

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. Enterprise fund budgetary expenses include expenses for fixed asset additions, debt service issuance costs and debt service principal payments not recognized under U.S. GAAP but exclude depreciation and amortization, U.S. GAAP basis expenses.

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

	<u>General Fund</u>
Adjustments of budgetary basis to GASB 54	\$ 905,224
Accrued payroll	(29,037)
Compensated absences	<u>22,763</u>
Total adjustments	<u>\$ 898,950</u>

See independent auditors' report

Town of Middletown, Rhode Island
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –
BUDGETARY COMPARISON
For the Year Ended June 30, 2018

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
EMPLOYEES' RETIREMENT SYSTEM - TEACHER'S PENSION PLAN
SCHEDULE OF TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

For the Year Ended June 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's proportion of the net pension liability	1.01420390%	1.04739490%	1.02728705%	1.09025855%
Employer's proportionate share of the net pension liability	\$ 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	<u>24,175,899</u>	<u>21,401,551</u>	<u>19,320,855</u>	<u>18,197,573</u>
Total	<u>\$ 56,164,768</u>	<u>\$ 52,651,390</u>	<u>\$ 47,602,095</u>	<u>\$ 44,734,470</u>
Employer's covered employee payroll	\$ 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	195.14%	200.61%	189.47%	147.70%
Plan fiduciary net position as a percentage of the total pension liability	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

Town of Middletown, Rhode Island
REQUIRED SUPPLEMENTARY INFORMATION
EMPLOYEES' RETIREMENT SYSTEM - TEACHER'S PENSION PLAN
SCHEDULE OF TOWN'S CONTRIBUTIONS

For the Year Ended June 30, 2018

	2018	2017	2016	2015
Actuarially determined contribution	\$ 2,372,889	\$ 2,371,498	\$ 2,362,604	\$ 2,238,487
Contributions in relation to the actuarially determined contribution	<u>2,372,889</u>	<u>2,371,498</u>	<u>2,362,604</u>	<u>2,238,487</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 16,392,832	\$ 15,577,365	\$ 14,926,723	\$ 17,967,267
Contributions as a percentage of covered- employee payroll	14.48%	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 - additional years will be displayed as they become available.

See independent auditors' report

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

For the Year Ended June 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's proportion of the net pension asset	3.53140620%	3.47820720%	3.67779124%	3.65867986%
Employer's proportionate share of the net pension asset	\$ 2,921,405	\$ 3,463,316	\$ 3,433,424	\$ 4,548,498
Employer's covered employee payroll	\$ 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	17.82%	22.23%	23.00%	25.32%
Plan fiduciary net position as a percentage of the total pension liability	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

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

For the Year Ended June 30, 2018

	2018	2017	2016	2015
Statutorily determined contribution	\$ 23,475	\$ 20,831	\$ 22,340	\$ 22,191
Contributions in relation to the statutorily determined contribution	<u>23,475</u>	<u>20,831</u>	<u>22,340</u>	<u>22,191</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered-employee payroll	\$ 16,392,832	\$ 15,577,365	\$ 14,926,723	\$ 17,967,267
Contributions as a percentage of covered-employee payroll	0.14%	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

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

For the 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	\$ 469,665	\$ 453,067	\$ 452,635	\$ 485,224
2. Interest on the Total Pension Liability	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	(107,419)	(336,952)	20,395	-
5. Changes of assumptions	1,017,603	-	-	(74,921)
6. Benefit payments, including refunds of employee contributions	<u>(1,008,605)</u>	<u>(1,002,493)</u>	<u>(966,110)</u>	<u>(974,316)</u>
7. Net change in total pension liability	1,978,680	670,385	1,292,154	835,443
8. Total pension liability – beginning	<u>21,701,944</u>	<u>21,031,559</u>	<u>19,739,405</u>	<u>18,903,962</u>
9. Total pension liability – ending (a)	<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	\$ 571,040	\$ 572,585	\$ 615,951	\$ 664,994
2. Contributions – employee	179,523	174,919	108,157	113,801
3. Net investment income	1,963,771	(13,063)	401,825	2,287,085
4. Benefit payments, including refunds of employee contributions	(1,008,605)	(1,002,493)	(966,110)	(974,316)
5. Pension Plan Administrative Expense	(18,553)	(8,437)	(16,119)	(14,322)
6. Other	<u>18,936</u>	<u>(84,056)</u>	<u>(169,167)</u>	<u>124</u>
7. Net change in plan fiduciary net position	1,706,112	(360,545)	(25,463)	2,077,366
8. Plan fiduciary net position – beginning	<u>16,785,735</u>	<u>17,146,280</u>	<u>17,171,743</u>	<u>15,094,377</u>
9. Plan fiduciary net position – ending (b)	<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>\$ 5,188,777</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	78.09%	77.35%	81.53%	86.99%
E. Covered employee payroll	\$ 5,392,247	\$ 5,286,658	\$ 5,407,822	\$ 5,495,171
F. Net pension liability as a percentage of covered payroll	96.23%	92.99%	71.85%	46.73%

See independent auditors' report

Town of Middletown, Rhode Island
 REQUIRED SUPPLEMENTARY INFORMATION
 EMPLOYEES' RETIREMENT SYSTEM-MERS MUNICIPAL PLAN-GENERAL UNIT
 SCHEDULE OF TOWN'S CONTRIBUTIONS

For the Year Ended June 30, 2018

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Actuarially determined contribution	\$ 526,709	\$ 571,040	\$ 572,585	\$ 615,952
Contributions in relation to the actuarially determined contribution	<u>526,709</u>	<u>571,040</u>	<u>572,585</u>	<u>615,952</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 5,005,681	\$ 5,392,247	\$ 5,286,658	\$ 5,407,822
Contributions as a percentage of covered-employee payroll	10.52%	10.59%	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

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

For the Year Ended June 30, 2018

	<u>Year Ended June 30, 2017</u>	<u>Year Ended June 30, 2016</u>	<u>Year Ended June 30, 2015</u>	<u>Year Ended June 30, 2014</u>
A. Total pension liability				
1. Service Cost	\$ 729,877	\$ 655,022	\$ 565,349	\$ 492,417
2. Interest on the Total Pension Liability	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	203,814	217,355	(76,610)	-
5. Changes of assumptions	510,364	-	-	(109,693)
6. Benefit payments, including refunds of employee contributions	<u>(39,061)</u>	<u>(68,966)</u>	<u>(29,128)</u>	<u>(52,136)</u>
7. Net change in total pension liability	1,861,765	1,168,608	1,090,183	566,097
8. Total pension liability – beginning	<u>5,744,873</u>	<u>4,576,265</u>	<u>3,486,082</u>	<u>2,919,985</u>
9. Total pension liability – ending (a)	<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	\$ 258,363	\$ 238,230	\$ 222,974	\$ 100,942
2. Contributions – employee	404,870	371,200	278,022	227,700
3. Net investment income	767,082	(2,004)	122,572	615,657
4. Benefit payments, including refunds of employee contributions	(39,061)	(68,966)	(29,128)	(52,136)
5. Pension Plan Administrative Expense	(7,247)	(5,390)	(4,908)	(3,855)
6. Other	<u>66,707</u>	<u>9,139</u>	<u>18,336</u>	<u>557</u>
7. Net change in plan fiduciary net position	1,450,714	542,209	607,868	888,865
8. Plan fiduciary net position – beginning	<u>5,772,514</u>	<u>5,230,305</u>	<u>4,622,437</u>	<u>3,733,572</u>
9. Plan fiduciary net position – ending (b)	<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>\$ 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	94.96%	100.48%	114.29%	132.60%
E. Covered employee payroll	\$ 4,036,930	\$ 3,717,494	\$ 3,440,955	\$ 3,035,863
F. Net pension liability as a percentage of covered payroll	9.50%	-0.74%	-19.01%	-37.43%

See independent auditors' report

Town of Middletown, Rhode Island
 REQUIRED SUPPLEMENTARY INFORMATION
 EMPLOYEES' RETIREMENT SYSTEM-MERS MUNICIPAL PLAN-POLICE/FIRE UNIT
 SCHEDULE OF TOWN'S CONTRIBUTIONS

For the Year Ended June 30, 2018

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Actuarially determined contribution	\$ 270,184	\$ 258,363	\$ 238,230	\$ 222,974
Contributions in relation to the actuarially determined contribution	<u>270,184</u>	<u>258,363</u>	<u>238,230</u>	<u>222,974</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 4,159,086	\$ 4,036,930	\$ 3,717,494	\$ 3,440,955
Contributions as a percentage of covered-employee payroll	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

Town of Middletown, Rhode Island
REQUIRED SUPPLEMENTARY INFORMATION
EMPLOYEES' RETIREMENT SYSTEM
NOTES TO ERS, TSB, AND MERS RSI

For the Year Ended June 30, 2018

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 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 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 contribute at a rate established by RI General Laws, Section 16-16-35.

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, Rhode Island
REQUIRED SUPPLEMENTARY INFORMATION
EMPLOYEES' RETIREMENT SYSTEM
NOTES TO ERS, TSB, AND MERS RSI

For the Year Ended June 30, 2018

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.

See independent auditors' report

Town of Middletown, Rhode Island
REQUIRED SUPPLEMENTARY INFORMATION
TOWN PENSION PLAN

SCHEDULE OF CHANGES IN TOWN'S NET PENSION LIABILITY AND RELATED RATIOS

For the Year Ended June 30, 2018

	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	\$ 140,071	\$ 188,703	\$ 193,763	\$ 297,782	\$ 304,872
2. Interest on the Total Pension Liability	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	1,444,275	-	152,749	615,865	-
5. Changes of assumptions	-	-	-	199,475	-
6. Benefit payments, including refunds of employee contributions	<u>(4,864,424)</u>	<u>(4,907,688)</u>	<u>(4,861,136)</u>	<u>(4,655,198)</u>	<u>(4,395,204)</u>
7. Net change in total pension liability	853,626	(542,536)	(312,634)	628,185	62,482
8. Total pension liability – beginning	<u>57,364,228</u>	<u>57,906,764</u>	<u>58,219,398</u>	<u>57,591,213</u>	<u>57,528,731</u>
9. Total pension liability – ending (a)	<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	\$ 2,403,830	\$ 2,995,805	\$ 3,684,562	\$ 3,594,123	\$ 3,678,880
2. Contributions – employee	59,952	66,002	78,302	92,124	119,499
3. Net investment income	4,868,722	5,731,526	909,971	1,558,969	7,108,227
4. Benefit payments, including refunds of employee contributions	(4,864,424)	(4,907,688)	(4,861,136)	(4,655,198)	(4,395,204)
5. Pension Plan Administrative Expense	(161,654)	(144,458)	(133,879)	(162,898)	(68,915)
6. Other	-	-	-	-	-
7. Net change in plan fiduciary net position	2,306,426	3,741,187	(322,180)	427,120	6,442,487
8. Plan fiduciary net position – beginning	<u>57,899,788</u>	<u>54,158,601</u>	<u>54,480,781</u>	<u>54,053,661</u>	<u>47,611,174</u>
9. Plan fiduciary net position – ending (b)	<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>\$ (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	103.42%	100.93%	93.53%	93.58%	93.86%
E. Covered employee payroll	\$ 887,727	\$ 890,382	\$ 954,884	\$ 1,164,923	\$ 1,265,639
F. Net pension liability as a percentage of covered payroll	-223.98%	-60.15%	392.53%	320.93%	279.51%

See independent auditors' report

Town of Middletown, Rhode Island
REQUIRED SUPPLEMENTARY INFORMATION
TOWN PENSION PLAN
SCHEDULE OF TOWN CONTRIBUTIONS

For the Year Ended June 30, 2018

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>June 30, 2009</u>
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	\$ 2,715,725
Contributions in relation to the actuarially determined contribution	<u>2,403,830</u>	<u>2,995,805</u>	<u>3,684,562</u>	<u>3,594,123</u>	<u>3,678,880</u>	<u>3,378,624</u>	<u>2,873,858</u>	<u>3,795,486</u>	<u>2,826,050</u>	<u>2,575,587</u>
Contribution deficiency (excess)	\$ (1,271,680)	\$ (1,266,457)	\$ (1,344,655)	\$ (689,964)	\$ (142,950)	\$ 77,660	\$ 366,558	\$ (1,033,821)	\$ (45,779)	\$ 140,138
Covered-employee payroll	\$ 887,727	\$ 890,382	\$ 954,884	\$ 1,164,923	\$ 1,265,639	\$ 1,671,072	\$ 1,837,941	\$ 1,890,372	\$ 2,645,008	\$ 2,917,842
Contributions as a percentage of covered-employee payroll	270.78%	336.46%	385.86%	308.53%	290.67%	202.18%	156.36%	200.78%	106.84%	88.27%

See independent auditors' report

Town of Middletown, Rhode Island
REQUIRED SUPPLEMENTARY INFORMATION
TOWN PENSION PLAN
SCHEDULE OF INVESTMENT RETURNS

For the Year Ended June 30, 2018

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Annual money-weighted rate of return, net of investment expense	8.61%	10.85%	1.71%	2.93%	15.96%

See independent auditors' report

Town of Middletown, Rhode Island
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO TOWN'S PRIVATE PENSION PLAN
For the Year Ended June 30, 2018

Notes to the Schedules:

Valuation Date:

Actuarially determined contribution rates are calculated as of June 30, 2018.

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	3.50%
Mortality rates:	RP-2000 Combined Healthy Mortality with Generational Projection per Scale AA

See independent auditors' report

Town of Middletown, Rhode Island

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OTHER POST EMPLOYMENT BENEFITS PLAN

SCHEDULE OF CHANGES IN TOWN'S NET OPEB LIABILITY AND RELATED RATIOS

For the Year Ended June 30, 2018

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Total OPEB liability		
Service cost	\$ 478,012	\$ 506,972
Interest	2,380,004	2,296,966
Differences between expected and actual experience	(3,021,201)	-
Changes of assumptions	(2,007,827)	-
Net benefit payments	<u>(1,661,234)</u>	<u>(1,674,163)</u>
Net change in total OPEB liability	(3,832,246)	1,129,775
Total OPEB liability - beginning	<u>32,070,969</u>	<u>30,941,194</u>
Total OPEB liability - ending	<u>\$ 28,238,723</u>	<u>\$ 32,070,969</u>
OPEB fiduciary net position		
Contributions - employer	\$ 3,550,098	\$ 2,846,481
Contributions - employees	21,358	-
Net investment income	520,405	726,504
Benefit payments	(1,661,234)	(1,674,163)
Administrative expenses	<u>(28,500)</u>	<u>(32,580)</u>
Net change in plan fiduciary net position	2,402,127	1,866,242
Plan fiduciary net position - beginning	<u>7,339,697</u>	<u>5,473,455</u>
Plan fiduciary net position - ending	<u>\$ 9,741,824</u>	<u>\$ 7,339,697</u>
Plan's net pension liability - ending	<u>\$ 18,496,899</u>	<u>\$ 24,731,272</u>
Plan fiduciary net position as a percentage of the total OPEB liability	34.50%	22.89%
Covered-employee payroll	\$ 25,008,014	\$ 22,684,805
Town's net OPEB liability as a percentage of covered employee payroll	73.96%	109.02%

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

See independent auditors' report

Town of Middletown, Rhode Island
REQUIRED SUPPLEMENTARY INFORMATION
TOWN OTHER POST EMPLOYMENT BENEFITS PLAN
SCHEDULE OF TOWN'S CONTRIBUTIONS

For the Year Ended June 30, 2018

	June 30, 2018	June 30, 2017
Actuarial determined contribution	\$ 2,415,706	\$ 2,174,483
Contributions in relation to the actuarially determined contribution	3,550,098	2,846,481
Contribution deficiency (excess)	\$ (1,134,392)	\$ (671,998)
 Covered-employee payroll	 \$ 25,008,014	 \$ 22,684,805
 Contributions as a percentage of covered-employee payroll	 14.20%	 12.55%

* Second year of implementation of GASB 74/75, only two of the ten years required is available.

See independent auditors' report

Town of Middletown, Rhode Island
REQUIRED SUPPLEMENTARY INFORMATION
TOWN OTHER POST EMPLOYMENT BENEFITS PLAN
SCHEDULE OF TOWN'S INVESTMENT RETURNS
For the Year Ended June 30, 2018

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Annual money-weighted rate of return, net of investment expense	6.52%	12.68%

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

Town of Middletown, Rhode Island
REQUIRED SUPPLEMENTARY INFORMATION
TOWN OTHER POST EMPLOYMENT BENEFITS PLAN
NOTES TO OPEB RSI

For the Year Ended June 30, 2018

Notes to Required Supplementary Information:

Valuation Date:	Actuarially Determined Contribution was calculated as of June 30, 2018.
Actuarial Cost Method:	Projected Credit Unit
Asset-Valuation Method:	Market Value of Assets as of the Measurement Date, June 30, 2018.

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, 2018 and for future periods
Salary Increases:	5.00% annually as of June 30, 2018 and for future periods

See independent auditors' report

Town of Middletown, Rhode Island

SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE - SCHOOL DEPARTMENT SPECIAL REVENUE FUND

For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Intergovernmental	\$11,372,892	\$11,408,414	\$11,502,116	\$ 93,702
Fees for service	683,088	625,503	601,648	(23,855)
Other revenues	203,163	184,660	160,000	(24,660)
Total revenues	<u>12,259,143</u>	<u>12,218,577</u>	<u>\$12,263,764</u>	<u>45,187</u>
Expenditures:				
Current:				
Salaries	21,750,366	21,944,902	21,802,236	142,666
Employee benefits	7,839,527	7,795,204	7,655,601	139,603
Purchased services	7,506,237	8,959,550	8,832,302	127,248
Supplies and materials	1,092,234	1,141,323	1,089,984	51,339
Other	75,233	103,686	105,375	(1,689)
Capital expenditures	3,691,821	1,644,136	1,635,114	9,022
Total expenditures	<u>41,955,418</u>	<u>41,588,801</u>	<u>41,120,612</u>	<u>468,189</u>
Excess of expenditures over revenues, budgetary basis	<u>(29,696,275)</u>	<u>(29,370,224)</u>	<u>(28,856,848)</u>	<u>513,376</u>
Other financing sources:				
Transfer from other funds	26,228,589	26,228,589	26,230,276	1,687
Reappropriated fund balance	553,555	3,141,635	67,054	(3,074,581)
Proceeds from financing	2,914,131	-	-	-
Total other financing sources	<u>29,696,275</u>	<u>29,370,224</u>	<u>\$26,297,330</u>	<u>(3,072,894)</u>
Deficiency of revenues and other financing sources over expenditures, budgetary basis	<u>\$ -</u>	<u>\$ -</u>	<u>(2,559,518)</u>	<u>\$ (2,559,518)</u>
Adjustment of budgetary basis to U.S. GAAP basis, reappropriated fund balance			<u>-</u>	
Deficiency of revenues and other financing sources over expenditures, U.S. GAAP basis			(2,559,518)	
Fund balance, beginning of year			<u>14,266,314</u>	
Fund balance, end of year			<u>\$11,706,796</u>	

See independent auditors' report

Town of Middletown, Rhode Island
SUPPLEMENTARY INFORMATION
ANNUAL SUPPLEMENTAL TRANSPARENCY REPORT (MTP2)
For the Year Ended June 30, 2018

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, Rhode Island
SUPPLEMENTARY INFORMATION
ANNUAL SUPPLEMENTAL TRANSPARENCY REPORT (MTP2)

For the Year Ended June 30, 2018

<u>REVENUE</u>	<u>Municipal</u>	<u>Education Department</u>
Current Year Levy Tax Collection	\$ 46,090,149	\$ -
Last Year's Levy Tax Collection	902,556	-
Prior Years Property Tax Collection	18,633	-
Interest & Penalty	150,170	-
PILOT & Tax Treaty (excluded from levy) Collection	106,733	-
Other Local Property Taxes	55,662	-
Licenses and Permits	798,694	-
Fines and Forfeitures	756,167	-
Investment Income	19,515	-
Departmental	3,089,513	-
Rescue Run Revenue	712,063	-
Police & Fire Detail	905,594	-
Other Local Non-Property Tax Revenues	39,085	-
Tuition	-	-
Impact Aid	-	1,153,878
Medicaid	-	433,460
Federal Stabilization Funds	-	-
Federal Food Service Reimbursement	-	326,506
CDBG	-	-
COPS Grants	-	-
SAFER Grants	-	-
Other Federal Aid Funds	1,574,957	1,266,310
MV Excise Tax Reimbursement & Phase-out	229,034	-
State PILOT Program	-	-
Distressed Community Relief Fund	-	-
Library Resource Aid	145,593	-
Library Construction Aid	51,353	-
Public Service Corporation Tax	202,470	-
Meals & Beverage Tax / Hotel Tax	1,884,307	-
LEA Aid	-	8,262,827
Group Home	-	-
Housing Aid Capital Projects	73,235	-
Housing Aid Bonded Debt	140,841	-
State Food Service Revenue	-	10,026
Incentive Aid	-	-
Property Revaluation Reimbursement	-	-
Other State Revenue	173,921	49,109
Other Revenue	315,355	803,910
Local Appropriation for Education	-	26,228,589
Regional Appropriation for Education	-	-
Supplemental Appropriation for Education	-	-
Regional Supplemental Appropriation for Education	-	-
Other Education Appropriation	-	67,054
Rounding	-	-
Total Revenue	\$ 58,435,600	\$ 38,601,670
Financing Sources: Transfer from Capital Funds	\$ -	\$ -
Financing Sources: Transfer from Other Funds	244,827	-
Financing Sources: Debt Proceeds	391,306	-
Financing Sources: Other	2,718	-
Rounding	-	-
Total Other Financing Sources	\$ 638,851	\$ -

See independent auditors' report

Town of Middletown, Rhode Island

SUPPLEMENTARY INFORMATION

ANNUAL SUPPLEMENTAL TRANSPARENCY REPORT (MTP2)

For the Year Ended June 30, 2018

EXPENDITURES	General		Social	Centralized		Libraries	Public	Parks and	Police
	Government	Finance	Services	IT	Planning		Works	Rec	Department
Compensation- Group A	\$ 433,161	\$ 535,749	\$ 210,043	\$ 153,083	\$ 361,804	\$ 383,608	\$ 763,863	\$ 765,253	\$ 2,939,888
Compensation - Group B	-	-	-	-	-	-	-	-	201,245
Compensation - Group C	-	-	-	-	-	-	-	-	-
Compensation - Volunteer	-	-	-	-	-	-	-	-	-
Overtime- Group A	7,685	1,494	18,442	932	-	4,853	128,752	70,016	426,913
Overtime - Group B	-	-	-	-	-	-	-	-	5,055
Overtime - Group C	-	-	-	-	-	-	-	-	-
Police & Fire Detail	-	-	-	-	-	-	-	-	579,798
Active Medical Insurance - Group A	48,883	93,395	28,130	24,123	68,757	42,372	159,505	19,848	345,066
Active Medical Insurance- Group B	-	-	-	-	-	-	-	-	23,509
Active Medical Insurance- Group C	-	-	-	-	-	-	-	-	-
Active Dental insurance- Group A	3,392	6,001	1,779	1,591	5,054	2,966	11,525	1,357	22,142
Active Dental insurance- Group B	-	-	-	-	-	-	-	-	1,364
Active Dental insurance- Group C	-	-	-	-	-	-	-	-	-
Payroll Taxes	31,994	38,898	17,199	11,216	26,810	29,965	63,358	63,053	320,358
Life Insurance	5,292	6,302	1,821	1,603	4,226	834	1,833	1,784	4,816
State Defined Contribution- Group A	3,648	3,531	1,497	1,440	2,683	-	5,497	1,572	-
State Defined Contribution - Group B	-	-	-	-	-	-	-	-	-
State Defined Contribution - Group C	-	-	-	-	-	-	-	-	-
Other Benefits- Group A	7,135	14,929	1,328	-	209	1,299	6,293	36,142	185,192
Other Benefits- Group B	-	-	-	-	-	-	-	-	1,354
Other Benefits- Group C	-	-	-	-	-	-	-	-	-
Local Defined Benefit Pension- Group A	2,065	-	-	-	-	65,036	44,121	-	1,150,754
Local Defined Benefit Pension - Group B	-	-	-	-	-	-	-	-	7,562
Local Defined Benefit Pension - Group C	-	-	-	-	-	-	-	-	-
State Defined Benefit Pension- Group A	42,354	40,729	19,435	15,149	21,442	-	48,489	16,012	179,056
State Defined Benefit Pension - Group B	-	-	-	-	-	-	-	-	5,305
State Defined Benefit Pension - Group C	-	-	-	-	-	-	-	-	-
Other Defined Benefit / Contribution	11,315	8,205	-	-	9,570	11,676	6,826	2,008	15,618
Purchased Services	606,992	73,370	60,888	24,969	135,486	36,523	236,788	133,796	122,537
Materials/Supplies	30,218	4,167	16,533	43,443	1,318	121,684	248,288	174,859	80,343
Software Licenses	-	-	-	219,710	-	2,831	-	-	8,500
Capital Outlays	1,300,000	-	74,826	56,589	-	20,000	1,209,220	170,900	146,939
Insurance	242,202	-	-	-	-	-	-	-	-
Maintenance	104,712	90	14,563	24,148	-	53,490	65,363	106,413	169,773
Vehicle Operations	-	89	-	643	1,710	-	166,633	50,573	155,468
Utilities	89,299	1,561	17,080	58,812	1,251	68,452	40,776	65,217	94,569
Contingency	-	-	-	-	-	-	-	-	-
Street Lighting	-	-	-	-	-	-	220,390	-	-
Revaluation	-	129,870	-	-	-	-	-	-	-
Snow Removal-Raw Material & External Contracts	-	-	-	-	-	-	150,267	-	-
Trash Removal & Recycling	-	-	-	-	-	-	812,126	-	-
Claims & Settlements	750	-	-	-	-	-	-	-	-
Community Support	220,076	-	-	-	-	-	-	-	-
Other Operation Expenditures	23,905	2,994	190	2,259	822	308	1,101	2,192	11,925
Local Appropriation for Education	-	-	-	-	-	-	-	-	-
Regional Appropriation for Education	-	-	-	-	-	-	-	-	-
Supplemental Appropriation for Education	-	-	-	-	-	-	-	-	-
Regional Supplemental Appropriation for Education	-	-	-	-	-	-	-	-	-
Other Education Appropriation	-	-	-	-	-	-	-	-	-
Municipal Debt- Principal	-	-	-	-	-	-	-	-	-
Municipal Debt- Interest	-	-	-	-	-	-	-	-	-
School Debt- Principal	-	-	-	-	-	-	-	-	-
School Debt- Interest	-	-	-	-	-	-	-	-	-
Retiree Medical Insurance- Total	-	-	-	-	-	-	-	-	-
Retiree Dental Insurance- Total	-	-	-	-	-	-	-	-	-
OPEB Contribution- Total	-	-	-	-	-	-	-	-	-
Non-Qualified OPEB Trust Contribution	-	-	-	-	-	-	-	-	-
Rounding	-	-	-	-	-	-	-	-	-
Total Expenditures	\$ 3,215,078	\$ 961,374	\$ 483,754	\$ 639,710	\$ 641,142	\$ 845,897	\$ 4,391,014	\$ 1,689,495	\$ 7,196,549

See independent auditors' report

Town of Middletown, Rhode Island

SUPPLEMENTARY INFORMATION

ANNUAL SUPPLEMENTAL TRANSPARENCY REPORT (MTP2)

For the Year Ended June 30, 2018

EXPENDITURES	Fire Department	Centralized Dispatch	Public Safety Other	Education Appropriation	Debt	OPEB	Total Municipal	Education Department
Compensation- Group A	\$ 1,799,301	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,345,753	\$ 17,168,020
Compensation - Group B	231,629	-	-	-	-	-	432,874	1,356,046
Compensation - Group C	-	-	-	-	-	-	-	3,121,863
Compensation -Volunteer	-	-	-	-	-	-	-	-
Overtime- Group A	395,185	-	-	-	-	-	1,054,272	-
Overtime - Group B	35,521	-	-	-	-	-	40,576	-
Overtime - Group C	-	-	-	-	-	-	-	156,307
Police & Fire Detail	16,942	-	-	-	-	-	596,740	-
Active Medical Insurance - Group A	323,086	-	-	-	-	-	1,153,165	2,166,575
Active Medical Insurance- Group B	25,298	-	-	-	-	-	48,807	110,351
Active Medical Insurance- Group C	-	-	-	-	-	-	-	677,529
Active Dental insurance- Group A	24,120	-	-	-	-	-	79,927	162,472
Active Dental Insurance- Group B	2,683	-	-	-	-	-	4,047	6,680
Active Dental Insurance- Group C	-	-	-	-	-	-	-	45,813
Payroll Taxes	178,680	-	-	-	-	-	781,531	572,715
Life Insurance	12,688	-	-	-	-	-	41,199	43,256
State Defined Contribution- Group A	-	-	-	-	-	-	19,668	334,846
State Defined Contribution - Group B	732	-	-	-	-	-	732	15,805
State Defined Contribution - Group C	-	-	-	-	-	-	-	23,863
Other Benefits- Group A	92,416	-	-	-	-	-	344,943	274,162
Other Benefits- Group B	2,655	-	-	-	-	-	4,009	14,397
Other Benefits- Group C	-	-	-	-	-	-	-	29,709
Local Defined Benefit Pension- Group A	1,140,422	-	-	-	-	-	2,402,398	-
Local Defined Benefit Pension - Group B	-	-	-	-	-	-	7,562	23,637
Local Defined Benefit Pension - Group C	-	-	-	-	-	-	-	9,316
State Defined Benefit Pension- Group A	91,129	-	-	-	-	-	473,795	2,247,535
State Defined Benefit Pension - Group B	9,896	-	-	-	-	-	15,201	120,603
State Defined Benefit Pension - Group C	-	-	-	-	-	-	-	259,631
Other Defined Benefit / Contribution	7,554	-	-	-	-	-	72,772	-
Purchased Services	89,640	-	-	-	-	-	1,520,989	7,923,456
Materials/Supplies	69,034	-	-	-	-	-	789,887	474,418
Software Licenses	-	-	-	-	-	-	231,041	49,967
Capital Outlays	606,987	-	-	-	-	-	3,585,461	1,593,341
Insurance	-	-	-	-	-	-	242,202	195,188
Maintenance	71,830	-	-	-	-	-	610,382	406,826
Vehicle Operations	144,500	-	-	-	-	-	519,616	58,950
Utilities	446,918	-	-	-	-	-	883,935	718,826
Contingency	-	-	-	-	-	-	-	-
Street Lighting	-	-	-	-	-	-	220,390	-
Revaluation	-	-	-	-	-	-	129,870	-
Snow Removal-Raw Material & External Contracts	-	-	-	-	-	-	150,267	-
Trash Removal & Recycling	-	-	-	-	-	-	812,126	-
Claims & Settlements	-	-	-	-	-	-	750	40
Community Support	-	-	-	-	-	-	220,076	-
Other Operation Expenditures	1,760	-	-	-	-	-	47,456	265,162
Local Appropriation for Education	-	-	-	26,228,589	-	-	26,228,589	-
Regional Appropriation for Education	-	-	-	-	-	-	-	-
Supplemental Appropriation for Education	-	-	-	-	-	-	-	-
Regional Supplemental Appropriation for Education	-	-	-	-	-	-	-	-
Other Education Appropriation	-	-	-	67,054	-	-	67,054	-
Municipal Debt- Principal	-	-	-	-	1,920,505	-	1,920,505	-
Municipal Debt- Interest	-	-	-	-	651,751	-	651,751	-
School Debt- Principal	-	-	-	-	803,465	-	803,465	-
School Debt- Interest	-	-	-	-	373,061	-	373,061	-
Retiree Medical Insurance- Total	-	-	-	-	-	-	-	-
Retiree Dental Insurance- Total	-	-	-	-	-	-	-	-
OPEB Contribution- Total	-	-	-	-	-	3,022,354	3,022,354	516,706
Non-Qualified OPEB Trust Contribution	-	-	-	-	-	-	-	-
Rounding	-	-	-	-	-	-	-	-
Total Expenditures	\$ 5,820,606	\$ -	\$ -	\$ 26,295,643	\$ 3,748,782	\$ 3,022,354	\$ 58,951,398	\$ 41,144,011

Financing Uses: Transfer to Capital Funds	\$ -	\$ -
Financing Uses: Transfer to Other Funds	8,715	-
Financing Uses: Payment to Bond Escrow Agent	-	-
Financing Uses: Other	-	-
Total Other Financing Uses	\$ 8,715	\$ -
Net Change in Fund Balance¹	114,338	(2,542,341)
Fund Balance¹- beginning of year	\$16,614,177	\$14,486,521
Funds removed from Reportable Government Services (RGS)	-	-
Funds added to Reportable Government Services (RGS)	-	-
Prior period adjustments	-	-
Misc. Adjustment	-	-
Fund Balance¹- beginning of year adjusted	16,614,177	14,486,521
Rounding	-	1
Fund Balance¹- end of year	\$ 16,728,515	\$ 11,944,181

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

See independent auditors' report

Town of Middletown, Rhode Island

SUPPLEMENTARY INFORMATION

ANNUAL SUPPLEMENTAL TRANSPARENCY REPORT (MTP2)

For the Year Ended June 30, 2018

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 Balance ¹ - per MTP-2 at June 30, 2017						\$ 16,614,177		\$ 16,614,177	
No funds removed from RGS for fiscal 2018						-		-	
No funds added to RGS for Fiscal 2018						-		-	
No misc. adjustments made for fiscal 2018						-		-	
Fund Balance ¹ - per MTP-2 at June 30, 2017 adjusted						\$ 16,614,177		\$ 16,614,177	
General Fund	\$ 54,128,227	\$ 1,906,316	\$ 29,896,401	\$ 26,461,361	\$ (323,219)	\$ 10,790,200	\$ -	\$ 10,790,200	\$ 10,466,981
Public Private Venture	1,132,912	-	-	1,270,183	\$ (137,271)	395,126	-	395,126	257,855
Parks & Recreation	2,110,712	158,596	1,787,145	-	\$ 482,163	4,982,019	-	4,982,019	5,464,182
Refuse and Recycling	1,063,749	1,125	972,209	-	\$ 92,665	446,832	-	446,832	539,497
Totals per audited financial statements	\$ 58,435,600	\$ 2,066,037	\$ 32,655,755	\$ 27,731,544	\$ 114,338	\$ 16,614,177	\$ -	\$ 16,614,177	\$ 16,728,515
Reconciliation from financial statements to MTP2									
Reclassify transfer of municipal appropriation to Education Department as expenditure on MTP2	\$ -	\$ -	\$ 26,228,589	\$ (26,228,589)	\$ -	\$ -	\$ -	\$ -	\$ -
Reclassify transfer of municipal appropriation from a Special Revenue Fund (GASB 54) to Education Department as expenditure on MTP-2	-	-	67,054	(67,054)	-	-	-	-	-
Eliminate transfers between Funds reported on MTP2:									
- from Parks & Recreation Fund to a Special Revenue Fund (GASB 54)	-	(157,003)	-	(157,003)	-	-	-	-	-
- from Public Private Venture to General Fund	-	(1,270,183)	-	(1,270,183)	-	-	-	-	-
Rounding	-	-	-	-	-	-	-	-	-
Totals Per MTP2	\$ 58,435,600	\$ 638,851	\$ 58,951,398	\$ 8,715	\$ 114,338	\$ 16,614,177	\$ -	\$ 16,614,177	\$ 16,728,515

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

See independent auditors' report

Town of Middletown, Rhode Island

SUPPLEMENTARY INFORMATION

ANNUAL SUPPLEMENTAL TRANSPARENCY REPORT (MTP2)

For the Year Ended June 30, 2018

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 Balance ¹ - per MTP-2 at June 30, 2017						\$ 14,486,521		\$ 14,486,521	
<i>No misc. adjustments made for fiscal 2018</i>						-		-	
Fund Balance ¹ - per MTP-2 at June 30, 2017 adjusted						<u>\$ 14,486,521</u>		<u>\$ 14,486,521</u>	
School Unrestricted Fund	\$ 11,161,996	\$ 26,228,589	\$ 37,452,577	\$ 1,687	\$ (63,679)	\$ 3,258,588	\$ -	\$ 3,258,588	\$ 3,194,909
Enterprise Fund	832,099	-	855,892	-	(23,793)	319,842	-	319,842	296,049
SBA School Capital Project Fund	445,559	67,054	2,890,658	-	(2,378,045)	10,288,918	-	10,288,918	7,910,873
School Special Revenue Funds	1,382,868	1,687	1,478,556	-	(94,001)	398,966	-	398,966	304,965
Totals per audited financial statements	<u>\$ 13,822,522</u>	<u>\$ 26,297,330</u>	<u>\$ 42,677,683</u>	<u>\$ 1,687</u>	<u>\$ (2,559,518)</u>	<u>\$ 14,266,314</u>	<u>\$ -</u>	<u>\$ 14,266,314</u>	<u>\$ 11,706,796</u>
Reconciliation from financial statements to MTP2									
Municipal appropriation for Education reported as a transfer on financial statements but as revenue/expense on MPT2.	\$ 26,228,589	\$ (26,228,589)	-	-	-	-	-	-	-
Reclassify transfer of municipal appropriation from a special revenue fund/town to school department as revenue on MTP-2	67,054	(67,054)	-	-	-	-	-	-	-
Student Scholarships/Agency (Special Revenue)	40,574	-	23,400	-	17,174	220,208	-	220,208	237,382
State contributions on behalf of teacher pensions are reported as revenue and expenditures on financial statements only	(1,558,759)	-	(1,558,759)	-	-	-	-	-	-
Reclass of financing sources and uses	1,687	(1,687)	1,687	(1,687)	-	-	-	-	-
Rounding	3	-	-	-	3	(1)	-	(1)	3
Totals Per MTP2	<u>\$ 38,601,670</u>	<u>\$ -</u>	<u>\$ 41,144,011</u>	<u>\$ -</u>	<u>\$ (2,542,341)</u>	<u>\$ 14,486,521</u>	<u>\$ -</u>	<u>\$ 14,486,521</u>	<u>\$ 11,944,181</u>
Reconciliation from MTP2 to UCOA									
No reconciling items from MTP2 to UCOA	-	-							
Totals per UCOA Validated Totals Report	<u>\$ 38,601,670</u>	<u>\$ 41,144,011</u>							

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

See independent auditors' report

Town of Middletown, Rhode Island

SUPPLEMENTARY INFORMATION

NOTES TO THE ANNUAL SUPPLEMENTAL TRANSPARENCY REPORT (MTP2)

For the Year Ended June 30, 2018

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

NOTE 1. Basis of Presentation

The *Annual Supplemental Transparency Report (MTP2)* is a new supplemental schedule required by the State of Rhode Island, as a result of newly enacted legislation, Article 8 of the Appropriations Act (2016 House Bill 7454 sub A as amended). This supplementary schedule included within the audit report is part of a broader project to create a municipal transparency portal (MTP) on the Division of Municipal Finance 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 reasonable allocations of costs to the State's departmental groupings based on a reasonable basis.

NOTE 4. Employee Groups

Group A - This item includes compensation (salaries, longevity, stipends, clothing, shift differential, out-of-rank, holiday pay, and bonuses) and benefits (medical and dental insurance, pension contributions, OPEB (pay-go and ADC contributions) for the primary work force of the department (Police Department: Police Officers, Fire Department: Fire Fighters, Education Department: Certified Employees, and Other Departments: All Employees).

Group B - This item would only include compensation (salaries, longevity, stipend, clothing, shift differential, out-of-rank, holiday pay, and bonuses) and benefits (medical and dental insurance, pension contributions, OPEB (pay-go and ADC contributions) for administrative and civilian dispatch employees in Police and Fire Departments and Non-Certified employees for Education Department.

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/>. (Documents pertaining to the Transparency Portal will be posted in January 2017)

See independent auditors' report

Town of Middletown, Rhode Island
SUPPLEMENTARY INFORMATION
TAX COLLECTOR ANNUAL REPORT

For the Year Ended June 30, 2018

Year	Balance, July 1, 2017	Current year assessment	Addenda/ abatements	Amount to be collected	Collections	Balance, June 30, 2018	FY2018 Cash Collections Summary			July - August 2018 (FY19) Cash Collections Subject to 60 day FY18 Accrual
							July - August 2017 Collections Subject to 60 day FY17 Accrual	September 2017 - June 2018 Collections	Total FY18 Cash Collections	
2017	\$ -	\$ 47,025,116	\$ (85,796)	\$ 46,939,320	\$ 46,318,762	\$ 620,558	\$ -	\$ 46,318,762	\$ 46,318,762	\$ 335,257
2016	988,841	-	(4,610)	984,231	902,247	81,984	618,513	283,734	902,247	3,474
2015	62,306	-	(1,958)	60,348	10,769	49,580	4,034	6,735	10,769	779
2014	96,436	-	(759)	95,677	3,163	92,512	661	2,502	3,163	439
2013	54,658	-	(376)	54,282	1,613	52,669	424	1,189	1,613	185
2012	53,201	-	-	53,201	1,042	52,159	195	847	1,042	97
2011	50,474	-	-	50,474	162	50,312	62	100	162	83
2010	45,455	-	-	45,455	441	45,014	69	372	441	77
2009	22,497	-	-	22,497	324	22,173	35	289	324	76
2008	30,858	-	(16)	30,842	358	30,484	-	358	358	51
2007	29,396	-	(22,956)	6,440	462	5,978	-	462	462	-
Prior	32,305	-	-	32,305	299	32,006	-	299	299	-
	<u>1,466,427</u>	<u>\$ 47,025,116</u>	<u>\$ (116,471)</u>	<u>\$ 48,375,072</u>	<u>\$ 47,239,642</u>	<u>1,135,429</u>	<u>\$ 623,993</u>	<u>\$ 46,615,649</u>	<u>\$ 47,239,642</u>	<u>\$ 340,518</u>
Allowance for doubtful accounts	<u>(490,384)</u>					<u>(497,545)</u>				
Net Property Tax Receivable	<u>\$ 976,043</u>					<u>\$ 637,884</u>				

See independent auditors' report

Town of Middletown, Rhode Island
 SUPPLEMENTARY INFORMATION
 TAX COLLECTOR ANNUAL REPORT
For the Year Ended June 30, 2018

Schedule of net assessed property value by category:

Description of property	Valuations	Levy
Real property	\$ 2,715,024,154	\$ 43,837,660
Motor vehicles	162,734,762	1,747,414
Tangible personal	93,390,887	1,440,042
Total	2,971,149,803	47,025,116
Exemptions	110,352,811	
Current year assessment	\$ 2,860,796,992	\$ 47,025,116

Reconciliation of current year property tax revenue:

Current year collections	\$ 46,318,762
Revenue collected within 60 days subsequent to year ended June 30, 2018	340,518
	46,659,280
Prior year revenue received in current year	(623,993)
Current year real estate and personal property tax revenue	\$ 46,035,287

See independent auditors' report