

TOWN OF MIDDLETOWN, RHODE ISLAND

ANNUAL FINANCIAL STATEMENTS

Year Ended June 30, 2020



Shawn J. Brown, CPA, CFE

Town Administrator

Marc W. Tanguay, CPA

Finance Director

Town of Middletown, Rhode Island

June 30, 2020

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CERTIFIED PUBLIC ACCOUNTANTS
126 President Avenue
Fall River, MA 02720
TEL. (508) 675-7889
FAX (508) 675-7859
www.hague-sahady.com

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, 2020, 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, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, General Fund Budgetary Comparison information, the pension related disclosures, and the other post-employment benefit disclosures as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Middletown, Rhode Island's basic financial statements. The Supplementary School Unrestricted Fund Budgetary Comparison Information, Tax Collector's Annual Report, and Annual Supplemental Transparency Report (MTP2) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2021, on our consideration of the Town of Middletown, Rhode Island's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Middletown, Rhode Island's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Middletown, Rhode Island's internal control over financial reporting and compliance.

Hague, Sabady & Co. PC

Fall River, Massachusetts
January 25, 2021

Town of Middletown, Rhode Island

Management Discussion and Analysis

For the Year Ended June 30, 2020

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, 2020 (FY2020).

Financial Highlights

The assets and deferred outflows of the Town government-wide exceeded its liabilities and deferred inflows as of June 30, 2020 by \$31,717,348 (*net position*). Net position includes \$56,638,855 of net investment in capital assets; \$1,913,072 of restricted net position; and \$(26,834,579) of unrestricted net position. Total assets were \$130,056,628; total deferred outflows were \$12,338,577; total liabilities were \$100,300,964 and total deferred inflows were \$10,376,893 at June 30, 2020. Total net position increased by \$3,979,232 in the current fiscal year.

As of June 30, 2020, the Town's governmental funds reported combined ending fund balances of \$20,224,753, a decrease of \$3,596,364 in comparison with the prior year. The favorable fiscal year results in the General fund were offset by the unfavorable results in the School Department, School Capital Projects and Other Governmental Funds resulted in the majority of the net decrease in fund balance. See page 13 for additional discussion regarding changes in the fund balance of the General Fund, School Department Special Revenue Fund, Capital Projects Fund and Other Governmental Funds.

As of June 30, 2020, the unassigned fund balance for the General Fund was \$7,507,826, or 13.0% of total budgeted 2020 General Fund expenditures and other financing uses, totaling \$57,805,240. This portion is unassigned and available for spending at the Town's discretion.

The Town's long-term obligations decreased by \$2,579,922 or 5.7% during the current fiscal year. The factors causing this decrease were principal payments of \$3,921,412, a reduction of \$49,350 of unearned grant revenue, a reduction of claims and judgements of \$2,548, a reduction of \$285,000 in pollution remediation obligations, a reduction of \$115,492 of deferred bond issuance premiums offset by an issuance of \$1,225,000 of open space bonds, increase in accrued compensated absences of \$17,332 and the decrease of undrawn loan proceeds of \$551,548.

The objective of GASB 88 is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

Town of Middletown, Rhode Island
Management Discussion and Analysis
For the Year Ended June 30, 2020

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

Town of Middletown, Rhode Island

Management Discussion and Analysis

For the Year Ended June 30, 2020

The government-wide financial statements can be found on pages 23-26 of this report. These are prepared using the economic resources measurement focus and the accrual basis of accounting. They take into account all revenues recognized and expenses incurred even if the cash has not been received or paid.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

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

The Town adopts an annual appropriated budget for its General Fund and School Department. Budgetary comparison statements have been provided for the General Fund and the School Department to demonstrate compliance with this budget. These comparison statements can be found on pages 123 and 124 of this report.

The basic governmental fund financial statements can be found on pages 27 and 29 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

Town of Middletown, Rhode Island

Management Discussion and Analysis

For the Year Ended June 30, 2020

measurement similar to the private sector. Two of the Town's enterprise funds, Sewer Fund and Parks and Recreation Fund, are major funds; Refuse and Recycle Fund is a non-major fund however, management has elected to present them as major. The Town has no internal service funds.

The basic proprietary fund financial statements can be found on pages 31-34 of this report.

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

The basic fiduciary fund financial statements can be found on pages 35-36 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 37-122 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* which presents schedules relating to the Town's pension and other post employment 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 123-146 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 \$31,717,348 at June 30, 2020.

Net investment in capital assets comprises \$56,638,855 of total net position. This represents the Town's investment in capital assets (e.g., land, buildings, machinery, infrastructure and equipment), less any related outstanding debt used to acquire those assets. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Town of Middletown, Rhode Island
Management Discussion and Analysis
For the Year Ended June 30, 2020

Town of Middletown's Net Position

	Governmental Activities		Business Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$29,642,975	\$34,638,604	\$ 7,523,678	\$ 7,416,272	\$37,166,65	\$42,054,87
Capital assets	67,592,211	64,633,462	25,297,764	25,041,576	92,889,975	89,675,038
Total assets	97,235,186	99,272,066	32,821,442	32,457,848	130,056,628	131,729,914
Deferred outflows	12,316,221	11,635,825	22,356	22,356	12,338,577	11,658,181
Long-term liabilities	34,661,811	36,287,038	7,665,149	8,619,844	42,326,960	44,906,882
Other liabilities	56,331,295	59,219,022	1,642,709	2,923,299	57,974,004	62,142,321
Total liabilities	90,993,106	95,506,060	9,307,858	11,543,143	100,300,964	107,049,203
Deferred inflows	10,330,026	8,553,909	46,867	46,867	10,376,893	8,600,776
Net position:						
Net investment in capital assets	38,615,165	37,386,757	18,023,690	17,419,109	56,638,855	54,805,866
Restricted	1,913,072	1,525,326	—	—	1,913,072	1,525,326
Unrestricted	(32,299,962)	(32,064,161)	5,465,383	3,471,085	(26,834,579)	(28,593,076)
Total Net Position	\$8,228,275	\$ 6,847,922	\$23,489,073	\$20,890,194	\$31,717,348	\$27,738,116

A portion of the Town's net position, totaling \$1,913,072 or 6.0%, represents resources that are subject to external restrictions on how they may be used. *Unrestricted net position*, totaling \$(26,834,579), includes the results of GASB 68 and GASB 75.

At June 30, 2020, the Town reports positive net position balances in the net investment in capital assets, restricted net position, and in the unrestricted net position for business-type activities but reports a negative balance in the unrestricted net position for the governmental activities. The government as a whole reports a positive net position.

Governmental activities. Governmental activities increased the Town's net position by \$1,380,353 from the previous year, principally due to capital assets purchased from current year resources of \$6,805,000 net revenue received to pay principal on long-term debt of \$1,475,000, revenues received that do not provide current financial resources of \$1,808,000, certain accruals not requiring the use of current resources of \$30,000, General Fund revenue received in excess of expenditures of \$267,000 offset by depreciation expense in the amount of \$3,846,000, a net reduction in pension and other post employment expense of \$1,237,000 due to GASB 68 and GASB 75, capitalization of deferred outflows on advanced refunding and bond premiums of \$59,000, School Department, School Capital Projects Fund and Other Governmental Funds expenditures in excess of revenues of \$3,863,000.

Business-type activities. Business-type activities increased the Town's net position by \$2,598,879, primarily due to Sewer fund revenue used to fund debt service costs in the amount of \$1,221,000 and transfer from other funds of \$221,000 offset by fund balance used for environmental remediation

Town of Middletown, Rhode Island

Management Discussion and Analysis

For the Year Ended June 30, 2020

expenditures in the amount of \$168,000. Parks and Recreation fund includes net capital purchases of \$179,000, transfer from other funds of \$343,000 and unspent revenue for capital expenditures in the amount of \$500,000 and Refuse & Recycling fund revenue exceeded expenditures by approximately \$103,000.

Town of Middletown's Changes in Net Position

	Governmental Activities		Business Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	5,061,057	5,807,534	9,411,137	9,110,056	14,472,194	14,917,590
Operating grants and contributions	13,448,309	13,138,778	44,500	44,500	13,492,809	13,183,278
Capital grants and contributions	242,654	40,899	300,000		542,654	40,899
General revenues:						
Property taxes	47,565,869	47,527,594	—	—	47,565,869	47,527,594
Grants and contributions not restricted to specific programs	2,138,195	2,598,382	—	—	2,138,195	2,598,382
Other	400,722	663,638	18,945	32,507	419,667	696,145
Total revenues	<u>68,856,806</u>	<u>69,776,825</u>	<u>9,774,582</u>	<u>9,187,063</u>	<u>78,631,388</u>	<u>78,963,888</u>
Expenses:						
General government	3,823,342	6,697,330	—	—	3,823,342	6,697,330
Public safety	15,501,074	12,563,964	—	—	15,501,074	12,563,964
Public works/sanitation	3,238,527	1,134,171	—	—	3,238,527	1,134,171
Planning/inspection	764,923	639,716	—	—	764,923	639,716
Library	846,844	924,821	—	—	846,844	924,821
Education	40,915,327	41,194,658	—	—	40,915,327	41,194,658
Community services	757,946	587,436	—	—	757,946	587,436
Interest on long-term debt	1,064,245	958,593	—	—	1,064,245	958,593
Refuse and recycle	—	—	4,898,928	4,933,432	4,898,928	4,933,432
Parks and recreation	—	—	1,836,603	1,828,156	1,836,603	1,828,156
Sewer	—	—	1,004,397	979,922	1,004,397	979,922
Total expenses	<u>66,912,228</u>	<u>64,700,689</u>	<u>7,739,928</u>	<u>7,741,510</u>	<u>74,652,156</u>	<u>72,442,199</u>
Increase (decrease) in net position before transfers	1,944,578	5,076,136	2,034,654	1,445,553	3,979,232	6,521,689
Transfers	(564,225)	(26,113)	564,225	26,113	—	—
Increase (decrease) in net position	1,380,353	5,050,023	2,598,879	1,471,666	3,979,232	6,521,689
Net position - beginning	6,847,922	1,797,899	20,890,194	19,418,528	27,738,116	21,216,427
Net position - ending	<u>8,228,275</u>	<u>6,847,922</u>	<u>23,489,073</u>	<u>20,890,194</u>	<u>31,717,348</u>	<u>27,738,116</u>

Town of Middletown, Rhode Island
Management Discussion and Analysis
For the Year Ended June 30, 2020

Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the Town's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Town's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of June 30, 2020, the Town's governmental funds reported combined ending fund balances of \$20,224,753. Of this amount, \$7,507,826 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 \$138,670; 2) long-term loans receivable in the amount of \$100,000; 3) grants in the amount of \$203; 4) prepaid expenses of \$16,272 and other purposes in the amount of \$58,608; 5) various commitments for West Main Road development, education, open space, and capital improvements totaling \$9,414,725 and 6) other specific purposes in the amount of \$2,988,449. See page 24. A total of \$962,820 of the Governmental unassigned fund balance as of June 30, 2020 is budgeted to be used in FY2021.

The General Fund is the chief operating fund of the Town. At June 30, 2020, unassigned fund balance of the General Fund was \$7,507,826, while total fund balance was \$12,855,688. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 13.7% of total General Fund expenditures and other financing uses of \$54,712,463, while total fund balance represents 23.0% of that same amount.

During FY2020, the fund balance of the Town's General Fund increased by \$266,952, principally due the collection of current property taxes in excess of budget in the amount of \$51,000 and revenues received in excess of expenditures of \$201,000 which include open space, canvassing and elections, revaluation, rescue wagon, severance and capital improvement program funds.

The School Department, a special revenue fund of the Town, had a total fund balance of \$2,120,999 which includes an assigned fund balance of \$1,542,317 at June 30, 2020. The assigned fund balance represents 4.09% of total School Department expenditures of \$37,666,931. The School Department's fund balance decreased by \$757,035 during the fiscal year ended June 30, 2020. This decrease is primarily due to the planned use of fund balance for transition costs for students 18-21, one-time expenditures, and general operating support. A total of \$774,000 of the School Department assigned fund balance as of June 30, 2020 is budgeted to use in FY2021.

The Town and School Capital Project funds had a fund balance of \$3,412,446, which represents a \$2,919,176 decrease during the fiscal year ended June 30, 2020. The decrease in fund balance is due to the use of bond proceeds that was recognized as revenue in a prior year in the amount of \$4,587,000 offset by additional bond proceeds of \$1,225,000 and transfers from other funds of \$472,000.

Town of Middletown, Rhode Island

Management Discussion and Analysis

For the Year Ended June 30, 2020

The Other Governmental Funds had a total fund balance of \$1,835,620, which represents a \$187,105 decrease in fund balance during the fiscal year ended June 30, 2020. The decrease in fund balance is primarily due to the excess of revenue over expenditures in the Public Private Venture special revenue fund in the amount of \$168,000, the John F. Kennedy building fund in the amount of \$53,000, the Forfeiture and Confiscated fund of \$11,000 and the Library Donation Fund of \$7,000 offset by the excess of expenditures over revenues in the Capital Improvement Impact special revenue fund of \$435,000.

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

Net position of the Sewer Fund at June 30, 2020 amounted to \$15,793,958, of which \$2,748,555 is unrestricted. Parks and Recreation Fund net position amounted to \$6,987,830, of which \$2,009,543 is unrestricted. Refuse and Recycling Fund net position amounted to \$707,285, all of which is unrestricted. The total growth in net position for each of the three funds was \$1,369,060, \$1,127,007, and \$102,812, respectively. Other factors concerning the finances of these three funds have already been addressed in the discussion of the Town's business-type activities.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget for FY2020 revenues totaled an decrease of approximately \$472,000 primarily due to an decrease in property taxes of \$255,000, intergovernmental state revenue for hotel and meals tax and motor vehicle phaseout in the amount of \$487,000, offset by a increase in donations, licenses, permits and grant revenue in the amount of \$270,000. See page 123.

Further, there was an overall increase in budgeted expenditures of approximately \$28,000. The major items contributing to the net increase in expenditures are as follows:

- \$96,000 increase for charging stations purchased with a federal grant.
- \$77,000 increase for senior center van purchased with donations.
- \$88,000 increase in Capital expenditures to replace town hall carpets
- \$26,000 increase in town hall HVAC repairs.
- \$126,000 increase in fire department compensation and benefits.
- \$34,000 increase for police memorial walkway.
- \$209,000 increase for Information Technology technology hardware and software.
- \$139,000 increase for Barton Lane drainage project.
- \$73,000 increase in severance expenditures.
- \$20,000 increase for consolidation study
- \$144,000 increase in legal expenses
- \$600,000 decrease in fire equipment lease purchase
- \$148,000 decrease in travel and training expenditures.
- \$133,000 decrease in debt service payments.
- \$95,000 decrease for deferral of West Main Road study.
- \$100,000 decrease for library architectural fees.

Town of Middletown, Rhode Island

Management Discussion and Analysis

For the Year Ended June 30, 2020

Actual expenditures were below budgeted expenditures by approximately \$2,033,966 primarily as a net result of \$220,354 reduced public safety expenditures; \$206,842 of reduced general government expenditure; \$863,985 of reduced public works expenditure, \$89,003 of reduced library expenditures, \$349,022 of reduced other expenditures and \$345,833 of reduced grant expenditures offset by \$132,339 of increased capital expenditures.

School Department Special Revenue Fund Budgetary Highlights

The school department operating fund ended the year with \$757,035 in expenditures higher than revenues received. However, the school budget contained an approved use of fund balance for FY20 in the amount of \$774,413. The approved fund balance was designated for transition costs for students 18-21, one-time expenditures, and general operating support. This planned and approved use of fund balance offsets the reported excess expenditures. Several other revenues received were lower than projected due to the changes necessitated by COVID and a transition to distance learning. These included rental of buildings and fields miscellaneous revenue, Medicaid reimbursement and unrestricted grants from the state. These revenue losses were offset by increases in Impact Aid.

The expenditures for the school department operating funds ended with an unfavorable variance of \$40,394. The most significant savings were in planned budgetary reductions overall of \$265,129, benefit savings of \$10,637, and savings of \$62,308 in equipment. These savings helped to offset expenditures in excess of budgets in salaries of \$131,135, purchased services of \$327,373 primarily related to contracted services and tuition and supplies of \$51,244.

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, 2020 amounts to \$92,889,975 (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 \$3,214,937 or 3.6%, of which \$2,958,749 increased for governmental activities and \$256,188 increased for business-type activities.

Major capital asset events during FY2020 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
- Construction of multi-use athletic fields and auxiliary facilities on Aquidneck Avenue

Town of Middletown, Rhode Island
Management Discussion and Analysis
For the Year Ended June 30, 2020

Capital Asset and Debt Administration (continued)

Capital assets (continued)

Purchase of:

- Two sports utility vehicles per fleet management schedules for the Police Department
- Transit van and refrigerator for the Senior Center
- Automated CPR devices and Self-Contained Breathing Apparatus equipment for the Fire Department
- Beach additions include new outdoor sound system and showers
- Electric vehicle charging stations at Town Hall and Middletown Library
- Library reference collection
- Security camera systems at Forest Elementary School, Gaudet Middle School, and Middletown High School
- Dell Ultrabooks and HP Chromebooks for all schools

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	
	2020	2019	2020	2019	2020	2019
Land	9,092,536	9,092,536	3,167,391	3,167,391	12,259,927	12,259,927
Buildings and improvements	23,745,283	23,292,153	211,703	196,413	23,956,986	23,488,566
Land improvements	4,419,606	3,620,556	1,274,855	1,135,470	5,694,461	4,756,026
Furniture and equipment	2,523,347	2,038,511	503,750	646,189	3,027,097	2,684,700
Infrastructure	16,593,631	16,156,818	17,127,923	14,299,921	33,721,554	30,456,739
Construction in progress	9,382,649	8,284,490	2,963,257	5,529,000	12,345,906	13,813,490
Library books	45,499	49,997	—	—	45,499	49,997
Motor vehicles	1,789,660	2,098,401	48,885	67,192	1,838,545	2,165,593
Total	67,592,211	64,633,462	25,297,764	25,041,576	92,889,975	89,675,038

Town of Middletown, Rhode Island
Management Discussion and Analysis
For the Year Ended June 30, 2020

The Town's active construction projects as of June 30, 2020 include road reconstruction, drainage and sanitary upgrades in designated areas of the Town, roof repairs, door and window repairs, and flooring projects at school buildings. Remaining commitments at June 30, 2020 total approximately \$2,306,000. The road reconstruction is funded through the Capital Improvement Program special revenue fund and road bond proceeds; the commitments for sanitary sewer upgrades and interceptor inspections and improvements are funded through Sewer Fund operations and revenue bond proceeds; installation of athletic fields is funded from open space bond proceeds and the commitments for window and door replacement and HVAC repairs are funded from the school bond proceeds.

Additional information on the Town's capital assets can be found in Notes 5 and 11 on pages 58-59 and 116, respectively, of this report.

Long-term debt

At June 30, 2020, the Town had total bonded debt outstanding of \$29,821,000 entirely backed by the full faith and credit of the Town. In addition, the Town has \$7,267,149 outstanding loans payable to the Rhode Island Infrastructure Bank and Rhode Island Clean Water Finance Agency and capital leases in the amount of \$156,591. 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	
	2020	2019	2020	2019	2020	2019
General obligation bonds	\$29,821,000	\$31,173,000	\$ —	\$ —	\$29,821,000	\$ 31,173,000
Loans payable	200,000	250,000	7,067,149	7,736,844	7,267,149	7,986,844
Capital Leases	156,591	229,760			156,591	229,760
Total	\$30,177,591	\$31,652,760	\$ 7,067,149	\$7,736,844	\$37,244,740	\$ 39,389,604

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, 2019 was \$3,221,262,010, limiting the amount of non-excepted general obligation bonds outstanding to \$96,637,860. At June 30, 2020 bonds outstanding totaled \$29,821,000, of which \$ 3,550,000 were issued subject to the 3% debt limit and \$26,271,000 were issued pursuant to special bond acts and are not subject to the 3% debt limit. Total bonds outstanding of \$29,821,000 represent 0.93% of assessed property value. Additional information on the Town's long-term debt can be found in Note 6 on pages 61-67 of this report.

Town of Middletown, Rhode Island
Management Discussion and Analysis
For the Year Ended June 30, 2020

Economic Factors

Prior to the COVID-19 pandemic and associated business restrictions of 2020 the Town enjoyed a favorable economic environment and local indicators pointed to relative stability. Impact of the pandemic on local hospitality, restaurant and retail businesses has been significant. Following the pandemic, recovery of these sectors will depend on the lifting of restrictions, opening of attractions and events, and the return of seasonal visitors.

As early as 1743, regional economic demand factors encouraged the agricultural sector to develop. Neighboring Newport provided a viable marketplace for the Town's agricultural commodities. Wealthy merchants from Newport also viewed the Town as a desirable place to live. Its prominence as a desirable residential community was second only to its function as a regional agricultural supplier.

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

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

The Town had a 2010 U.S. Census Bureau population of 16,150, and a 2019 estimated population of 15,888. 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

Town of Middletown, Rhode Island

Management Discussion and Analysis

For the Year Ended June 30, 2020

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.

In 2019, Middletown had an annual average labor force of approximately 7,908 and an unemployment rate of approximately 3.1%. The June 2020 labor force, estimated at 6,968, and unemployment rate of 11.2% was impacted by the COVID-19 pandemic. The U.S. Navy remains the most significant public-sector employer on Aquidneck Island and still contributes significant employment opportunities in the area. The 1995 and 2005 Base Realignment and Closure Commission's (BRAC) recommendations firmly established Naval Station Newport as the nation's leading naval educational center, with a net gain of 500 positions as a result of the 2005 BRAC. The Naval Education and Training Center (NETC) currently contains twelve formal schools, including the Naval War College and the Naval Justice School, and hosts a variety of other training and planning activities and groups. The 1995 BRAC also established the Naval Undersea Warfare Center (NUWC) as the Navy's main facility for development, testing and evaluation, engineering and fleet support center for submarines, autonomous underwater systems, undersea offensive and defensive weapon systems, and countermeasures associated with undersea warfare.

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

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

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

New commercial development in Middletown has been increasing in recent years. Interest in redevelopment and expansion of existing commercial properties continues. Several recently vacated retail spaces have been renovated and have new tenants. Of note, there are currently few vacant large retail spaces in Middletown. Some of the still available retail spaces included those recently vacated by Benny's Home & Auto and a few vacant restaurants. In the past few years several 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 few years ago. Renovation of several buildings in the Atlantic Beach District have been completed, with others still in the permitting pipeline. Several other commercial projects elsewhere in town are also in various stages of development.

Residential permitting activity is strong. In the past few years a 12-lot high-end residential subdivision was completed, and two condominium developments totaling 50+ units were approved and are nearing

Town of Middletown, Rhode Island

Management Discussion and Analysis

For the Year Ended June 30, 2020

completion. Demand for these units has been strong. Several smaller subdivisions have also been approved recently, or are currently in the approval process. Over the past year, building permit activity has continued to increase.

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

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

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

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

The Town is working with regional partners on economic development initiatives, including efforts to provide affordable fiber optic broadband service to Aquidneck Island, and the recent creation of a regional economic development office, Connect Greater Newport, to serve as a one stop shop and point of contact for prospective businesses and existing businesses looking to expand in the area. The Newport County Chamber of Commerce, in cooperation with local municipalities, businesses and non-profit organizations, have created and funded Connect Greater Newport. This effort recognizes the need to pool resources to best promote economic development for the entire region. Outreach to the local business

Town of Middletown, Rhode Island
Management Discussion and Analysis
For the Year Ended June 30, 2020

community is underway to learn about and work to address their concerns, particularly relating to recovery from the COVID-19 pandemic.

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, 2020

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and cash equivalents	\$ 17,503,047	\$ 5,792,635	\$ 23,295,682
Investments	2,380,596	—	2,380,596
Accounts receivable, less allowance for doubtful accounts of \$511,806			
Property taxes	1,144,703	—	1,144,703
Federal and state government	2,824,442	—	2,824,442
Assessments and user fees	—	1,179,229	1,179,229
Loans	100,000	—	100,000
Other	1,922,664	—	1,922,664
Prepaid expenses	17,272	—	17,272
Internal balances	(335,035)	335,035	—
Pensions	4,085,286	—	4,085,286
Noncurrent assessments and user fees	—	216,779	216,779
Capital assets not being depreciated	18,475,185	6,130,648	24,605,833
Capital assets being depreciated, net	49,117,026	19,167,116	68,284,142
Total assets	97,235,186	32,821,442	130,056,628
DEFERRED OUTFLOWS:			
Pensions	11,088,855	22,356	11,111,211
Advance refundings	274,192	—	274,192
OPEB	953,174	—	953,174
Total deferred outflows	12,316,221	22,356	12,338,577

The accompanying notes are an integral part of this statement

Town of Middletown, Rhode Island

Statement of Net Position

June 30, 2020

	Governmental Activities	Business-Type Activities	Total
LIABILITIES:			
Accounts payable and accrued expenses	4,221,087	1,445,364	5,666,451
Unearned revenue	107,701	—	107,701
Payables to external parties	402,750		402,750
Pensions	39,116,294	197,345	39,313,639
OPEB	12,483,463		12,483,463
Long-term obligations:			
Due within one year	2,986,892	1,222,817	4,209,709
Due in more than one year	31,674,919	6,442,332	38,117,251
 Total liabilities	 90,993,106	 9,307,858	 100,300,964
 DEFERRED INFLOWS:			
Pensions	5,163,825	46,867	5,210,692
OPEB	5,166,201	—	5,166,201
 Total deferred inflows	 10,330,026	 46,867	 10,376,893
 NET POSITION:			
Net investment in capital assets	38,615,165	18,023,690	56,638,855
Restricted for:			
Prepaid items	16,272	—	16,272
Long-term loans receivable	100,000	—	100,000
Perpetual care	138,670	—	138,670
Principal of endowments	59,987	—	59,987
Other receivables	203	—	203
Public safety	32,234	—	32,234
Public works	3,520	—	3,520
Community services	1,108	—	1,108
Education	642,958	—	642,958
School construction	918,120	—	918,120
Unrestricted	(32,299,962)	5,465,383	(26,834,579)
 Total net position	 \$ 8,228,275	 \$ 23,489,073	 \$ 31,717,348

The accompanying notes are an integral part of this statement

Town of Middletown, Rhode Island
Statement of Activities
For the Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contribution	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 3,823,342	\$ 1,077,187	\$ 421,937	\$ —	\$ (2,324,218)	\$ —	\$ (2,324,218)
Public safety	15,501,074	2,302,466	203,258	146,667	(12,848,683)	—	(12,848,683)
Public works and sanitation	3,238,527	182,705	36,732	—	(3,019,090)	—	(3,019,090)
Planning and inspection	764,923	827,341	—	95,987	158,405	—	158,405
Library	846,844	9,051	166,144	—	(671,649)	—	(671,649)
Education	40,915,327	662,307	12,172,294	—	(28,080,726)	—	(28,080,726)
Community services	757,946	—	447,944	—	(310,002)	—	(310,002)
Interest on long-term debt	1,064,245	—	—	—	(1,064,245)	—	(1,064,245)
Total governmental activities	<u>66,912,228</u>	<u>5,061,057</u>	<u>13,448,309</u>	<u>242,654</u>	<u>(48,160,208)</u>	<u>—</u>	<u>(48,160,208)</u>
Business-Type activities:							
Sewer	4,898,928	5,990,227	44,500	—	—	1,135,799	1,135,799
Parks and recreation	1,836,603	2,315,618	—	300,000	—	779,015	779,015
Refuse and recycle	1,004,397	1,105,292	—	—	—	100,895	100,895
Total business-type activities	<u>7,739,928</u>	<u>9,411,137</u>	<u>44,500</u>	<u>300,000</u>	<u>—</u>	<u>2,015,709</u>	<u>2,015,709</u>
Total	<u>\$74,652,156</u>	<u>\$ 14,472,194</u>	<u>\$ 13,492,809</u>	<u>\$ 542,654</u>	<u>\$ (48,160,208)</u>	<u>\$ 2,015,709</u>	<u>\$ (46,144,499)</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, 2020

	Governmental Activities	Business-Type Activities	Total
General revenues:			
Property taxes	\$ 47,565,869	\$ —	\$ 47,565,869
Grants and contributions not restricted to specific programs	2,138,195	—	2,138,195
Investment earnings	111,105	18,945	130,050
Miscellaneous	289,617	—	289,617
Transfers	<u>(564,225)</u>	<u>564,225</u>	<u>—</u>
 Total general revenues and transfers	 <u>49,540,561</u>	 <u>583,170</u>	 <u>50,123,731</u>
 Change in net position	 <u>1,380,353</u>	 <u>2,598,879</u>	 <u>3,979,232</u>
 Net position, beginning of year:	 <u>6,847,922</u>	 <u>20,890,194</u>	 <u>27,738,116</u>
 Net position, end of year	 <u><u>\$ 8,228,275</u></u>	 <u><u>\$ 23,489,073</u></u>	 <u><u>\$ 31,717,348</u></u>

The accompanying notes are an integral part of this statement

Town of Middletown, Rhode Island
Governmental Funds
Balance Sheet
June 30, 2020

	General Fund	School Department	Capital Project Funds	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 10,702,550	\$ 1,015,628	\$ 4,792,323	\$ 992,546	\$ 17,503,047
Investments	2,380,596	—	—	—	2,380,596
Accounts receivable, less allowance for doubtful accounts of \$497,045					
Property taxes	1,144,703	—	—	—	1,144,703
Federal and state government	590,766	431,195	—	1,802,481	2,824,442
Loans				100,000	100,000
Other	340,462	952,968	609,692	19,542	1,922,664
Prepaid expenses	16,272	—	—	1,000	17,272
Due from other funds	1,100,484	2,173,054	—	1,090,338	4,363,876
Due from external parties					—
Total assets	<u>16,275,833</u>	<u>4,572,845</u>	<u>5,402,015</u>	<u>4,005,907</u>	<u>30,256,600</u>
Liabilities:					
Accounts payable and accrued expenses	621,863	1,299,047	1,044,236	156,940	3,122,086
Accrued payroll	493,758	137,172	—	—	630,930
Accrued compensated absences	3,111	—	—	—	3,111
Due to other funds	911,983	845,857	945,333	1,995,738	4,698,911
Due to external parties	232,980	169,770	—	—	402,750
Total liabilities	<u>2,263,695</u>	<u>2,451,846</u>	<u>1,989,569</u>	<u>2,152,678</u>	<u>8,857,788</u>
Deferred inflows of resources:					
Unearned revenue	1,156,450	—	—	17,609	1,174,059
Total deferred inflows of resources	<u>1,156,450</u>	<u>—</u>	<u>—</u>	<u>17,609</u>	<u>1,174,059</u>
Fund balances:					
Nonspendable	16,272	—	—	297,481	313,753
Restricted	—	—	3,412,446	771,149	4,183,595
Committed	4,652,448	578,682	—	—	5,231,130
Assigned	679,142	1,542,317	—	766,990	2,988,449
Unassigned	7,507,826	—	—	—	7,507,826
Total fund balances	<u>12,855,688</u>	<u>2,120,999</u>	<u>3,412,446</u>	<u>1,835,620</u>	<u>20,224,753</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 16,275,833</u>	<u>\$ 4,572,845</u>	<u>\$ 5,402,015</u>	<u>\$ 4,005,907</u>	<u>\$ 30,256,600</u>

The accompanying notes are an integral part of this statement

Town of Middletown, Rhode Island
Reconciliation of the Governmental Funds Balance Sheet Total
Fund Balances to the Statement of Net Position
June 30, 2020

Total fund balances for governmental funds	\$	20,224,753
Assets used in governmental activities which are not financial resources and therefore are not reported in the funds:		
Capital assets, net	67,592,211	
Pension asset	<u>4,085,286</u>	71,677,497
Deferred outflows:		
Pensions	11,088,855	
OPEB	953,174	
Advanced refundings	<u>274,192</u>	12,316,221
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.		1,066,358
Liabilities not due and payable in the current period which therefore are not reported in the funds:		
OPEB liability	(12,483,463)	
Pension liability	(39,116,294)	
Bonds payable	(30,767,506)	
Loans payable	(200,000)	
Capital leases	(156,591)	
Claims and judgments	(317,972)	
Unearned revenue	(444,150)	
Compensated absences payable	(2,775,592)	
Accrued interest	<u>(464,960)</u>	<u>(86,726,528)</u>
Deferred inflows:		
Pensions	(5,163,825)	
OPEB	<u>(5,166,201)</u>	<u>(10,330,026)</u>
Net position of governmental activities	\$	<u><u>8,228,275</u></u>

The accompanying notes are an integral part of this statement

Town of Middletown, Rhode Island
Governmental Funds
Statement of Revenue, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2020

	General Fund	School Department	Capital Project Funds	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 47,256,956	\$ —	\$ —	\$ —	\$ 47,256,956
Intergovernmental	3,060,540	8,644,620	—	3,612,441	15,317,601
Licenses, permits and fees	2,202,429	24,715	—	539,004	2,766,148
Interest and investment income	36,618	6,015	67,293	1,179	111,105
State contribution to teachers' pension plan	—	1,634,774	—	—	1,634,774
Other revenues	1,037,785	89,078	—	424,818	1,551,681
Total revenues	<u>53,594,328</u>	<u>10,399,202</u>	<u>67,293</u>	<u>4,577,442</u>	<u>68,638,265</u>
Expenditures:					
General government	3,089,072	—	9,000	—	3,098,072
Public safety	9,806,342	—	—	—	9,806,342
Public works	1,698,003	—	—	76,861	1,774,864
Planning and inspection	664,931	—	—	—	664,931
Library	746,175	—	—	—	746,175
Education	—	37,639,716	—	2,566,825	40,206,541
Community services	412,563	—	13,222	128,198	553,983
Other expenditures	5,129,584	—	—	—	5,129,584
Grants	210,813	—	—	—	210,813
Capital outlay	1,370,612	27,215	4,564,749	1,040,497	7,003,073
Principal	2,700,169	—	—	—	2,700,169
Interest	1,000,857	—	—	—	1,000,857
Total expenditures	<u>26,829,121</u>	<u>37,666,931</u>	<u>4,586,971</u>	<u>3,812,381</u>	<u>72,895,404</u>
Excess (deficiency) of revenues over expenditures	26,765,207	(27,267,729)	(4,519,678)	765,061	(4,257,139)
Other financing sources (uses):					
Bond proceeds	—	—	1,225,000	—	1,225,000
Capital lease proceeds	—	—	—	—	—
Insurance Proceeds	—	—	—	—	—
Bond issuance expenses	—	—	—	—	—
Transfers from other funds	1,385,087	26,510,694	472,380	910,237	29,278,398
Transfers to other funds	(27,883,342)	—	(96,878)	(1,862,403)	(29,842,623)
Total other financing sources (uses)	<u>(26,498,255)</u>	<u>26,510,694</u>	<u>1,600,502</u>	<u>(952,166)</u>	<u>660,775</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	266,952	(757,035)	(2,919,176)	(187,105)	(3,596,364)
Fund balances, beginning of year, as restated	<u>12,588,736</u>	<u>2,878,034</u>	<u>6,331,622</u>	<u>2,022,725</u>	<u>23,821,117</u>
Fund balances, end of year	<u>\$ 12,855,688</u>	<u>\$ 2,120,999</u>	<u>\$ 3,412,446</u>	<u>\$ 1,835,620</u>	<u>\$ 20,224,753</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, 2020*

Net change in fund balances for governmental funds		\$ (3,596,364)
<p>Governmental funds report capital outlays as expenditures; however, in the statement of activities these costs are allocated over the life of the related debt and reported as depreciation expense.</p>		
Capital outlays, including amounts charged to current expenditures	6,804,748	
Depreciation expense	<u>(3,845,999)</u>	2,958,749
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		1,808,266
Change in pension asset is recorded in the statement of activities, but not in the governmental funds		(1,589,725)
Change in pension liability is recorded in the statement of activities, but not in the governmental funds		(2,819,567)
Change in pension deferred inflows/outflows is recorded in the statement of activities, but not in the governmental funds		(414,576)
Change in OPEB liability is recorded in the statement of activities, but not in the governmental funds		4,209,607
Change in OPEB deferred inflows/outflows is recorded in the statement of activities, but not in the governmental funds		(622,384)
<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	2,700,169	
Bond proceeds	(1,225,000)	
Amortization of:		
Deferred outflows on advance refunding	(58,761)	
Bond premiums	<u>115,492</u>	1,531,900
<p>Some expenditures not requiring the use of current financial resources in governmental funds are recorded in the statement of activities:</p>		
Claims and judgments	2,548	
Unearned revenue	49,350	
Accrued compensated absences	<u>(17,332)</u>	34,566
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>(120,119)</u>
Change in net position of governmental activities		<u><u>\$ 1,380,353</u></u>

The accompanying notes are an integral part of this statement

Town of Middletown, Rhode Island
Enterprise Funds
Statement of Net Position
June 30, 2020

	Sewer Fund	Parks and Recreation Fund	Refuse and Recycle Fund	Total
ASSETS:				
Current assets:				
Cash and cash equivalents	\$ 3,472,877	\$ 1,699,230	\$ 620,528	\$ 5,792,635
Accounts receivable, assessments and user fees	774,480	302,936	101,813	1,179,229
Due from other funds	22,497	250,321	68,431	341,249
Total current assets	<u>4,269,854</u>	<u>2,252,487</u>	<u>790,772</u>	<u>7,313,113</u>
Noncurrent assets:				
Assessments and user fees receivable, less current portion	216,779	—	—	216,779
Capital assets not being depreciated	2,900,740	3,229,908	—	6,130,648
Capital assets being depreciated, net	17,375,340	1,791,776	—	19,167,116
Total assets	<u>24,762,713</u>	<u>7,274,171</u>	<u>790,772</u>	<u>32,827,656</u>
DEFERRED OUTFLOWS:				
Pension	22,356	—	—	22,356
Total deferred outflows	<u>22,356</u>	<u>—</u>	<u>—</u>	<u>22,356</u>
LIABILITIES:				
Current liabilities:				
Accounts payable and accrued expenses	1,023,337	122,413	74,565	1,220,315
Due to other funds	6,214	—	—	6,214
Accrued payroll	19,810	129,821	1,562	151,193
Accrued compensated absences	32,389	34,107	7,360	73,856
Current portion of loans payable	1,222,817	—	—	1,222,817
Total current liabilities	<u>2,304,567</u>	<u>286,341</u>	<u>83,487</u>	<u>2,674,395</u>
Noncurrent liabilities:				
Pension	197,345	—	—	197,345
Noncurrent liabilities, loans payable, net of current portion	6,442,332	—	—	6,442,332
Total noncurrent liabilities:	<u>6,639,677</u>	<u>—</u>	<u>—</u>	<u>6,639,677</u>
Total liabilities	<u>8,944,244</u>	<u>286,341</u>	<u>83,487</u>	<u>9,314,072</u>
DEFERRED INFLOWS:				
Pension	46,867	—	—	46,867
Total deferred inflows	<u>46,867</u>	<u>—</u>	<u>—</u>	<u>46,867</u>
NET POSITION:				
Net investment in capital assets	13,045,403	4,978,287	—	18,023,690
Unrestricted	2,748,555	2,009,543	707,285	5,465,383
Total net position	<u>\$ 15,793,958</u>	<u>\$ 6,987,830</u>	<u>\$ 707,285</u>	<u>\$ 23,489,073</u>

The accompanying notes are an integral part of this statement

Town of Middletown, Rhode Island

Enterprise Funds

Statement of Revenues, Expenses and Changes in Net Position

For the Year Ended June 30, 2020

	Sewer Fund	Parks and Recreation Fund	Refuse and Recycle Fund	Total
Operating revenues:				
Assessments and user fees	\$ 5,975,588	\$ —	\$ 1,096,066	\$ 7,071,654
Beach admittance and rental fees	—	2,158,073	—	2,158,073
Campground admittance and rental fees	—	122,404	—	122,404
Other revenues	14,639	35,141	9,226	59,006
Total operating revenues	5,990,227	2,315,618	1,105,292	9,411,137
Operating expenses:				
Salaries and benefits	634,586		54,689	689,275
Materials and supplies	18,240	—	85,447	103,687
Professional services	252,761	—	4,435	257,196
Repairs and maintenance	1,498,659	—	—	1,498,659
Utilities	249,996	—	—	249,996
Sewage disposal	1,623,296	—	—	1,623,296
Refuse disposal	—	—	859,826	859,826
Beaches	—	817,746	—	817,746
Lifeguards	—	283,500	—	283,500
Harbormaster	—	30,051	—	30,051
Security	—	87,899	—	87,899
Campground	—	29,841	—	29,841
Parks and recreation	—	217,516	—	217,516
Civic appropriations	—	94,250	—	94,250
Miscellaneous	15,435	92,177	—	107,612
Depreciation	634,112	183,623	—	817,735
Total operating expenses	4,927,085	1,836,603	1,004,397	7,768,085
Operating income (loss)	1,063,142	479,015	100,895	1,643,052
Nonoperating revenues (expenses):				
Interest revenue	12,207	4,821	1,917	18,945
Grant revenue	44,500	300,000	—	344,500
Environmental remediation	168,418	—	—	168,418
Interest expense	(140,261)	—	—	(140,261)
Total nonoperating revenues (expenses)	84,864	304,821	1,917	391,602
Income (loss) before transfers	1,148,006	783,836	102,812	2,034,654
Transfers from other funds	221,054	343,171	—	564,225
Change in net position	1,369,060	1,127,007	102,812	2,598,879
Net position, beginning of year	14,424,898	5,860,823	604,473	20,890,194
Net position, end of year	\$ 15,793,958	\$ 6,987,830	\$ 707,285	\$ 23,489,073

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, 2020

	Sewer Fund	Parks and Recreation Fund	Refuse and Recycle Fund	Total
Cash flows from operating activities:				
Cash received from customers	\$ 6,018,354	\$ 1,989,539	\$ 1,063,401	\$ 9,071,294
Cash received from other sources	14,639	35,141	9,226	59,006
Cash paid to employees	(640,156)	(997,278)	(54,158)	(1,691,592)
Cash paid to suppliers	(5,372,565)	(476,103)	(951,582)	(6,800,250)
Cash paid to civic groups	—	(94,250)	—	(94,250)
Net cash provided by (used in) operating activities	20,272	457,049	66,887	544,208
Cash flows from noncapital financing activities:				
Interfund balances	3,323,178	(634,730)	(101,449)	2,586,999
Environmental remediation	(52,818)	—	—	(52,818)
Net cash provided by (used in) noncapital financing activities	3,270,360	(634,730)	(101,449)	2,534,181
Cash flows from capital and related financing activities:				
Transfers from other funds	221,054	—	—	221,054
Capital contributions	39,361	—	—	39,361
Proceeds from borrowings	551,548	—	—	551,548
Acquisition and construction of fixed assets	(82,125)	(693,351)	—	(775,476)
Interfund balances	—	343,171	—	343,171
Capital grants	—	300,000	—	300,000
Principal paid on bonds and notes	(1,176,743)	—	—	(1,176,743)
Issuance costs paid for bonds	—	—	—	—
Interest paid on bonds and notes	(147,320)	—	—	(147,320)
Net cash used in capital and related financing activities	(594,225)	(50,180)	—	(644,405)
Cash provided by investing activities:				
Interest received	12,207	4,821	1,917	18,945
Net cash provided by investing activities	12,207	4,821	1,917	18,945
Net increase (decrease) in cash and cash equivalents	2,708,614	(223,040)	(32,645)	2,452,929
Cash and cash equivalents, beginning of year	764,263	1,922,270	653,173	3,339,706
Cash and cash equivalents, end of year	\$ 3,472,877	\$ 1,699,230	\$ 620,528	\$ 5,792,635

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, 2020

	<u>Sewer Fund</u>	<u>Parks and Recreation Fund</u>	<u>Refuse and Recycle Fund</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 1,063,142	\$ 479,015	\$ 100,895	\$ 1,643,052
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	634,112	183,623	—	817,735
Changes in assets and liabilities:				
Increase in:				
Accounts receivable	—	(290,938)	—	(290,938)
Accounts payable and accrued	—	45,648		45,648
Accrued payroll	—	38,146	263	38,409
Accrued compensated absences	569	1,555	268	2,392
Decrease in:				
Accounts receivable	42,766	—	(32,665)	10,101
Deferred outflows, pension	—			—
Accounts payable and accrued	(1,714,178)	—	(1,874)	(1,716,052)
Accrued payroll	(6,139)			(6,139)
Net cash provided by (used in) operating activities	<u>\$ 20,272</u>	<u>\$ 457,049</u>	<u>\$ 66,887</u>	<u>\$ 544,208</u>
Supplemental disclosures, noncash capital and related financing activities:				
Principal debt forgiveness federal grant paid from loan proceeds held by State of Rhode Island	<u>\$ 44,500</u>			

The accompanying notes are an integral part of this statement

Town of Middletown, Rhode Island
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2020

	<u>Employee Benefit Trust Funds</u>	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
ASSETS:			
Cash and cash equivalents	\$ 186,778	\$ 24,384	\$ 58,572
Investments:			
Mutual funds	62,377,718	145,449	—
Group annuity	7,304,886	—	—
Money market funds	2,836,462	—	—
Due from External Parties	—	58,657	344,093
Total assets	<u>72,705,844</u>	<u>228,490</u>	<u>402,665</u>
LIABILITIES:			
Accounts payable	69,301	20,100	3,239
Due to external parties	—	—	18,956
Deposits held in custody for others	—	—	331,665
Total liabilities	<u>69,301</u>	<u>20,100</u>	<u>353,860</u>
NET POSITION:			
Restricted for pension benefits	57,320,204		
Restricted for OPEB benefits	15,316,339		
Restricted for private purposes		62,941	
Total net position	<u>72,636,543</u>	<u>208,390</u>	<u>48,805</u>
Total liabilities and net position	<u>\$ 72,705,844</u>	<u>\$ 228,490</u>	<u>\$ 402,665</u>

The accompanying notes are an integral part of this statement

Town of Middletown, Rhode Island
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2020

	Employee Benefit Trust Funds	Private Purpose Trust Funds
Additions to net position:		
Contributions:		
Employer	\$ 4,633,307	\$ —
Plan members	67,915	—
Other revenue	—	13,825
	<u>4,701,222</u>	<u>13,825</u>
Investment income, net:		
Interest income	1,931,783	19
Net appreciation in fair value of investments	<u>(55,183)</u>	<u>—</u>
	<u>1,876,600</u>	<u>19</u>
Total additions	<u>6,577,822</u>	<u>13,844</u>
Deductions from net position:		
Net decrease in fair value of investments		
Benefits	6,502,168	
Investment expenses	239,220	
Scholarships	—	44,015
Total deductions	<u>6,741,388</u>	<u>44,015</u>
Change in net position	(163,566)	(30,171)
Net position, beginning of year	<u>72,800,109</u>	<u>238,561</u>
Net position, end of year	<u>\$ 72,636,543</u>	<u>\$ 208,390</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, 2020

1. Summary of significant accounting policies

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

Financial reporting entity:

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

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

In evaluating the inclusion of other separate and distinct legal entities as component units within its financial reporting structure, the Town applied the criteria prescribed by Governmental Accounting Standards Board (GASB) Statement No. 14, as amended by GASB Statement Nos. 39 and 61. A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable or for which the nature and significance of its relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Through the application of GASB criteria, the Town has identified no component units.

Basic Financial Statements - Government-wide financial statements:

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

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2020

1. Summary of significant accounting policies (continued):

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

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

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

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

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

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

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

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2020

1. Summary of significant accounting policies (continued):

Fund financial statements:

Fund financial statements of the Town are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds, each displayed in a separate column. A fund is considered major if it is the primary operating fund of the Town or meets both of the following criteria:

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

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

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

Governmental funds:

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

The Town uses the following governmental funds:

General Fund:

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

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2020

1. Summary of significant accounting policies (continued):

Fund financial statements (continued):

Special revenue funds:

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

Capital projects funds:

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

Permanent funds:

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

Proprietary funds:

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

Fiduciary funds:

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

Pension trusts:

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

Other postemployment benefits (OPEB) trust:

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

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2020

1. Summary of significant accounting policies (continued):

Fund financial statements (continued):

Fiduciary funds:

Private purpose trust:

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

Agency:

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

Measurement focus and basis of accounting:

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

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

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

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2020

1. Summary of significant accounting policies (continued):

Measurement focus and basis of accounting(continued):

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

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

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Sewer Fund, the Parks and Recreation Fund, and the Refuse and Recycling Fund, are charges to customers for program fees and services. Operating expenses for the proprietary funds include the cost of programs and services, administrative expenses and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2020

1. Summary of significant accounting policies (continued):

Cash and cash equivalents:

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

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

Investments:

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

Interfund transactions:

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

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

Capital assets:

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

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2020

1. Summary of significant accounting policies (continued):

Capital assets (continued):

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

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

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

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

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

Bond issuance costs:

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

Compensated absences:

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

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2020

1. Summary of significant accounting policies (continued):

Compensated absences (continued):

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

Long-term obligations:

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

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

Net position/fund balances:

Government-wide financial statements:

Net position:

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

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

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

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

Governmental fund financial statements:

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

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

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2020

1. Summary of significant accounting policies (continued):

Net position/fund balances (continued):

Governmental fund financial statements (continued):

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

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

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

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

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

Unassigned – amounts available for any purpose

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

Property taxes:

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

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

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2020

1. Summary of significant accounting policies (continued):

Deferred inflows and outflows of resources:

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

Intergovernmental revenues:

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

Pensions

Employees' Retirement System plan (ERS)

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Employees' Retirement System plan (ERS) and the additions to/deductions from ERS' fiduciary net position have been determined on the same basis as they are reported by ERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Municipal Employees' Retirement System (MERS) of Rhode Island

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

Teachers' Survivors Benefit plan (TSB)

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers' Survivors Benefit plan (TSB) and the additions to/deductions from TSB fiduciary net position have been determined on the same basis as they are reported by TSB. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2020

1. Summary of significant accounting policies (continued):

Use of estimates:

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

Recent accounting pronouncements:

During the fiscal year June 30, 2020, the Town of Middletown has adopted the following new accounting standards issued by GASB:

Statement No. 95, "Postponement of the Effective Dates of Certain Authoritative Guidance". GASB Statement No. 95 was effective immediately and postponed the effective dates of certain GASB Statements and Implementation Guides for one year from their respective original effective dates to provide relief to governments and other stakeholders in light of the COVID-19 pandemic. The adoption of this Statement provided for early adoption of any of the postponed GASB Statements and Implementation Guides.

The effective dates of certain provisions in the following pronouncements are postponed by one year:

- Statement No. 83, "Certain Asset Retirement Obligations"
- Statement No. 84, "Fiduciary Activities"
- Statement No. 88, "Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements" *

- Statement No. 90, "Majority Equity Interest"
- Statement No. 91, "Conduit Debt Obligations"
- Statement No. 92, "Omnibus 2020"
- Statement No. 93, "Replacement of Interbank Offered Rates"

*This pronouncement was adopted by the Town of Middletown as of June 30, 2019.

Recently issued accounting pronouncements not yet effective:

The Town of Middletown is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following GASB Statements:

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2020

1. Summary of significant accounting policies (continued):

Recently issued accounting pronouncements not yet effective (continued):

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

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

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

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2020

1. Summary of significant accounting policies (continued):

Recently issued accounting pronouncements not yet effective (continued):

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

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

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

A conduit debt obligation is defined as a debt instrument having *all* of the following characteristics: (a) There are at least three parties involved: (1) an issuer, (2) a third-party obligor and (3) a debt holder or a debt trustee; (b) The issuer and the third party obligor are not within the same financial reporting entity; (c) The debt obligation is not a parity bond of the issuer, not is it cross-collateralized with other debt of the issuer; (d) The third party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuances; and (e) The third party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments.) This Statement also addresses arrangements-often characterized as leases-that are associated with conduit debt obligations. The Town of Middletown, Rhode Island is in the process of evaluating this statement and will evaluate the impact prior to the required implementation of FY22.

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2020

1. Summary of significant accounting policies (continued):
Recently issued accounting pronouncements not yet effective (continued):

Statement No. 92, “Omnibus 2020”. GASB Statement No. 92 addresses a variety of topics including, among other things, Leases, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, Fiduciary Activities, Measurement of liabilities related to AROs. The impact of this standard will be evaluated by the Town of Middletown, Rhode Island’s management for fiscal year ending June 30, 2022.

Statement No. 93, “Replacement of Interbank Offered Rates”. GASB Statement No. 93 assists state and local governments in the transition away from existing interbank offered rates (IBOR) to other reference rates because of global reference rate reform, wherein the London Interbank Offered Rate (LIBOR) is expected to cease to exist in its current form at the end of 2021. The objective of this Statement is to address implications that result from the replacement of an IBOR in Statement No. 53, Accounting and Financial Reporting for Derivative Instruments and Statement No. 87, Leases and other accounting and financial reporting implications. The impact of this standard will be evaluated by the Town of Middletown, Rhode Island’s management for fiscal year ending June 30, 2022.

Statement No. 94, “Public-Private and Public-Public Partnerships and Availability Payment Arrangements”. GASB Statement No. 94 establishes standards of accounting and financial reporting for Public-Private and Public-Public Partnerships (PPPs) and Availability Payment Arrangements (APAs). The impact of this standard will be evaluated by the Town of Middletown, Rhode Island’s management for fiscal year ending June 30, 2023.

Statement No. 96, “Subscription-Based Information Technology Arrangements”. GASB Statement No. 96 establishes standards of accounting and financial reporting for subscription-based information technology (SBITAs) for government end users. Under this Statement, a government generally should recognize a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability. The impact of this standard will be evaluated by the Town of Middletown, Rhode Island’s management for fiscal year ending June 30, 2022.

Statement No. 97, "Certain Component Unit Criteria, and Accounting and Financial Reporting for internal Revenue Code Section 457 Deferred Compensation Plans - an Amendment of GFA SB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32". The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other post employment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2020

1. Summary of significant accounting policies (continued):

Recently issued accounting pronouncements not yet effective (continued):

(3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The impact of this standard will be evaluated by the Town of Middletown, Rhode Island's management for fiscal year ending June 30, 2021.

2. Fund balances:

At June 30, 2020, 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, 2020, 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, 2020, the carrying amount of the Town's deposits, including \$758,983 of cash equivalents, was \$23,378,641 and the bank balance was \$23,554,406. Of the bank balance, \$508,983 was uninsured and uncollateralized; \$23,045,423 was insured and collateralized.

At June 30, 2020, deposits are categorized as follows:

	Insured/ collateralized in Town's name	Total bank balance	Carrying amount
Deposits:			
Demand deposits	\$ 22,795,423	\$ 22,795,423	\$ 22,619,658
Money market	250,000	758,983	758,983
	\$ 23,045,423	\$ 23,554,406	\$ 23,378,641

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

	Carrying amount	Maturities	Rating
Certificates of deposit (governmental funds)	\$2,380,596	7/22/20 to 2/18/21	Not rated
Certificates of deposit (fiduciary funds)	18,764	10/12/20 to 5/25/21	Not rated
Mutual funds (fiduciary funds)	126,684	Not applicable	Not rated
	\$2,526,044		

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2020

3. Deposits and investments:

Investments (continued):

The fair value of the Town's pension investment account (Managed Funds) as of October 31, 2020 was \$49,959,795, which represents a -12.92% decrease in value since June 30, 2020. The fair value of the Town's OPEB investment account (Managed Funds) as of October 31, 2020 was \$16,587,984, which represents a 8.19% increase in value since June 30, 2020. 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.

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2020

3. Deposits and investments:

Investments (continued):

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.

As of June 30, 2020, the following pension investments represent 5% or more of the Town Plan's net assets:

Robeco All Cap Value Instl	\$	5,486,417
T Rowe Price Blue Chip Growth I		6,299,003
Schwab US Broad Market ETF		5,837,779
Baird Aggregate Bond Inst		3,691,342
TCW Core Fixed-Income I		3,164,664
Vanguard Bd Index fD Inc		8,820,161

As of June 30, 2020, the following OPEB investments represent 5% or more of the Town OPEB Plan's net assets:

Dreyfus Govt Cash Mgmt Inst'l #289	\$	836,804
Robeco All Cap Value Intl		1,396,758
T Rowe Prince Blue Chip Growth I		1,438,306
Dodge & Cox Intl Stock Fd #1048		859,268
Lazard International Strat EQ Instl		817,869
Ishares Core MSCI Total Intl Stk		983,323
Schwab US Broad Market ETF		3,024,025
Baird Aggregate Bond Inst		1,822,972
Blackrock Inflation Protected Bond I		808,338
TCW Core Fixed-Income I		1,175,466

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2020

3. Deposits and investments:

Investments (continued):

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.

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

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

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

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

	Level 1	Level 2	Level 3	Total
Equity Mutual Funds	\$ 40,653,098	\$ —	\$ —	\$ 40,653,098
Fixed Income Mutual Funds	21,724,620	—	—	21,724,620
Investment Contract	7,304,887	—	—	7,304,887
Certificates of Deposits	2,380,596	—	—	2,380,596
Money Market	3,023,240	—	—	3,023,240
Other Mutual Funds	126,684	—	—	126,684
Total Investments by fair value level	<u>\$ 75,213,125</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 75,213,125</u>

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2020

4. Interfund transactions

Interfund receivables and payables at June 30, 2020 are as follows:

Receivable Fund	Payable Fund	Amount
Due to/from:		
Governmental funds:		
General Fund	Governmental funds:	
	Non-major funds	\$ 148,937
	Town Capital Projects Fund	945,333
	Sewer Fund	6,214
		1,100,484
School Department	Agency Funds	2,173,054
		2,173,054
Non-major governmental funds	Governmental funds, General School Department	593,231 497,107
		1,090,338
Enterprise funds:		
Parks and Recreation Fund	Governmental funds, General Fund	250,321
Refuse and Recycling Fund	Governmental funds, General Fund	68,431
Sewer Fund	Governmental funds, Non- major funds	22,497
		341,249
Agency Funds	Governmental funds, General Fund	232,980
		\$ 4,938,105

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2020

Operating transfers between funds for the year ended June 30, 2020 were as follows:

Transfer to Fund	Transfer from Fund	Amount
Governmental funds:		
General Fund	Governmental funds:	
	Non-major funds	\$ 1,288,209
	Town Capital Projects Fund	96,878
		1,385,087
School Department	Governmental funds, General Fund	26,510,694
	Non-major funds	870,841
Non-major Governmental	Governmental funds, General Fund	39,396
Town Capital Projects Fund	Governmental funds, General Fund	472,380
Enterprise funds:		
Parks & Recreation Fund	Governmental funds, General Fund	564,225
		\$ 29,842,623

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2020

5. Capital assets:

Capital asset activity for the year ended June 30, 2020 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 9,092,536	\$ —	\$ —	\$ 9,092,536
Construction in progress:				
Infrastructure	6,130,456	3,339,616	87,423	9,382,649
Total capital assets not being depreciated	<u>15,222,992</u>	<u>3,339,616</u>	<u>87,423</u>	<u>18,475,185</u>
Capital assets being depreciated:				
Infrastructure	37,783,205	—	—	37,783,205
Land improvements	7,373,792	414,425	—	7,788,217
Buildings and improvements	41,852,042	1,758,316	—	43,610,358
Furniture and equipment	10,797,372	1,206,647	123,024	11,880,995
Library books	1,657,972	15,000	—	1,672,972
Motor vehicles	7,183,877	158,167	39,774	7,302,270
Total capital assets being depreciated	<u>106,648,260</u>	<u>3,552,555</u>	<u>162,798</u>	<u>110,038,017</u>
Less accumulated depreciation for:				
Infrastructure	(20,351,253)	(838,321)	—	\$(21,189,574)
Land improvements	(3,017,707)	(350,904)	—	(3,368,611)
Buildings and improvements	(18,559,889)	(1,305,186)	—	(19,865,075)
Furniture and equipment	(8,615,490)	(865,182)	(123,024)	(9,357,648)
Library books	(1,607,975)	(19,498)	—	(1,627,473)
Motor vehicles	(5,085,476)	(466,908)	(39,774)	(5,512,610)
Total accumulated depreciation	<u>(57,237,790)</u>	<u>(3,845,999)</u>	<u>(162,798)</u>	<u>(60,920,991)</u>
Total capital assets being depreciated, net	<u>49,410,470</u>	<u>(293,444)</u>	<u>—</u>	<u>49,117,026</u>
Governmental activity capital assets, net	<u>\$ 64,633,462</u>	<u>\$ 3,046,172</u>	<u>\$ 87,423</u>	<u>\$ 67,592,211</u>

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2020

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	5,529,000	822,289	3,388,032	2,963,257
Total capital assets not being depreciated	8,696,391	822,289	3,388,032	6,130,648
Capital assets being depreciated:				
Land improvements	2,137,816	316,916	—	2,454,732
Buildings and improvements	456,943	—	—	456,943
Equipment	3,970,773	7,752	30,299	4,008,824
Sewer lines and pumps	20,232,370	3,314,995	—	23,547,365
Vehicles	198,707	—	17,365	216,072
Total capital assets being depreciated	26,996,609	3,639,663	47,664	30,588,608
Less accumulated depreciation for:				
Land improvements	(1,076,801)	(103,076)	—	(1,179,877)
Buildings and improvements	(230,384)	(14,856)	—	(245,240)
Equipment	(3,324,585)	(150,190)	(30,299)	(3,444,476)
Sewer lines and pumps	(5,888,139)	(531,303)	—	(6,419,442)
Vehicles	(131,515)	(18,309)	(17,367)	(132,457)
Total accumulated depreciation	(10,651,424)	(817,734)	(47,666)	(11,421,492)
Total capital assets being depreciated, net	16,345,185	2,821,929	95,330	19,167,116
Business-type activity capital assets, net	\$25,041,576	\$ 3,644,218	\$ 3,483,362	\$25,297,764
Depreciation was charged to functions as follows:				
Governmental activities:				
General government		\$ 267,102		
Public safety		1,057,128		
Public works and sanitation		1,100,267		
Library		79,716		
Education		1,308,599		
Community services		33,187		
		\$ 3,845,999		
Business-type activities:				
Sewer fund		\$ 634,112		
Parks and recreation fund		183,622		
		\$ 817,734		

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2020

6. Long-term obligations:

Changes in long-term obligations during the year ended June 30, 2020 were as follows:

	Balance June 30,	Additions	Retirements	Balance June 30,	Due within one year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$31,173,000	\$ 1,225,000	\$ 2,577,000	\$29,821,000	\$ 2,697,000
Deferred premiums	1,061,998	—	115,492	946,506	111,571
Total bonds payable	<u>32,234,998</u>	<u>1,225,000</u>	<u>2,692,492</u>	<u>30,767,506</u>	<u>2,808,571</u>
Loan payable	250,000	—	50,000	200,000	50,000
Capital leases	229,760	—	73,169	156,591	73,169
Claims and judgments	320,520	—	2,548	317,972	2,691
Unearned revenue, grants	493,500	—	49,350	444,150	49,350
Accrued compensated absences	2,758,260	17,332	—	2,775,592	3,111
	<u>\$36,287,038</u>	<u>\$ 1,242,332</u>	<u>\$ 2,867,559</u>	<u>\$34,661,811</u>	<u>\$ 2,986,892</u>
Business-type activities:					
Loans payable	\$ 9,240,500	\$ —	\$ 1,221,243	\$ 8,019,257	\$ 1,222,817
Less undrawn loan proceeds held by the State	(1,503,656)	—	551,548	(952,108)	—
	<u>7,736,844</u>	<u>—</u>	<u>1,772,791</u>	<u>7,067,149</u>	<u>1,222,817</u>
Environmental remediation obligation	883,000	—	285,000	598,000	—
	<u>\$ 8,619,844</u>	<u>\$ —</u>	<u>\$ 2,057,791</u>	<u>\$ 7,665,149</u>	<u>\$ 1,222,817</u>

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2020

6. Long-term obligations (continued):

General obligation bonds and loan payable:

General obligation bonds are direct obligations and pledge the full faith and credit of the Town. General obligation bonds and loan payable outstanding for governmental activities at June 30, 2020 are as follows:

Purpose	Amount of original issue	Date of issue	Interest rate	Date of maturity	Balance June 30, 2019	New issues	Retired	Balance June 30, 2020
<i>General obligation bonds:</i>								
<i>Issued Through Public Sale:</i>								
Town Refunding Bond 2010	\$ 4,885,000	5/20/10	2.00-5.00%	07/15/21	\$ 1,400,000		\$ 465,000	\$ 935,000
Road, Drainage, Sidewalks & Judgment 2011	5,000,000	2/1/11	3.0-4.25%	02/01/31	3,000,000		250,000	2,750,000
Town General Bond 14	10,120,000	2/12/14	.47%-4.00%	02/01/34	7,325,000		555,000	6,770,000
Town Refunding Bond 2016	6,300,000	6/23/16	2.00-4.00%	04/01/28	5,195,000		655,000	4,540,000
Public School Rev Bond 2017D (RIHEBC)	9,750,000	5/16/17	2.00-4.00%	04/01/37	9,010,000		380,000	8,630,000
Total general obligation bonds issued through public sale	36,055,000				25,930,000	—	2,305,000	23,625,000
<i>Issued Through Direct Borrowings:</i>								
2018 Open Space Bond (2008)	300,000	3/21/18	3.839%	02/01/23	243,000		57,000	186,000
2018 Road & Bridge (RIIB)	5,000,000	6/20/18	.10-2.50%	09/01/37	5,000,000		215,000	4,785,000
2020 Open Space (2006)	1,225,000	6/3/20	2.133%	06/30/30		1,225,000	—	1,225,000
Total general obligation bonds issued through direct borrowings	6,525,000				5,243,000	1,225,000	272,000	6,196,000
Total general obligation bonds	42,580,000				31,173,000	1,225,000	2,577,000	29,821,000
<i>Loan payable issued through direct borrowings:</i>								
Rhode Island Clean Water Finance Agency, Open Space	1,000,000	11/13/03	1.17%	09/01/23	250,000		50,000	200,000
Total	<u>\$ 43,580,000</u>				<u>\$31,423,000</u>	<u>\$1,225,000</u>	<u>\$2,627,000</u>	<u>\$ 30,021,000</u>

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2020

6. Long-term obligations (continued):

General obligation bonds and loan payable (continued):

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

Rhode Island General Law caps the amount of each municipality's general obligation bonds that may be outstanding to 3% of its assessed property values. Exceptions apply to bonds approved pursuant to special acts or financed from non-tax revenues; additional special exemptions are granted for other purposes as well. The assessed value of the Town's properties December 31, 2019 was \$3,221,262,010 limiting the amount of non-excepted general obligation bonds outstanding to \$96,637,860. At June 30, 2020, bonds outstanding totaled \$29,821,000, of which \$3,550,000 were issued subject to the 3% debt limit and \$26,271,000 were issued pursuant to special bond acts and are not subject to the 3% debt limit. Total bonds outstanding of \$29,821,000 represent 0.97% of assessed property value.

On May 28, 2020, the Town issued \$1,225,000 in open space bonds through Webster Bank with an interest rate of 2.133% for open space including athletic fields at the former drive-in theater on Aquidneck Avenue.

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%.

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2020

6. Long-term obligations (continued):

General obligation bonds and loan payable (continued):

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 June 30, 2020, the balance of the defeased debt totaled \$4,540,000.

As of June 30, 2020, 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, 2012 and 2018 loans issued through the Rhode Island Infrastructure Bank.

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

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2020

6. Long-term obligations (continued):

Loans payable for business-type activities:

Loans payable for business-type activities are as follows:

Purpose	Authorized and issued	Date of issue	Interest rate	Date of maturity	Balance, June 30, 2019	New issues	Retired	Balance, June 30, 2020
Enterprise Fund, Sewer:								
<i>Issued through Direct Borrowings:</i>								
RI Infrastructure Bank	\$ 1,000,000	11/1/01	1.88%	9/1/21	\$ 164,500	\$ —	\$ 53,243	\$ 111,257
RI Infrastructure Bank	2,500,000	12/30/04	1.30%	9/1/24	750,000	—	125,000	625,000
RI Infrastructure Bank	6,000,000	12/15/05	1.34%	9/1/26	2,400,000	—	300,000	2,100,000
RI Infrastructure Bank	2,750,000	12/21/06	1.29%-1.43%	9/1/27	1,232,000	—	138,000	1,094,000
RI Infrastructure Bank	1,500,000	6/28/12	.22%-1.83%	9/1/22	599,000	—	150,000	449,000
RI Infrastructure Bank	4,550,000	4/25/18	.39%-1.83%	9/1/27	4,095,000	—	455,000	3,640,000
	<u>\$18,300,000</u>				9,240,500	—	1,221,243	8,019,257
Less undrawn loan proceed held by the State					(1,503,656)		551,548	(952,108)
					7,736,844	—	1,772,791	7,067,149
Less current portion					(1,221,243)			(1,222,817)
					<u>\$ 6,515,601</u>			<u>\$ 5,844,332</u>

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2020

6. Long-term obligations (continued):

Capital lease obligations:

The Town has financed the acquisition of certain equipment through lease-purchase agreements. Equipment financed under capital leases has been acquired for the General Fund and the School Department (recorded in the governmental activities capital assets being depreciated). Interest expense for the year ended June 30, 2020 of \$13,216 is reported within the governmental activities, interest on long-term debt on the statement of activities.

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, 2019	New issues	Maturities	Balance, June 30, 2020
Two Ambulances	\$ 391,306	5/14/18	4.25 %	44409	\$ 229,760	\$ —	\$ 73,169	\$ 156,591
	<u>\$ 391,306</u>				<u>\$ 229,760</u>	<u>\$ —</u>	<u>\$ 73,169</u>	<u>\$ 156,591</u>

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2020

6. Long-term obligations (continued):

At June 30, 2020, scheduled annual debt service requirements for the bonds payable, loans payable and capital leases are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Governmental activities:			
<i>Total - Bonds and loans payable:</i>			
2021	\$ 2,747,000	\$ 941,053	\$ 3,688,053
2022	2,757,000	868,531	3,625,531
2023	2,295,000	795,396	3,090,396
2024	2,229,000	733,477	2,962,477
2025	2,190,000	671,538	2,861,538
2026-2030	9,570,000	2,325,773	11,895,773
2031-2035	5,976,000	954,573	6,930,573
2036-2040	2,257,000	114,048	2,371,048
	<u>\$ 30,021,000</u>	<u>\$ 7,404,389</u>	<u>\$ 37,425,389</u>

Bonds and loans payable issued through public sale:

2021	\$ 2,300,000	\$ 793,464	\$ 3,093,464
2022	2,310,000	721,864	3,031,864
2023	1,840,000	658,764	2,498,764
2024	1,830,000	607,314	2,437,314
2025	1,835,000	553,264	2,388,264
2026-2030	7,670,000	1,858,881	9,528,881
2031-2035	4,545,000	706,113	5,251,113
2036-2040	1,295,000	70,380	1,365,380
	<u>\$ 23,625,000</u>	<u>\$ 5,970,044</u>	<u>\$ 29,595,044</u>

Bonds and loans payable issued through direct borrowings:

2021	\$ 447,000	\$ 147,589	\$ 594,589
2022	447,000	146,668	593,668
2023	455,000	136,632	591,632
2024	399,000	126,163	525,163
2025	355,000	118,274	473,274
2026-2030	1,900,000	466,891	2,366,891
2031-2035	1,431,000	248,460	1,679,460
2036-2040	962,000	43,668	1,005,668
	<u>\$ 6,396,000</u>	<u>\$ 1,434,345</u>	<u>\$ 7,830,345</u>

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2020

6. Long-term obligations (continued):

Capital lease obligations:

2021	\$ 76,535	\$ 7,203	\$ 83,738
2022	80,056	3,683	83,738
	<u>\$ 156,591</u>	<u>\$ 10,886</u>	<u>\$ 167,476</u>

Business-type

Loans payable issued through direct borrowing:

2021	\$ 1,222,817	\$ 142,599	\$ 1,365,416
2022	1,224,439	120,359	1,344,798
2023	1,167,000	97,874	1,264,874
2024	1,018,000	77,078	1,095,078
2025	1,018,000	57,620	1,075,620
2026-2030	2,369,000	66,006	2,435,006
	<u>\$ 8,019,256</u>	<u>\$ 561,536</u>	<u>\$ 8,580,792</u>

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2020

7. Pension plans:

Teachers' Plan

Defined Benefit Pension Plan:

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

Plan description:

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

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

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2020

7. Pension plans (continued):

Teachers' Plan (continued):

Benefit provisions:

ERS

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

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

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

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

TSB

The plan provides a survivor benefit to public school teachers in lieu of Social Security since not all school districts participate in the plan. Specific eligibility criteria and the amount of the benefit is subject to the provisions of Chapter 16-16 of the Rhode Island General Laws which are subject to amendment by the General Assembly. Spouse, parents, family and children's benefits are payable following the death of a member.

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2020

7. Pension plans (continued):

Teachers' Plan (continued):

Defined Benefit Pension Plan (continued):

TSB (continued)

A spouse shall be entitled to benefits upon attaining the age of sixty (60) years. Children's benefits are payable to the child, including a stepchild or adopted child of a deceased member if the child is unmarried and under the age of eighteen (18) years or twenty-three (23) years and a full time student, and was dependent upon the member at the time of the member's death. Family benefits are provided if at the time of the member's death the surviving spouse has in his or her care a child of the deceased member entitled to child benefits. Parents benefits are payable to the parent or parents of a deceased member if the member did not leave a widow, widower, or child who could ever qualify for monthly benefits on the member's wages and the parent has reached the age of 60 years, has not remarried, and received support from the member.

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

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

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

Highest Annual Salary	Basic Monthly Spouse's Benefit
\$17,000 or less	\$825
\$17,001 to \$25,000	\$963
\$25,001 to \$33,000	\$1,100
\$33,001 to \$40,000	\$1,238
\$40,001 and over	\$1,375

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

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

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2020

7. Pension plans (continued):

Teachers' Plan (continued):

Defined Benefit Pension Plan (continued):

Contributions:

ERS

The funding policy, as set forth in the General Laws, Section 16-16-22, provides for actuarially determined periodic contributions to the plan. For fiscal 2020, Middletown teachers were required to contribute 3.75% of their annual covered salary, except for teachers with twenty or more years of service as of June 30, 2012 must contribute 11% of their covered salary. The state and the employer are required to contribute at an actuarially determined rate, 40% of which is to be paid by the state and the remaining 60% is to be paid by the employer. The rates were 10.49% and 14.12% of annual covered payroll for the fiscal year ended June 30, 2020 for the state and the town, respectively.

The Town contributed a total of \$2,415,589, \$2,251,715 and \$2,431,962 for the fiscal years ended June 30, 2020, 2019 and 2018, respectively, equal to 100% of the required contributions for each year.

TSB:

The contribution requirements of active employees and the participating school districts were established under Chapter 16-16 of the Rhode Island General Laws, which may be amended by the General Assembly. The cost of the benefits provided by the plan are two percent (2%) of the member's annual salary up to but not exceeding an annual salary of \$11,500; one-half (1/2) of the cost is contributed by the member by deductions from his or her salary, and the other half (1/2) is contributed and paid by the respective school district by which the member is employed. These contributions are in addition to the contributions required for regular pension benefits.

The Town contributed \$23,173, \$26,859 and \$26,580 to the TSB Plan for the fiscal years ended June 30, 2020, 2019, and 2018, 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, 2020

7. Pension plans (continued):

Teachers' Plan (continued):

Defined Benefit Pension Plan (continued):

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

ERS:

At June 30, 2020, the Town reported a liability of \$31,583,455 for its proportionate share of the net pension liability that reflected an increase in the Town's proportional share from 1.018% to .99% offset by a reduction for contributions made by the state.

The amount recognized by the Town as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the Town Teacher's Plan were as follows:

Town's proportionate share of the net pension liability	\$31,583,455
State's proportionate share of the net pension liability associated with the Town	<u>23,659,278</u>
Total net pension liability	<u><u>\$55,242,733</u></u>

The net pension liability was measured as of June 30, 2019, 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, 2018 rolled forward to June 30, 2019. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers and the state, actuarially determined. June 30, 2019 the Town's proportion was .99%.

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2020

7. Pension plans (continued):

Teachers' Plan (continued):

Defined Benefit Pension Plan (continued):

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

ERS (continued):

For the year ended June 30, 2020 the Town ERS Plan recognized gross pension expense of \$5,612,674 and revenue of \$2,624,695 for support provided by the State. At June 30, 2020, 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	\$ 384,605	\$ 527,443
Changes of assumptions	1,848,131	249,268
Net difference between projected and actual earnings on pension plan investments	—	49,698
Changes in proportion and differences between System contributions and proportionate share contributions	322,016	1,712,345
Contributions subsequent to the measurement date	2,415,589	
	\$ 4,970,341	\$ 2,538,754
Net amount of deferred outflows and (inflows) excluding Town contributions subsequent to measurement date		\$ 15,998

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2020

7. Pension plans (continued):

Teachers' Plan (continued):

Defined Benefit Pension Plan (continued):

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

ERS (continued):

\$ 2,415,589 reported as deferred outflows of resources related to pensions resulting from the Town ERS contributions in fiscal year 2020 subsequent to the measurement date will be recognized as a reduction of the net pension liability for the fiscal year ended June 30, 2021. 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	
2021	\$ 123,449
2022	\$ (424,136)
2023	\$ 101,956
2024	\$ 290,709
2025	\$ 35,913
Thereafter	\$ (111,893)
	<u>\$ 15,998</u>

TSB

At June 30, 2020, the Town reported an asset of \$3,187,669 for its proportionate share of the net pension asset related to its participation in TSB. The net pension asset was measured as of June 30, 2019, 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, 2018, rolled forward to 2019. The Town's proportion of the net pension asset was based on its share of contributions to the TSB for fiscal year 2019 relative to the total contributions of all participating employers for that fiscal year. At June 30, 2019, the Town's proportion was 3.601%.

For the year ended June 30, 2020 the Town's TSB Plan recognized pension expense of \$(10,162) – an increase in the net pension asset. At June 30, 2020 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, 2020

7. Pension plans (continued):

Teachers' Plan (continued):

Defined Benefit Pension Plan:

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

TSB (continued):

Description of Outflows/Inflows	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 445,203	\$ 1,084,974
Changes of assumptions	355,971	
Net difference between projected and actual earnings on pension plan investments	—	40,230
Changes in proportion and differences between System contributions and proportionate share contributions	129,398	106,245
Contributions subsequent to the measurement date	23,173	—
	\$ 953,745	\$ 1,231,449
Net amount of deferred outflows and (inflows) excluding Town contributions subsequent to measurement date		\$ (300,877)

The deferred outflows of resources related to pensions resulting from the Town's TSB contributions in the amount of \$23,173 in fiscal year 2020 subsequent to the measurement date will be recognized as an addition to the net pension asset for the fiscal year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2020

7. Pension plans (continued):

Teachers' Plan (continued):

Defined Benefit Pension Plan:

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

TSB (continued):

Year ended June 30:	
2021	\$ 61,940
2022	(95,170)
2023	(8,143)
2024	13,609
2025	(69,768)
Thereafter	<u>(203,345)</u>
	<u>\$ (300,877)</u>

Actuarial Assumptions:

ERS and TSB:

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

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

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

Cost of living adjustment (TSB Plan)–eligible survivors receive a yearly cost of living adjustment based on the annual social security adjustment – for valuation purposes, a 2.50% cost of living adjustment is assumed.

The actuarial assumptions used in the June 30, 2018 valuation rolled forward to June 30, 2019 and the calculation of the total pension liability at June 30, 2019 were consistent with the results of an actuarial experience study performed as of June 30, 2016.

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2020

7. Pension plans (continued):

Teachers' Plan (continued):

Defined Benefit Pension Plan:

Actuarial Assumptions:

ERS and TSB (continued):

The long-term expected rate of return best-estimate on pension plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of pension plan investment expense and inflation) for each major asset class, based on a collective summary of capital market expectations from 34 sources. The June 30, 2019 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	22.10 %	6.16 %
International Developed	13.20 %	6.83 %
Emerging Markets Equity	4.70 %	8.90 %
Private Growth		
Private Equity	11.25 %	9.81 %
Non-Core RE	2.25 %	5.51 %
Opportunistic Private	1.50 %	9.81 %
Income		
High Yield Infrastructure	1.00 %	3.98 %
REITS	1.00 %	5.51 %
Liquid Credit	2.80 %	3.98 %
Private Credit	3.20 %	3.98 %
Crisis Protection Class		
Treasury Duration	4.00 %	0.77 %
Systematic Trend	4.00 %	4.20 %
Inflation Protection		
Core Real Estate	3.60 %	5.51 %
Private Infrastructure	2.40 %	5.85 %
TIPs	1.00 %	1.37 %
Natural Resources	1.00 %	3.76 %
Volatility Protection		
IG Fixed Income	11.50 %	2.15 %
Absolute Return	6.50 %	4.20 %
Cash	3.00 %	0.77 %

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, 2020

7. Pension plans (continued):

Teachers' Plan (continued):

Defined Benefit Pension Plan:

Discount Rate

ERS and TSB:

The discount rate used to measure the total pension liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's proportionate share of the net pension liability (asset) to changes in the discount rate

ERS and TSB:

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net pension liability	\$39,031,782	\$31,583,455	\$25,486,249
Net pension asset (TSB)	\$3,148,088	\$4,085,286	\$4,783,102

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, 2020

7. Pension plans (continued):

Teachers' Plan (continued):

Defined Contribution Pension Plan

Plan Description:

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

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

The School Department recognized pension expense of \$385,182 for the fiscal year ended June 30, 2020.

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, 2020

7. Pension plans (continued):

Municipal Plan

Summary of Significant Accounting Policies:

Defined Benefit Pension Plan:

Plan description:

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

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

Benefit Provisions:

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

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

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2020

7. Pension plans (continued):

Municipal Plan (continued)

Benefit Provisions (continued):

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

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

General employees

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

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

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

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

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2020

7. Pension plans (continued):

Municipal Plan (continued)

Benefit Provisions (continued):

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

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

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

Police and Fire employees

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

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

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

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

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2020

7. Pension plans (continued):

Municipal Plan (continued)

Benefit Provisions (continued):

Prior to July 1, 2012, members designated as police officers or firefighters were eligible for retirement at or after age 55 with credit for at least 10 years of service or at any age with credit for 25 or more years of service.

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

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

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

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

Other Benefit Provisions:

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

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

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2020

7. Pension plans (continued):

Municipal Plan (continued)

Benefit Provisions (continued):

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

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

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

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

Employees covered by benefit terms:

At the June 30, 2019 valuation date, the following employees were covered by the benefit terms:

	MERS General	MERS Police/Fire
Retirees and Beneficiaries	57	1
Inactive, Non-retired Members	51	14
Active Members	103	61
Total	211	76

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2020

7. Pension plans (continued):

Municipal Plan (continued)

Contributions (continued):

Defined Benefit Pension Plan:

Contributions:

The amount of employee and employer contributions have been established under Rhode Island General Law Chapter 45-21. General employees with less than 20 years of service as of June 30, 2012 are required to contribute 2% as the Town opted to provide a COLA of their salaries. General employees with more than 20 years of service as of June 30, 2012 are required to contribute 8.25%. Public safety employees are required to contribute 10% as the Town opted to provide a COLA of their salaries. 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 \$565,992 in the year ended June 30, 2020 which was 11.38% of annual covered payroll. For employees covered under the police/fire unit, the Town contributed \$429,671 in the year ended June 30, 2020 which was 9.77% of annual covered payroll.

Net Pension Liability (Asset):

The total pension liability was determined by actuarial valuations performed as of June 30, 2018 and rolled forward to June 30, 2019, 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, 2020

7. Pension plans (continued):

Municipal Plan (continued)

Defined Benefit Pension Plan:

Net Pension Liability (Asset) (continued):

Summary of Actuarial Assumptions Used in the Valuations to determine the Net Pension Liability at the June 30, 2019 measurement date (June 30, 2018 valuation rolled forward to June 30, 2019)	
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, 2018 valuation rolled forward to June 30, 2019 and the calculation of the total pension liability at June 30, 2019 were consistent with the results of an actuarial experience study performed as of June 30, 2016.

The long-term expected rate of return best-estimate on pension plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of pension plan investment expense and inflation) for each major asset class, based on a collective summary of capital market expectations from 34 sources. The June 30, 2019 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, 2020

7. Pension plans (continued):

Municipal Plan (continued)

Defined Benefit Pension Plan:

Net Pension Liability (Asset) (continued):

Asset Class	Long-Term Target Asset Allocation	Long-Term Expected Arithmetic Real Rate of Return
Global Equity		
US Equity	22.10 %	6.16 %
International Developed Equity	13.20 %	6.83 %
Emerging Markets Equity	4.70 %	8.90 %
Private Growth		
Private Equity	11.25 %	9.81 %
Non-Core RE	2.25 %	5.51 %
Opportunistic Private Credit	1.50 %	9.81 %
Income		
High Yield Infrastructure	1.00 %	3.98 %
REITS	1.00 %	5.51 %
Liquid Credit	2.80 %	3.98 %
Private Credit	3.20 %	3.98 %
Crisis Protection Class		
Treasury Duration	4.00 %	0.77 %
Systematic Trend	4.00 %	4.20 %
Inflation Protection		
Core Real Estate	3.60 %	5.51 %
Private Infrastructure	2.40 %	5.85 %
TIPs	1.00 %	1.37 %
Natural Resources	1.00 %	3.76 %
Volatility Protection		
IG Fixed Income	11.50 %	2.15 %
Absolute Return	6.50 %	4.20 %
Cash	3.00 %	0.77 %

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2020

7. Pension plans (continued):

Municipal Plan (continued)

Defined Benefit Pension Plan:

Net Pension Liability (Asset) (continued):

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

Discount Rate:

The discount rate used to measure the total pension liability of the plans was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2020

7. Pension plans (continued):

Municipal Plan (continued)

MERS General Unit	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance as of June 30, 2018	\$ 24,491,262	\$ 19,433,454	\$ 5,057,808
Changes for the year:			
Service cost	423,450	—	423,450
Interest on total pension liability	1,686,104	—	1,686,104
Differences between expected and actual experience	(22,750)	—	(22,750)
Changes in assumptions			
Contributions - employer	—	541,344	(541,344)
Contributions - employee	—	146,946	(146,946)
Net investment income	—	1,245,566	(1,245,566)
Benefit payments, including employee refunds	(1,231,566)	(1,231,566)	—
Administrative expense	—	(19,465)	19,465
Other changes	—	1	(1)
Net changes	855,238	682,826	172,412
 Balance as of June 30, 2019	 \$ 25,346,500	 \$ 20,116,280	 \$ 5,230,220
MERS Police/Fire Units	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance as of June 30, 2018	\$ 9,179,728	\$ 8,487,507	\$ 692,221
Changes for the year:			
Service cost	869,296	—	869,296
Interest on total pension liability	670,963	—	670,963
Differences between expected and actual experience	(264,800)	—	(264,800)
Changes in assumptions			
Contributions - employer	—	331,056	(331,056)
Contributions - employee	—	436,175	(436,175)
Net investment income	—	606,303	(606,303)
Benefit payments, including employee refunds	(58,369)	(58,369)	—
Administrative expense	—	(9,475)	9,475
Other changes	—	(1,212)	1,212
Net changes	1,217,090	1,304,478	(87,388)
 Balance as of June 30, 2019	 \$ 10,396,818	 \$ 9,791,985	 \$ 604,833

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2020

7. Pension plans (continued):

Municipal Plan (continued)

Defined Benefit Pension Plan:

Net Pension Liability (Asset):

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

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net pension liability- MERS General	\$7,890,742	\$5,230,222	\$3,052,763
Net pension asset - MERS Police/Fire	\$1,651,448	\$604,833	\$(251,371)

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, 2020 the employer recognized pension expense of \$958,090 for the MERS General unit and \$596,743 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	\$ 525,213	\$ 11,645
Difference between expected and actual experience	5,450	337,913
Net difference between projected and actual earnings on pension plan investments	—	59,144
Contributions subsequent to the measurement date	565,992	—
	<u>\$ 1,096,655</u>	<u>\$ 408,702</u>
Net amount of deferred outflows and (inflows) excluding contributions subsequent to measurement date		<u>\$ 121,961</u>

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2020

7. Pension plans (continued):

Municipal Plan (continued)

Defined Benefit Pension Plan:

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

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

Year ended June 30:		
2021	\$	142,652
2022		(105,626)
2023		77,734
2024		8,113
2025		(912)
Thereafter		—
	<u>\$</u>	<u>121,961</u>

MERS Police / Fire Unit:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 399,844	\$ 54,793
Difference between expected and actual experience	516,483	294,485
Net difference between projected and actual earnings on pension plan investments		95,135
Contributions subsequent to the measurement date	<u>429,671</u>	
	<u>\$ 1,345,998</u>	<u>\$ 444,413</u>
Net amount of deferred outflows and (inflows) excluding contributions subsequent to measurement date		<u>\$ 471,914</u>

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2020

7. Pension plans (continued):

Municipal Plan (continued)

Defined Benefit Pension Plan:

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

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

Year ended June 30:		
2021	\$	52,073
2022		(30,866)
2023		30,835
2024		52,327
2025		49,876
Thereafter		317,669
	\$	<u>471,914</u>

Defined Contribution Pension Plan

Plan Description:

Employees participating in the defined benefit plan with less than 20 years of service as of June 30, 2012, as described above, also participate in a defined contribution plan authorized by General Law Chapter 36-10.3. The defined contribution plan is established under IRS section 401(a) and is administered by TIAA-CREF. Employees may choose among various investment options available to plan participants. Employees with over 20 years service as of June 30, 2012 are required to contribute 9.25% of their salaries due to the COLA provisions. There is no employer match. Employees contribute 5% of their annual covered salary and employers contribute between 1% and 1.5% of annual covered salary depending on the employee's total years of service as of June 30, 2012. Employee contributions are immediately vested while employer contributions and any investment earnings thereon are vested after three years of contributory service. Benefit terms and contributions required under the plan by both the employee and employer are established by the General Laws, which are subject to amendment by the General Assembly.

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2020

7. Pension plans (continued):

Defined Contribution Pension Plan (continued)

Amounts in the defined contribution plan are available to participants in accordance with Internal Revenue Service guidelines for such plans. The Town recognized pension expense of \$24,973 for the fiscal year ended June 30, 2020.

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, 2020

7. Pension plans (continued):

Town Plan

Plan description:

Plan Administration

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

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

Plan Membership

As of June 30, 2020, pension plan membership consisted of the following:

<u>Membership Status</u>	<u>Count</u>
Inactive plan members or beneficiaries currently receiving benefits	131
Inactive plan members entitled to but not yet receiving benefits	4
Active plan members	<u>7</u>
	<u>142</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, 2020

7. Pension plans (continued):

Town Plan (continued):

Benefits provided (continued):

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

The normal retirement benefit is determined as follows:

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

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

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

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

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

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

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2020

7. Pension plans (continued):

Town Plan (continued):

Benefits provided (continued):

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

The Town Plan includes disability benefits for members who have completed ten years of service, are totally disabled for six months and eligible to receive disability payments under Social Security. The benefit equals the member's annuity accrued to the date of disability and is payable immediately without reduction. For Police and Fire members, disability benefits are 67.5% 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:

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, 2020, the Town contributed \$214,704 to the Plan.

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2020

7. Pension plans (continued):

Town Plan (continued):

Benefits provided (continued):

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

Police	7%
Fire	9%
Public Works	6%
School Custodial, Town Hall, and School Clerical	4%

Investments:

Rate of return

For the year ended June 30, 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 2.63%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Receivables:

No receivable contribution were included in plan assets.

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2020

7. Pension plans (continued):

Town Plan (continued):

Net pension liability

The components of the net pension liability at June 30, 2020 were as follows:

Total pension liability	\$	59,228,708
Plan fiduciary net position		<u>(57,320,205)</u>
Town's net pension asset	\$	<u><u>\$1,908,503</u></u>
Plan fiduciary net position as a percentage of the total pension liability		<u><u>96.78 %</u></u>

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

For the year ended June 30, 2020, the Town recognized pension expense of \$2,658,251. At June 30, 2020, the Town reported deferred outflows of resources of \$881,429 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 0.13 years. This means that the difference between expected and actual experience, and the effect of changes in assumptions are effectively recognized immediately.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Town Private Plan		
Differences between projected and actual earnings	<u>\$ 2,750,713</u>	<u>\$ 596,816</u>
Total	<u><u>\$ 2,750,713</u></u>	<u><u>\$ 596,816</u></u>

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2020

7. Pension plans (continued):

Town Plan (continued):

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

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

Year Ending June 30	Net Deferred Outflows (Inflows) of Resources
2021	\$ 255,289
2022	603,875
2023	727,990
2024	566,743
Total	<u>\$ 2,153,897</u>

Actuarial Assumptions:

The June 30, 2020 total pension liability was determined by using the following actuarial assumptions, applied to all periods included in the measurement:

<u>Actuarial Assumptions</u>	
Inflation	2.50%
Salary increases	3.00%
Investment rate of return	7.50%, net of pension plan investment expenses. This is based on an average inflation rate of 2.50% and a real rate of return of 5.00%

Census data was collected as of June 30, 2019 and projected to June 30, 2020 according to the valuation's demographic assumptions.

RIGL 45-65-6 directs that locally administered plans must submit an experience study at least every three years. The size of this plan does not constitute statistically credible experience; thus, we have considered the experience study prepared for the Employees' Retirement System of Rhode Island, which covers similar employees. In the case of the mortality assumption, we have reflected the most recently available information relevant to public sector plans.

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

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2020

7. Pension plans (continued):

Town Plan (continued):

Actuarial Assumptions (continued):

The valuation rate was modified as a result of the discontinuance of the John Hancock contract. Benefits guaranteed by John Hancock are valued at an interest rate equal to a rate representative of the current annuity market, plus 40 basis points to reflect the eligibility for future dividends. The resulting liability is limited to the contract value as of the measurement date. This methodology was determined based on the spread between the implied effective interest rates in the pricing under the discontinuance option of the John Hancock contract and average benchmark Buck immediate annuity purchase rates for the same period rounded to 10 basis points. For the June 30, 2020 measurement, this rate is 1.90%.

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. The GEMS model is a multi factor economic model that uses basic macroeconomic variables to generate simulation of the economy over the period.

The interquartile range (75th and 25th percentiles) of annual rate of return forecasts over 30 years are 8.31% and 5.34%, respectively. Similarly, the range of annual rate of return forecasts over 20 years are 7.84% and 4.34%, respectively. While these rates are lower than our previous June 30, 2017 analysis they still support the current rate of return assumption of 7.50% per year.

The interest rate analysis was based on the following planned asset allocation for the Plan as of July 2020:

<u>Asset Class</u>	<u>Allocation</u>
Equity	59.30%
Fixed Income	36.50%
Money Market	4.20%
Total	<u><u>100.00%</u></u>

The interquartile range (75th and 25th percentiles) of inflation forecasts over 30 years are 3.25% and 1.75%, respectively, which supports the underlying inflation assumption of 2.50% per year.

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2020

7. Pension plans (continued):

Town Plan (continued):

Actuarial Assumptions (continued):

Municipal bond rate

2.66%. This rate is based on the S&P Municipal Bond 20 Year High Grade Rate Index.

Retirement Age

Police and Fire Department Rates according to the following table:

<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

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2020

7. Pension plans (continued):

Town Plan (continued):

Actuarial Assumptions (continued):

Disability Incidence

United Auto Workers 1955 Table

Turnover

Sarason Table T-1 Table

Marriage Assumption

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

Expenses

For funding purposes, anticipated expenses included as a component of the actuarially determined contribution amount are set equal to the 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 2.66% would have been used in the development of the blended GASB discount rate after that point. The 2.66% 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, 2020

7. Pension plans (continued):

Town Plan (continued):

Net Pension Liability (Asset):

Town Plan	Increase (Decrease)		
Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)	
Balances as of June 30, 2018	\$ 58,076,307	\$ 60,563,649	\$ (1,988,360)
Changes for the Year			
Service cost	116,062		163,987
Interest on the total pension liability	4,184,877		4,201,269
Difference between expected and actual experience	(157,525)		(648,949)
Changes in assumptions	1,885,166		959,070
Employer contributions		214,704	1,681,525
Employee contributions		45,532	(50,622)
Net investment income		1,532,680	(3,590,209)
Benefit payments, including employee refunds	(4,876,179)	(4,876,179)	-
Administrative expense		(160,181)	147,997
Net changes	1,152,401	(3,243,444)	215,888
Balances as of June 30, 2019	\$ 59,228,708	\$ 57,320,205	\$ 1,908,503

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	\$7,064,755	\$1,908,503	\$(2,767,747)

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, 2020

7. Pension plans (continued):

Town 401(a) Defined Contribution Plan

Plan description:

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

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

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

Plan funding policy:

Active members in the Plan contribute 6% of their compensation, and the Town is required to contribute a 6% match. Annual covered payroll during the fiscal year was \$629,841, and the plan members and the Town each contributed \$45,532 during the fiscal year ended June 30, 2020.

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2020

7. Pension plans (continued):

Aggregate pension Amounts Reported in the Financial Statements:

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

	ERS Teachers	TSB Teachers	MERS General	MERS Police/Fire	Town Plan	Total
Net Pension Asset	\$ —	\$ 4,085,286	\$ —	\$ —	\$ —	\$ 4,085,286
Deferred Outflows of Resources - Pension	4,970,341	953,745	1,096,655	1,345,998	2,750,713	11,117,452
Deferred Inflows of Resources - Pension	2,538,754	1,231,449	408,702	444,413	596,816	5,220,134
Net Pension Liability	31,583,455	—	5,230,220	604,833	1,908,503	39,327,011
Pension Expense	5,612,674	(10,162)	958,090	596,743	2,658,251	9,815,596
	<u>\$ 44,705,224</u>	<u>\$ 6,260,318</u>	<u>\$ 7,693,667</u>	<u>\$ 2,991,987</u>	<u>\$ 7,914,283</u>	<u>\$ 69,565,479</u>

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2020

8. Other postemployment benefits:

Plan description:

Through its single-employer defined benefit plan (OPEB Plan), the Town provides postretirement health care benefits to all Town employees who meet years of service and age requirements and, in some cases to their surviving spouses, who are eligible under the terms of collective bargaining agreements or personal contracts. The Plan does not issue a stand-alone financial report. The Town established the Other Postemployment Benefits Trust (the Trust) on June 20, 2011. The Trust's assets and liabilities at June 30, 2020 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, 2020.

Benefits and employee contributions:

The Trust paid 100% of the amount for medical and dental costs incurred by eligible retirees, which totaled \$1,625,989 for the year ended June 30, 2020.

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, 2020, the membership census utilized for actuarial valuation purposes is as follows:

Active employees	349
Retirees and beneficiaries	<u>221</u>
Total	<u><u>570</u></u>

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2020

8. Other postemployment benefits (continued):

Net OPEB Liability:

The Town's net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Description	Amounts
Total OPEB Liability (TOL)	\$ 27,799,802
Fiduciary Net Position	15,316,339
Net OPEB Liability (NOL)	\$ 12,483,463
Funded ratio (Fiduciary Net Position / NOL)	55.10 %
Covered payroll (active plan members)	\$ 29,376,747
NOL as a percentage of covered payroll	42.49 %

Changes in Net OPEB Liability:

	Total OPEB Liability	Increase (Decrease) Plan Fiduciary Net Position	Net OPEB Liability
Balance as of June 30, 2019	\$ 28,929,530	\$ 12,236,460	\$ 16,693,070
Service cost	515,325	—	515,325
Interest on total pension liability	2,148,492	—	2,148,492
Changes of benefit terms	(87,428)	—	(87,428)
Differences between expected and actual experience	122,554	—	122,554
Changes in assumptions	(2,202,682)	—	(2,202,682)
Contributions - employer	—	4,418,603	(4,418,603)
Contributions - employee	—	22,383	(22,383)
Net investment income	—	283,629	(283,629)
Benefit payments, including employee refunds	(1,625,989)	(1,625,989)	—
Administrative expense	—	(18,747)	18,747
Net changes	(1,129,728)	3,079,879	(4,209,607)
Balance as of June 30, 2020	\$ 27,799,802	\$ 15,316,339	\$ 12,483,463

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2020

8. Other postemployment benefits (continued):

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

For the year ended June 30, 2020 the Town recognized OPEB expense of \$831,381. At June 30, 2020 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	\$ —	\$ 3,102,433
Difference between expected and actual experience	794,017	1,904,610
	<u>\$ 794,017</u>	<u>\$ 5,007,043</u>
Net amount of deferred outflows and (inflows) excluding contributions subsequent to measurement date		<u>\$ (4,213,026)</u>

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

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

Year ended June 30:	
2021	\$ (720,674)
2022	(720,674)
2023	(740,546)
2024	(795,418)
2025	(490,628)
Thereafter	(745,086)
	<u>\$ (4,213,026)</u>

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2020

8. Other postemployment benefits (continued):

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

The following presents the net OPEB liability of the Town if it were calculated using a discount rate that is 1 percentage-point lower (6.50%) or 1 percentage-point higher (8.50%) than the current discount rate:

	Impact of 1% Change in Discount Rate		
	1% Decrease (6.50%)	Current discount rate (7.50%)	1% Increase (8.50%)
Total OPEB liability	\$ 15,485,468	\$ 12,483,463	\$ 9,940,789

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

	Impact of 1% Change in Discount Rate		
	1% Decrease	Current trend rate	1% Increase
Total OPEB liability	\$ 9,815,916	\$ 12,483,463	\$ 15,699,842

Rate of Return:

For the year ended June 30, 2020, the annual money-weighted rate of return on investment, net of investment expense was 2.09%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Actuarial methods and assumptions:

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

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2020

8. Other postemployment benefits (continued):

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

Measurement date:	June 30, 2020
Actuarial cost method:	Entry age normal, level percent of salary and actuarially determined contribution based on projected credit unit
Investment rate of return:	7.5% per year, net of investment expense, based on the long-term rate of return of plan assets
Projected Salary Increases	5.0% annually as of June 30, 2020 and for future periods
Inflation	3.0% as of June 30, 2020 and for future periods
Funding Method:	Pre-funding the UAAL by contributing the ARC annually over the 18 year amortization period
Asset valuation method:	Market value
Health Care Cost Trend Rates:	Medical pre-Medicare rate of 7.93% decreasing to a rate of 5.0% after ten years; and post-Medicare rate of 6.40% decreasing to a rate of 5.0% after ten years.

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2020

8. Other postemployment benefits (continued):

Investment Policy:

Investment Target Allocation

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

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2020

9. Combining Statement of Fiduciary Net Position - Employee Benefit Trust Funds:

	Pension Trust Fund	Other Post- Employment Benefits Trust Fund	Total
Assets			
Cash and cash equivalents	\$ —	\$ 186,778	\$ 186,778
Investments:			
Mutual funds	48,069,250	14,308,468	62,377,718
Group annuity	7,304,886		7,304,886
Money market funds	1,999,658	836,804	2,836,462
Total Assets	57,373,794	15,332,050	72,705,844
Liabilities			
Accounts payable	53,590	15,711	69,301
Total liabilities	53,590	15,711	69,301
Net Position			
Restricted for benefits	57,320,204	15,316,339	72,636,543
Total net position	57,320,204	15,316,339	72,636,543
Total liabilities and net position	\$ 57,373,794	\$ 15,332,050	\$ 72,705,844

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2020

9. Combining Statement of Fiduciary Net Position - Employee Benefit Trust Funds:

	<u>Pension Trust Fund</u>	<u>Other Post- Employment Benefits Trust Fund</u>	<u>Total</u>
Additions to net position:			
Contributions:			
Employer	\$ 214,704	\$ 4,418,603	\$ 4,633,307
Plan members	45,532	22,383	67,915
	<u>260,236</u>	<u>4,440,986</u>	<u>4,701,222</u>
Investment income, net:			
Interest income	1,615,739	316,044	1,931,783
investments	(83,059)	27,876	(55,183)
	<u>1,532,680</u>	<u>343,920</u>	<u>1,876,600</u>
Total additions	<u>1,792,916</u>	<u>4,784,906</u>	<u>6,577,822</u>
Deductions from net position:			
Benefits	4,876,179	1,625,989	6,502,168
Investment expenses	160,182	79,038	239,220
Total deductions	<u>5,036,361</u>	<u>1,705,027</u>	<u>6,741,388</u>
Change in net position	(3,243,445)	3,079,879	(163,566)
Net position, beginning of year	<u>60,563,649</u>	<u>12,236,460</u>	<u>72,800,109</u>
Net position, end of year	<u>\$ 57,320,204</u>	<u>\$ 15,316,339</u>	<u>\$ 72,636,543</u>

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2020

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, 2020.

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.

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2020

11. Litigation and contingencies (continued):

Litigation (continued):

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

In regard to the sanitary sewer system, the projects evaluated were: (1) increase storage capacity; (2) reroute wastewater flow; and (3) implement measures to reduce inflow and infiltration into the Town's sewer system. The final report issued in October 2011 recommended implementing measures to reduce inflow and infiltration as the most feasible alternative. A long-term program is currently underway. Program recommendations are included in the Town's Capital Improvement Program, and priority mitigation measures have either been constructed/completed or are in the process of being constructed/completed. The cost of implementing the most feasible alternative was estimated at approximately \$8.4 million as of June 30, 2011. This estimate has since been revised, with the balance of this cost remaining at June 30, 2015 estimated at \$2.1 million, which has been recorded as a long-term liability in the government-wide and proprietary fund financial statements. As of June 30, 2020, the balance of the long-term liability is \$598,000.

Other contingencies:

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial. Total federal financial assistance received by the Town totaled approximately \$3,827,858 for the year ended June 30, 2020.

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, 2020

12. Commitments and subsequent events:

Construction commitments:

The Town has active construction projects as of June 30, 2020, including road reconstruction, drainage and sanitary upgrades in designated areas of the Town, roof repairs, door and window repairs, and flooring projects at school buildings. At June 30, 2020, the Town's commitments with contractors are as follows:

Project	Spent to Date	Remaining Commitments
Red Road Paving & Utility Repair: CB Utility Inc	\$ 2,002,964	\$ 69,605
Red Road Phase II: East Coast Construction	3,483,007	814,634
Upper Easton's Point Sewer Lining: National Water Main Cleaning Co	3,358,164	217,767
Town Line Sewers: C B Utility Inc	2,110,370	296,792
Athletic Fields at Former Drive-In: East Coast Construction	1,285,156	232,869
Gaudet School Main Entrance: Torrado, Advanced Building Concepts, C&K Electric, ATC, Colliers International, DaneTech, Inc, New England School Services, Ruggieri Flooring	1,262,393	10,518
Gaudet School Windows/Doors: Advanced Building Concepts, Torrado	195,474	191,954
Middletown High School Windows/Doors: Torrado, Ahlborg Construction	456,342	265,018
Middletown High School HVAC: RGB	70,338	36,532
Gaudet School HVAC: RGB	13,526	167,842
Aquidneck School HVAC: RGB	15,986	2,294
	<u>\$ 14,253,720</u>	<u>\$ 2,305,825</u>

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

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2020

Subsequent events:

Management has evaluated subsequent events through the report date of January 28, 2021. No material events have occurred that require disclosure.

On March 9, 2020 the Governor of the State of Rhode Island declared a State of Emergency in response to the coronavirus outbreak. The World Health Organization has since also officially declared the novel Coronavirus (COVID-19) a worldwide pandemic. In an attempt to slow the spread of COVID-19, State Governments issued stay at home orders that caused widespread economic impact. Starting in March, the Governor continued to issue orders allowing governments to operate and carry out essential functions. The Town is considered an essential business and although it was closed to the public for a period of time, many departments remained operational and most employees continued to perform their daily duties. Departments eventually re-opened to the public in the summer/fall of 2020. A number of local business have been forced to close entirely or significantly reduce operations which could create issues related to the collection of local taxes. The full financial impact related to Federal, State and Local funding cannot be reasonably estimated as of the date of the financial statements. Management is carefully monitoring the situation.

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 2020. 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 2020 was \$2,693,021. The towns have no equity interest in the net assets of NCRSEP at June 30, 2020.

At June 30, 2020, a total of \$627,758 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, 2020

14. Detailed governmental fund balance

	Major Funds			Other Governmental Funds			Total
	General Fund	School Department	Town & School Capital Projects	Special Revenue	Capital Project Funds	Permanent Trust	
Fund Balances:							
Nonspendable:							
Prepaid items	\$ 16,272	\$ —	—	—	—	—	\$ 16,272
Long-term loans receivable	—	—	—	100,000	—	—	100,000
Perpetual care	—	—	—	—	—	138,670	138,670
Principal of endowments	—	—	—	—	—	58,608	58,608
Other receivable	—	—	—	203	—	—	203
Restricted for:							
Education purposes	—	—	—	642,958	—	1,379	644,337
Public safety	—	—	—	32,234	—	—	32,234
Public works	—	—	—	—	—	3,520	3,520
Community services	—	—	—	—	—	1,108	1,108
Stormwater management	—	—	—	—	—	—	—
Education construction projects	—	—	—	—	89,950	—	89,950
Construction projects	—	—	3,412,446	—	—	—	3,412,446
Open space	—	—	—	—	—	—	—
Grants	—	—	—	—	—	—	—
Prepaid expenses and other	—	—	—	—	—	—	—
Committed to:							
West Main Road development	1,459,087	—	—	—	—	—	1,459,087
Special education	—	578,682	—	—	—	—	578,682
Capital improvements	3,193,361	—	—	—	—	—	3,193,361
Assigned to:							
Property tax claims	—	—	—	—	—	—	—
General government	—	—	—	410,567	—	—	410,567
Public safety	—	—	—	293,432	—	—	293,432
Library	—	—	—	62,991	—	—	62,991
Education	—	1,542,317	—	—	—	—	1,542,317
Encumbrances	679,142	—	—	—	—	—	679,142
Unassigned	7,507,826	—	—	—	—	—	7,507,826
Total	\$12,855,688	\$ 2,120,999	\$3,412,446	\$1,542,385	\$ 89,950	\$ 203,285	\$20,224,753

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2020

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, 2020:

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, 2020, the Town abated property taxes under the jobs creation program for one company totaling \$21,167.

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, 2020, the Town abated property taxes under the renovation of existing facilities and construction of new facilities program for two companies totaling \$6,814.

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2020

16. Fund Balance Reclassifications

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

	Town and School Capital	Other Governmental Funds
	<u> </u>	<u> </u>
Beginning balance, July 1, 2019	\$ 5,750,970	\$ 2,603,377
To reclassify Town Capital fund from other Non-Major to Major Governmental funds	580,652	(580,652)
Beginning balance, July 1, 2019 as restated	<u>\$ 6,331,622</u>	<u>\$ 2,022,725</u>

Town of Middletown, Rhode Island
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Taxes	\$ 47,460,884	\$ 47,205,884	\$ 47,256,956	\$ 51,072
Intergovernmental	3,674,711	3,188,079	3,060,540	(127,539)
Licenses, permits and fees	1,899,530	2,018,484	2,202,429	183,945
Interest and investment	17,000	17,000	36,618	19,618
Other revenues	167,213	318,295	363,398	45,103
Total revenues	<u>53,219,338</u>	<u>52,747,742</u>	<u>52,919,941</u>	<u>172,199</u>
Expenditures:				
Current:				
General government	3,031,695	3,299,091	3,092,249	206,842
Public safety	9,943,998	10,026,696	9,806,342	220,354
Public works and sanitation	2,590,488	2,561,988	1,698,003	863,985
Planning and inspection	803,334	726,416	664,931	61,485
Library	935,178	835,178	746,175	89,003
Community services	464,412	441,807	412,563	29,244
Other expenditures	5,286,500	5,331,577	4,982,555	349,022
Grants	453,667	556,646	210,813	345,833
Capital outlay	1,343,767	1,235,096	1,367,435	(132,339)
Debt service	3,834,563	3,701,563	3,701,026	537
Total expenditures	<u>28,687,602</u>	<u>28,716,058</u>	<u>26,682,092</u>	<u>2,033,966</u>
Excess of revenues over expenditures, budgetary basis	<u>24,531,736</u>	<u>24,031,684</u>	<u>26,237,849</u>	<u>2,206,165</u>
Other financing sources (uses):				
Transfer from other funds	3,707,446	4,215,955	3,125,767	(1,090,188)
Transfer to other funds	(29,089,182)	(29,089,182)	(29,177,959)	(88,777)
Reappropriated fund balance	250,000	841,543	—	(841,543)
Proceeds from capital leases	600,000	—	—	—
Total other financing sources	<u>(24,531,736)</u>	<u>(24,031,684)</u>	<u>(26,052,192)</u>	<u>(2,020,508)</u>
Excess of revenues and other financing sources over expenditures and other financing uses, budgetary basis	<u>\$ —</u>	<u>\$ —</u>	\$ 185,657	<u>\$ 185,657</u>
Adjustment of budgetary basis to U.S. GAAP basis			<u>81,295</u>	
Excess of expenditures and other financing uses over revenues and other financing sources, U.S. GAAP basis			266,952	
Fund balance, beginning of year			<u>12,588,736</u>	
Fund balance, end of year			<u>\$ 12,855,688</u>	

See independent auditors' report
See notes to required supplementary information

Town of Middletown, Rhode Island
Required Supplementary Information
Budgetary Comparison Schedule - School Department Funds
For the Year Ended June 30, 2020

	Original Budget	Adjustments	Final Budget	Actual	Budget to Actual
Revenues:					
Intergovernmental	\$ 11,079,054	\$ (168,049)	\$ 10,911,004	\$ 10,941,995	\$ 30,991
Fees for service	527,740	(175,152)	352,588	419,055	66,467
Other revenues	940,377	125,626	150,509	184,323	33,814
Total revenues	<u>12,547,171</u>	<u>(217,575)</u>	<u>11,414,101</u>	<u>11,545,373</u>	<u>131,272</u>
Expenditures:					
Current:					
Salaries	21,433,820	(10,305)	21,423,514	21,554,649	(131,135)
Employee benefits	7,617,251	70,186	7,687,437	7,676,790	10,647
Purchased services	9,314,002	1,624,611	10,938,613	11,265,986	(327,373)
Supplies and materials	947,079	26,559	973,638	1,024,882	(51,244)
Other	345,651	28,125	373,776	108,646	265,130
Capital expenditures	3,671,583	(2,500,043)	1,171,540	1,109,231	62,309
Total expenditures	<u>43,329,384</u>	<u>(760,867)</u>	<u>42,568,518</u>	<u>42,740,184</u>	<u>(171,666)</u>
Excess of expenditures over revenues, budgetary basis	<u>(30,782,213)</u>	<u>543,292</u>	<u>(31,154,417)</u>	<u>(31,194,811)</u>	<u>(40,394)</u>
Other financing sources (uses):					
Transfer from other funds town,	26,510,694	—	27,426,188	27,426,188	—
Reappropriated fund balance	4,271,521	(543,292)	3,728,229	—	(3,728,229)
Total other financing sources	<u>30,782,215</u>	<u>(543,292)</u>	<u>31,154,417</u>	<u>27,426,188</u>	<u>(3,728,229)</u>
Deficiency of revenues and other financing sources over expenditures, budgetary basis	<u>\$ 2</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (3,768,623)</u>	<u>\$ (3,768,623)</u>
Adjustment of budgetary basis to U.S. GAAP basis, reappropriated fund balance				—	
Deficiency of revenues and other financing sources over expenditures, U.S. GAAP basis				<u>(3,768,623)</u>	
Fund balance, beginning of year				<u>9,585,555</u>	
Fund balance, end of year				<u>\$ 5,816,932</u>	

See independent auditors' report
See notes to required supplementary information

Town of Middletown, Rhode Island

Required Supplementary Information

Notes to Required Supplementary Information - Budgetary Comparison General Fund

For the Year Ended June 30, 2020

Budget preparation and budgetary basis of accounting:

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

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

Budget compliance:

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

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

Town of Middletown, Rhode Island

Required Supplementary Information

Notes to Required Supplementary Information - Budgetary Comparison General Fund

For the Year Ended June 30, 2020

Budgetary-GAAP Reporting Reconciliation - *General Fund*

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

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

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

	<u>General Fund</u>
Activities included in GAAP presentation not presented for in the budgetary basis:	
Rescue wagon	\$ 173,780
Capital improvement program	(385,103)
Revaluation fund	(29,992)
Canvassing and elections	24,304
Tax Increment Financing	418,313
Accrued payroll	(119,946)
Compensated absences	(61)
Total adjustments	<u>\$ 81,295</u>

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

Town of Middletown, Rhode Island

Required Supplementary Information

Notes to Budgetary Comparison Schedule - School Department Funds

For the Year Ended June 30, 2020

Budgetary – GAAP Reporting Reconciliation – *School Department Funds*

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

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

Therefore, timing perspective and entity differences in the excess (deficiency) of revenues and other sources and expenditures and other uses for the year ended June 30, 2020 are as follows:

		School Department Funds
Excess (deficiency) of revenues and other sources over expenditures and other uses (Non-GAAP Budgetary basis)	\$	(3,768,623)
Capital outlay and retainage disbursed through RIHBEC, not included in budget, but accounted for as an expenditure for GAAP purposes		—
Excess (deficiency) of revenues and other sources over expenditures and other uses (GAAP basis)	\$	<u>(3,768,623)</u>

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

Major Fund:

School Department Unrestricted	\$	2,120,999
School Capital Projects Fund		2,765,289

Non-Major Funds:

Capital Improvement Fund		89,950
Special Revenue Funds		642,958
Scholarship Funds		197,736
Total fund balances – budgetary basis	\$	<u>5,816,932</u>

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

Town of Middletown, Rhode Island
Required Supplementary Information

Employees' Retirement System - Teacher's Pension Plan
Schedule of Town's Proportionate Share of the Net Pension Liability
Last 10 Years

	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	0.98983842%	1.01766579%	1.01420390%	1.04739490%	1.02728705%	1.09025855%
Employer's proportionate share of the net pension liability	\$ 31,583,455	\$ 32,333,768	\$ 31,988,869	\$ 31,249,839	\$ 28,281,240	\$ 26,536,897
State's proportionate share of the net pension liability associated with the school district	23,659,278	24,118,668	24,175,899	21,401,551	19,320,855	18,197,573
Total	\$ 55,242,733	\$ 56,452,436	\$ 56,164,768	\$ 52,651,390	\$ 47,602,095	\$ 44,734,470
Employer's covered employee payroll	\$ 16,459,376	\$ 16,254,889	\$ 16,392,832	\$ 15,577,365	\$ 14,926,723	\$ 17,967,267
Employer's proportionate share of the net pension liability as a percentage of its covered employee payroll	191.89 %	198.92 %	195.14 %	200.61%	189.47%	147.70%
Plan fiduciary net position as a percentage of the total pension liability	54.60 %	54.30 %	54.00 %	54.06 %	57.55 %	61.40 %

Notes:

- 1.) The amounts presented for each fiscal year were determined as of 6/30 measurement date prior to the fiscal year-end.
- 2.) Schedule is intended to show information for 10 years - additional years will be displayed as they become available.

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

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

	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 2,415,589	\$ 2,470,983	\$ 2,431,962	\$ 2,371,498	\$ 2,362,604	\$ 2,238,487
Contributions in relation to the actuarially determined contribution	\$ 2,415,589	\$ 2,470,983	\$ 2,431,962	\$ 2,371,498	\$ 2,362,604	\$ 2,238,487
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Covered-employee payroll	\$ 16,459,376	\$ 16,254,884	\$ 16,392,832	\$ 15,577,365	\$ 14,926,723	\$ 17,967,267
Contributions as a percentage of covered-employee payroll	14.68 %	15.20 %	14.84 %	15.22 %	15.83 %	12.46 %

Notes

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

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

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

	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension asset	3.60108959 %	3.57244700 %	3.5314062%	3.4782072%	3.67779124%	3.65867986%
Employer's proportionate share of the net pension asset	\$ 4,085,286	\$ 3,187,669	\$ 2,921,405	\$ 3,463,316	\$ 3,433,424	\$ 4,548,498
Employer's covered employee payroll	\$ 16,459,376	\$ 16,254,884	\$ 16,392,832	\$ 15,577,365	\$ 14,926,723	\$ 17,967,267
Employer's proportionate share of the net pension asset as a percentage of its covered employee payroll	24.8 %	19.6 %	17.8 %	22.2 %	23.0 %	25.3 %
Plan fiduciary net position as a percentage of the total pension asset	150.2 %	137.4 %	136.1 %	153.3 %	146.6 %	173.3 %

Notes:

- 1.) *The amounts presented for each fiscal year were determined as of 6/30 measurement date prior to the fiscal year-end.*
- 2.) *Schedule is intended to show information for 10 years - additional years will be displayed as they become available.*

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

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

	2020	2019	2018	2017	2016	2015
Statutorily determined contribution	\$23,173	\$26,859	\$26,580	\$20,831	\$22,340	\$22,191
Contributions in relation to the statutorily determined contribution	23,173	26,859	26,580	20,831	22,340	22,191
Contribution deficiency (excess)	—	—	—	—	—	—
Covered-employee payroll	\$16,459,376	\$16,254,884	\$16,392,832	\$15,577,365	\$14,926,723	\$17,967,267
Contributions as a percentage of covered-employee payroll	0.14 %	0.17 %	0.16 %	0.13 %	0.15 %	0.12 %

Notes:

- 1.) Employers participating in the Teachers' Survivor's Benefit Plan contribute at a rate established by the RI General Laws, Section 16-16-35
- 2.) Schedule is intended to show information for 10 years - additional years will be displayed as they become available.

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

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

Last 10 Years

	Year Ended June 30, 2020	Year Ended June 30, 2019	Year Ended June 30, 2018	Year Ended June 30, 2017	Year Ended June 30, 2016	Year Ended June 30, 2015
A. Total pension liability						
1. Service Cost	\$ 423,450	\$ 449,152	\$ 469,665	\$ 453,067	\$ 452,635	\$ 485,224
2. Interest on the Total Pension Liability	1,686,104	1,636,283	1,607,436	1,556,763	1,461,200	1,399,456
3. Changes of benefit terms	—	—	—	—	324,034	—
4. Difference between expected and actual experience of the Total Pension Liability	(22,750)	(215,338)	(107,419)	(336,952)	20,395	—
5. Changes of assumptions	—	—	1,017,603	—	—	(74,921)
6. Benefit payments, including refunds of employee contributions	(1,231,566)	(1,059,459)	(1,008,605)	(1,002,493)	(966,110)	(974,316)
7. Net change in total pension liability	855,238	810,638	1,978,680	670,385	1,292,154	835,443
8. Total pension liability - beginning	24,491,262	23,680,624	21,701,944	21,031,559	19,739,405	18,903,962
9. Total pension liability - ending (a)	<u>\$ 25,346,500</u>	<u>\$ 24,491,262</u>	<u>\$ 23,680,624</u>	<u>\$ 21,701,944</u>	<u>\$ 21,031,559</u>	<u>\$ 19,739,405</u>
B. Plan fiduciary net position						
1. Contributions - employer	\$ 541,344	\$ 525,837	\$ 571,040	\$ 572,585	\$ 615,951	\$ 664,994
2. Contributions - employee	146,946	159,410	179,523	174,919	108,157	113,801
3. Net investment income	1,245,566	1,454,167	1,963,771	(13,063)	401,825	2,287,085
4. Benefit payments, including refunds of employee contributions	(1,231,566)	(1,059,459)	(1,008,605)	(1,002,493)	(966,110)	(974,316)
5. Pension Plan Administrative Expense	(19,465)	(19,359)	(18,553)	(8,437)	(16,119)	(14,322)
6. Other	1	(118,989)	18,936	(84,056)	(169,167)	124
7. Net change in plan fiduciary net position	682,826	941,607	1,706,112	(360,545)	(25,463)	2,077,366
8. Plan fiduciary net position - beginning	19,433,454	18,491,847	16,785,735	17,146,280	17,171,743	15,094,377
9. Plan fiduciary net position - ending (b)	<u>\$ 20,116,280</u>	<u>\$ 19,433,454</u>	<u>\$ 18,491,847</u>	<u>\$ 16,785,735</u>	<u>\$ 17,146,280</u>	<u>\$ 17,171,743</u>
C. Net pension liability - ending (a) - (b)	<u>\$ 5,230,220</u>	<u>\$ 5,057,808</u>	<u>\$ 5,188,777</u>	<u>\$ 4,916,209</u>	<u>\$ 3,885,279</u>	<u>\$ 2,567,662</u>
D. Plan fiduciary net position as a percentage of the total pension liability	79.37 %	79.35 %	78.09 %	77.35 %	81.53 %	86.99 %
E. Covered employee payroll	\$ 4,811,934	\$ 4,996,128	\$ 5,392,247	\$ 5,286,658	\$ 5,407,822	\$ 5,495,171
F. Net pension liability as a percentage of covered payroll	108.69 %	101.23 %	96.23 %	92.99 %	71.85 %	46.73 %

Notes:

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

See independent auditors' report
See notes to required supplementary information

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

	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Actuarially determined contribution	\$ 565,992	\$ 540,430	\$ 525,837	\$ 575,040	\$ 572,585	\$ 615,952
Contributions in relation to the actuarially determined contribution	565,992	540,430	525,837	575,040	572,585	615,952
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Covered-employee payroll	\$ 4,975,336	\$ 4,813,922	\$ 5,005,681	\$ 5,392,247	\$ 5,286,658	\$ 5,407,822
Contributions as a percentage of covered-employee payroll	11.38 %	11.23 %	10.50 %	10.66 %	10.83 %	11.39 %

Notes:

- 1.) Employers participating in the Municipal Employee's Retirement System are required by RI General Laws, Section 45-21-42, to contribute an actuarially determined contribution rate each year.
- 2.) Schedule is intended to show information for 10 years - additional years will be displayed as they become available.

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

Town of Middletown, Rhode Island
Required Supplementary Information
Employees' Retirement System-MERS Municipal Plan-Police/Fire Unit
Schedule of Changes to the Town's Net Pension Liability and Related Ratios
Last 10 Years

	Year Ended June 30, 2020	Year Ended June 30, 2019	Year Ended June 30, 2018	Year Ended June 30, 2017	Year Ended June 30, 2016	Year Ended June 30, 2015
A. Total pension liability						
1. Service Cost	\$ 869,296	\$ 825,705	\$ 729,877	\$ 655,022	\$ 565,349	\$ 492,417
2. Interest on the Total Pension Liability	670,963	559,619	456,771	365,197	281,564	235,509
3. Changes of benefit terms	—	—	—	—	349,008	—
4. Difference between expected and actual experience of the Total Pension Liability	(264,800)	237,620	203,814	217,355	(76,610)	—
5. Changes of assumptions	—	—	510,364	—	—	(109,693)
6. Benefit payments, including refunds of employee contributions	(58,369)	(49,854)	(39,061)	(68,966)	(29,128)	(52,136)
7. Net change in total pension liability	1,217,090	1,573,090	1,861,765	1,168,608	1,090,183	566,097
8. Total pension liability - beginning	9,179,728	7,606,638	5,744,873	4,576,265	3,486,082	2,919,985
9. Total pension liability - ending (a)	<u>\$10,396,818</u>	<u>\$ 9,179,728</u>	<u>\$ 7,606,638</u>	<u>\$ 5,744,873</u>	<u>\$ 4,576,265</u>	<u>\$ 3,486,082</u>
B. Plan fiduciary net position						
1. Contributions - employer	\$ 331,056	\$ 270,791	\$ 258,363	\$ 238,230	\$ 222,974	\$ 100,942
2. Contributions - employee	436,175	416,679	404,870	371,200	278,022	227,700
3. Net investment income	606,303	635,104	767,082	(2,004)	122,572	615,657
4. Benefit payments, including refunds of employee contributions	(58,369)	(49,854)	(39,061)	(68,966)	(29,128)	(52,136)
5. Pension Plan Administrative Expense	(9,475)	(8,455)	(7,247)	(5,390)	(4,908)	(3,855)
6. Other	(1,212)	14	66,707	9,139	18,336	557
7. Net change in plan fiduciary net position	1,304,478	1,264,279	1,450,714	542,209	607,868	888,865
8. Plan fiduciary net position - beginning	8,487,507	7,223,228	5,772,514	5,230,305	4,622,437	3,733,572
9. Plan fiduciary net position - ending (b)	<u>\$ 9,791,985</u>	<u>\$ 8,487,507</u>	<u>\$ 7,223,228</u>	<u>\$ 5,772,514</u>	<u>\$ 5,230,305</u>	<u>\$ 4,622,437</u>
C. Net pension liability - ending (a) - (b)	<u>\$ 604,833</u>	<u>\$ 692,221</u>	<u>\$ 383,410</u>	<u>\$ (27,641)</u>	<u>\$ (654,040)</u>	<u>\$(1,136,355)</u>
D. Plan fiduciary net position as a percentage of the total pension liability	94.18 %	92.46 %	94.96 %	100.48 %	114.29 %	132.60 %
E. Covered employee payroll	\$ 4,361,748	\$ 4,166,021	\$ 4,036,930	\$ 3,717,494	\$ 3,440,955	\$ 3,035,863
F. Net pension liability as a percentage of covered payroll	13.87 %	16.62 %	9.50 %	-0.74 %	-19.01 %	-37.43 %

Notes:

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

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

See independent auditors' report
See notes to required supplementary information

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

Last 10 Years

	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Actuarially determined contribution	\$ 429,671	\$ 329,093	\$ 270,791	\$ 258,363	\$ 238,230	\$ 222,974
Contributions in relation to the actuarially determined	\$ 429,671	\$ 329,093	\$ 270,791	\$ 258,363	\$ 238,230	\$ 222,974
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Covered-employee payroll	\$4,395,835	\$4,359,307	\$4,166,021	\$4,036,930	\$3,717,494	\$3,440,955
Contributions as a percentage of covered-employee payroll	9.77 %	7.55 %	6.50 %	6.40 %	6.41 %	6.48 %

Notes:

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

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

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

Town of Middletown, RI
Required Supplementary Information
Notes to ERS, MERS, and TSB
For the Year Ended June 30, 2020

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

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

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

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

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

June 30, 2019 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, 2019 measurement date compared to the June 30, 2018 measurement date.

June 30, 2018 measurement date –

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

June 30, 2017 measurement date –

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

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

See independent auditors' report
See notes to required supplementary information

Town of Middletown, RI
Required Supplementary Information
Notes to ERS, MERS, and TSB
For the Year Ended June 30, 2020

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
See notes to required supplementary information*

Town of Middletown, RI
Required Supplementary Information
Notes to ERS, MERS, and TSB
For the Year Ended June 30, 2020

The June 30, 2015 measurement date determination of the net pension liability for the ERS and MERS plans reflects changes in benefit changes resulting from the settlement of litigation challenging the various pension reform measures enacted in previous years by the General Assembly. The final settlement approved by the Court on July 8, 2015 also included enactment of the pension settlement provisions by the General Assembly. These amended benefit provisions, are summarized below:

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

See independent auditors' report
See notes to required supplementary information

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

	Year Ended June 30, 2020	Year Ended June 30, 2019	Year Ended June 30, 2018	Year Ended June 30, 2017	Year Ended June 30, 2016	Year Ended June 30, 2015	Year Ended June 30, 2014
A. Total pension liability							
1. Service Cost	\$ 116,062	\$ 163,987	\$ 140,071	\$ 188,703	\$ 193,763	\$ 297,782	\$ 304,872
2. Interest on the Total Pension Liability	4,184,877	4,201,269	4,133,704	4,176,449	4,201,990	4,170,261	4,152,814
3. Changes of benefit terms	—	—	—	—	—	—	—
4. Difference between expected and actual experience of the Total Pension Liability	(157,525)	(648,949)	1,444,275	—	152,749	615,865	—
5. Changes of assumptions	1,885,166	959,070	—	—	—	199,475	—
6. Benefit payments, including refunds of employee contributions	(4,876,179)	(4,816,924)	(4,864,424)	(4,907,688)	(4,861,136)	(4,655,198)	(4,395,204)
7. Net change in total pension liability	1,152,401	(141,547)	853,626	(542,536)	(312,634)	628,185	62,482
8. Total pension liability - beginning	58,076,307	58,217,854	57,364,228	57,906,764	58,219,398	57,591,213	57,528,731
9. Total pension liability - ending (a)	<u>\$ 59,228,708</u>	<u>\$ 58,076,307</u>	<u>\$ 58,217,854</u>	<u>\$ 57,364,228</u>	<u>\$ 57,906,764</u>	<u>\$ 58,219,398</u>	<u>\$ 57,591,213</u>
B. Plan fiduciary net position							
1. Contributions - employer	\$ 214,704	\$ 1,681,525	\$ 2,403,830	\$ 2,995,805	\$ 3,684,562	\$ 3,594,123	\$ 3,678,880
2. Contributions - employee	45,532	50,622	59,952	66,002	78,302	92,124	119,499
3. Net investment income	1,532,680	3,590,209	4,868,722	5,731,526	909,971	1,558,969	7,108,227
4. Benefit payments, including refunds of employee contributions	(4,876,179)	(4,816,924)	(4,864,424)	(4,907,688)	(4,861,136)	(4,655,198)	(4,395,204)
5. Pension Plan Administrative Expense	(160,181)	(147,997)	(161,654)	(144,458)	(133,879)	(162,898)	(68,915)
6. Other	—	—	—	—	—	—	—
7. Net change in plan fiduciary net position	(3,243,444)	357,435	2,306,426	3,741,187	(322,180)	427,120	6,442,487
8. Plan fiduciary net position - beginning	60,563,649	60,206,214	57,899,788	54,158,601	54,480,781	54,053,661	47,611,174
9. Plan fiduciary net position - ending (b)	<u>\$ 57,320,205</u>	<u>\$ 60,563,649</u>	<u>\$ 60,206,214</u>	<u>\$ 57,899,788</u>	<u>\$ 54,158,601</u>	<u>\$ 54,480,781</u>	<u>\$ 54,053,661</u>
C. Net pension liability - ending (a) - (b)	<u>\$ 1,908,503</u>	<u>\$ (2,487,342)</u>	<u>\$ (1,988,360)</u>	<u>\$ (535,560)</u>	<u>\$ 3,748,163</u>	<u>\$ 3,738,617</u>	<u>\$ 3,537,552</u>
D. Plan fiduciary net position as a percentage of the total pension liability	96.78 %	104.28 %	103.42 %	100.93 %	93.53 %	93.58 %	93.86 %
E. Covered employee payroll	\$ 629,841	\$ 863,714	\$ 887,727	\$ 890,382	\$ 954,884	\$ 1,164,923	\$ 1,265,639
F. Net pension liability as a percentage of covered payroll	303.01 %	-287.98 %	-223.98 %	-60.15 %	392.53 %	320.93 %	279.51 %

Notes:

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

See independent auditors' report
See notes to required supplementary information

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

	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012	June 30, 2011
Actuarially determined contribution	\$ 86,861	\$ —	\$1,132,150	\$1,729,348	\$2,339,907	\$2,904,159	\$3,535,930	\$3,456,284	\$3,240,416	\$2,761,665
Contributions in relation to the actuarially determined contribution	214,704	1,681,525	2,403,830	2,995,805	3,684,562	3,594,123	3,678,880	3,378,624	2,873,858	3,795,486
Contribution deficiency (excess)	\$(127,843)	\$(1,681,525)	\$(1,271,680)	\$(1,266,457)	\$(1,344,655)	\$(689,964)	\$(142,950)	\$77,660	\$366,558	\$(1,033,821)
Covered-employee payroll	\$ 629,841	\$ 863,714	\$ 887,727	\$ 890,382	\$ 954,884	\$1,164,923	\$1,265,639	\$1,671,072	\$1,837,941	\$1,890,372
Contributions as a percentage of covered-employee payroll	34.09 %	194.69 %	270.78 %	336.46 %	385.86 %	308.53 %	290.67 %	202.18 %	156.36 %	200.78 %

Notes:

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

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

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

	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Annual money-weighted rate of return, net of investment income	2.63%	6.14%	8.61%	10.85%	1.71%	2.93%	15.96%

Notes:

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

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

Town of Middletown, RI
Required Supplementary Information
Notes to Town's Private Pension Plan
For the Year Ended June 30, 2020

Notes to the Schedules:

Valuation Date:

Actuarially determined contribution rates are calculated as of June 30, 2020

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	2.50%
Mortality rates:	Projected generationally from 2010 with Scale MP-2019. Separate annuitant and non-annuitant rate tables were used.

See independent auditors' report

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

	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Total OPEB liability				
Service Cost	\$ 515,325	\$ 486,018	\$ 478,012	\$ 506,972
Interest	2,148,492	2,093,795	2,380,004	2,296,966
Changes of benefit terms	(87,428)			
Differences between expected and actual experience	122,554	(312,797)	(3,021,201)	—
Changes of assumptions	(2,202,682)	68,486	(2,007,827)	—
Net benefit payments	(1,625,989)	(1,644,695)	(1,661,234)	(1,674,163)
Net change in total OPEB liability	(1,129,728)	690,807	(3,832,246)	1,129,775
Total OPEB liability - beginning	28,929,530	28,238,723	32,070,969	30,941,194
Total OPEB liability - ending	<u>\$27,799,802</u>	<u>\$28,929,530</u>	<u>\$28,238,723</u>	<u>\$32,070,969</u>
OPEB fiduciary net position				
Contributions - employer	\$ 4,418,603	\$ 3,610,377	\$ 3,550,098	\$ 2,846,481
Contributions - employee	22,383	22,283	21,358	—
Net investment income	283,629	528,666	520,405	726,504
Benefit payments	(1,625,989)	(1,644,695)	(1,661,234)	(1,674,163)
Administrative Expense	(18,747)	(21,995)	(28,500)	(32,580)
Net change in plan fiduciary net position	3,079,879	2,494,636	2,402,127	1,866,242
Plan fiduciary net position - beginning	12,236,460	9,741,824	7,339,697	5,473,455
Plan fiduciary net position - ending	<u>\$15,316,339</u>	<u>\$12,236,460</u>	<u>\$ 9,741,824</u>	<u>\$ 7,339,697</u>
Plan's net pension liability - ending	<u>\$12,483,463</u>	<u>\$16,693,070</u>	<u>\$18,496,899</u>	<u>\$24,731,272</u>
Plan fiduciary net position as a percentage of the total OPEB liability	55.10 %	42.30 %	34.50 %	22.89 %
Covered employee payroll	\$29,376,747	\$24,564,252	\$25,008,014	\$22,684,805
Town's net OPEB liability as a percentage of covered-employee payroll	42.49 %	67.96 %	73.96 %	109.02 %

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

See independent auditors' report
See notes to required supplementary information

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

	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Actuarially determined contribution	\$ 1,971,037	\$ 2,011,938	\$ 2,415,706	\$ 2,174,483
Contributions in relation to the actuarially determined contribution	<u>4,418,603</u>	<u>3,610,377</u>	<u>3,550,098</u>	<u>2,846,481</u>
Contribution deficiency (excess)	<u><u>\$(2,447,566)</u></u>	<u><u>\$(1,598,439)</u></u>	<u><u>\$(1,134,392)</u></u>	<u><u>\$ (671,998)</u></u>
Covered-employee payroll	\$29,376,747	\$24,564,252	\$25,008,014	\$22,684,805
Contributions as a percentage of covered-employee payroll	15.04 %	14.70 %	14.20 %	12.55 %

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

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

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

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Annual money-weighted rate of return, net of investment expense	2.09 %	4.99 %	6.52 %	12.68 %

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

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

Town of Middletown, RI
Required Supplementary Information
Town Other Post Employment Benefits Plan
Notes OPEB
For the Year Ended June 30, 2020

Notes to Required Supplementary Information:

Valuation Date: Actuarially Determined Contribution based on June 30, 2020

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

Asset-Valuation Method: Market Value of Assets as of the Measurement Date, June 30, 2020

Actuarial Assumptions:

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

Medical inflation: 7.25%-6.00%

Inflation: 2.50% as of June 30, 2020 and for future periods

Salary Increases: 3.00% annually as of June 30, 2020 and for future periods

Mortality rates: Fire and Police - PubS.H-2010 Headcount Weighted Public Safety Mortality, projected with mortality improvement scale MP-2019.
Public Works, Town Hall, Clerical and Custodial - PubG.H-2010 Headcount Weighted General Mortality, projected with mortality improvement scale MP-2019.
Teachers and Administration - PubT.H-2010 Headcount Weighted Teachers Mortality, projected with mortality improvement scale MP-2019.

Mortality rates, disabled members: Fire and Police - PubS.H-2010 Headcount Weighted Safety Disabled Mortality, projected with mortality improvement scale MP-2019.
All other groups: PubT/G.H-2010 Headcount Weighted Teachers/General Disabled Mortality, projected with mortality improvement scale MP-2019.

These rates are consistent with the SOA study on public pension plan mortality published in January 2019 and the updated mortality improvement scale published in October 2019.

See independent auditors' report
See notes to required supplementary information

Town of Middletown, RI
Supplementary Information

Tax Collector Annual Report
For the Year June 30, 2020

Real estate and personal property taxes receivable							FY2020 Cash Collections Summary				
Year	Balance, July 1, 2019	Current year assessment	Addenda/ Adjustments/ abatements	Amount to be collected	Collections	Balance, June 30, 2020	July - August 2019 Collections Subject to 60 day FY19 Accrual	September 2019 - June 2020 Collections	Total FY 20 Cash Collections	July - August 2020 (FY21) Cash Collections Subject to 60 day FY20 Accrual	
2019	\$ —	\$ 47,319,721	\$ 1,922	\$ 47,321,643	\$ 46,251,398	\$ 1,070,245	\$ —	\$ 46,251,398	\$ 46,251,398	\$ 549,097	
2018	754,791		(1,282)	753,509	656,021	97,489	488,858	167,163	656,021	12,439	
2017	69,850		(2,049)	67,801	11,807	55,994	3,461	8,346	11,807	2,602	
2016	62,205		(1,882)	60,323	3,097	57,226	191	2,906	3,097	191	
2015	37,969		(1,091)	36,878	2,722	34,156	665	2,057	2,722	466	
2014	89,509		(240)	89,269	3,332	85,937	206	3,126	3,332	114	
2013	51,003		(47)	50,956	1,846	49,111	92	1,754	1,846	—	
2012	51,293		(133)	51,160	1,315	49,844	123	1,192	1,315	—	
2011	49,801		(260)	49,541	1,238	48,306	—	1,238	1,238	9	
2010	44,794		(234)	44,560	455	44,104	—	455	455	45	
Prior	65,635		(16,242)	49,393	56	49,336	—	56	56	—	
				—		—		—	—		
	<u>\$ 1,276,850</u>	<u>\$ 47,319,721</u>	<u>\$ (21,538)</u>	<u>\$ 48,575,033</u>	<u>\$ 46,933,287</u>	<u>\$ 1,641,748</u>	<u>\$ 493,596</u>	<u>\$ 46,439,691</u>	<u>\$ 46,933,287</u>	<u>\$ 564,963</u>	
Allowance for doubtful accounts	<u>(511,806)</u>					<u>(497,045)</u>					
Net Property Tax Receivable	<u>\$ 765,044</u>					<u>\$ 1,144,703</u>					

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

Town of Middletown, RI
 Supplementary Information
 Tax Collector Annual Report
 For the Year Ended June 30, 2020

Schedule of net assessed property value by category:

<u>Description of property</u>	<u>Valuations</u>	<u>Levy</u>
Real property	\$ 3,091,400,467	\$ 44,347,318
Motor vehicles	136,113,957	1,612,994
Tangible personal	<u>98,797,285</u>	<u>1,359,409</u>
Total	3,326,311,709	47,319,721
Exemptions	<u>121,632,747</u>	
Current year assessment	<u><u>\$ 3,204,678,962</u></u>	<u><u>\$ 47,319,721</u></u>
Reconciliation of current year property		
Current year collections		\$ 46,933,287
Revenue collected within 60 days subsequent to year ended June 30, 2019		<u>564,963</u>
		<u>47,498,250</u>
Prior year revenue received in current		<u>(493,596)</u>
Current year real estate and personal		<u><u>\$ 47,004,654</u></u>

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

Town of Middletown, Rhode Island
Supplementary Information
Non-Major Governmental Funds
Combined Balance Sheet
June 30, 2020

	Special Revenue Funds - Town					
	Library Grant Fund	Community Development Block Grant Fund	Public Safety Relief/Goodman	Fire Alarm Fund	Fire Prevention Fund	Criminal Investigations Fund
Assets						
Cash and cash equivalents	\$ 4	\$ 8,915	\$ 7,286	\$ —	\$ —	\$ —
Accounts receivable, net						
Federal and state government						
Loans receivable		100,000				
Other receivable						
Prepaid expenses		1,000				
Due from other funds	—		—	500	30,945	1,086
Total assets	4	109,915	7,286	500	30,945	1,086
Deferred outflows of resources						
Deferred outflows						
Total deferred outflows of resources	—	—	—	—	—	—
Total assets and deferred outflows of resources	\$ 4	\$ 109,915	\$ 7,286	\$ 500	\$ 30,945	\$ 1,086
Liabilities						
Accounts payable and accrued expenses						
Due to other funds		2,056			—	
Total liabilities	—	2,056	—	—	—	—
Deferred inflows of resources						
Unearned revenues	—	7,859	—	—	—	—
Total deferred inflows of resources	—	7,859	—	—	—	—
Fund balances:						
Nonspendable	—	100,000	—	—	—	—
Restricted		—				
Committed						
Assigned	4		7,286	500	30,945	1,086
Unassigned		—				
Total fund balances	4	100,000	7,286	500	30,945	1,086
Total liabilities, deferred inflows of resources, and fund balances	\$ 4	\$ 109,915	\$ 7,286	\$ 500	\$ 30,945	\$ 1,086

See independent auditors' report
See notes to required supplementary information

Town of Middletown, Rhode Island
Supplementary Information
Non-Major Governmental Funds
Combined Balance Sheet
June 30, 2020

	Special Revenue Funds - Town					
	Capital Improvement Impact Fund	Library Gift Fund (ET)	Library Donations Fund	Library Public Access Print Server	Forfeited and Confiscated Funds(ET)	Retired Police Officers' Fund
Assets						
Cash and cash equivalents	391,293	25,291	17,748	23,473	20,350	\$ —
Accounts receivable, net						
Federal and state government						
Loans receivable		203				
Other receivable						
Prepaid expenses						
Due from other funds		990	1,870		13,935	516
Total assets	391,293	26,484	19,618	23,473	34,285	516
Deferred outflows of resources						
Deferred outflows	—	—	—	—	—	—
Total deferred outflows of resources	—	—	—	—	—	—
Total assets and deferred outflows of resources	\$ 391,293	\$ 26,484	\$ 19,618	\$ 23,473	\$ 34,285	\$ 516
Liabilities						
Accounts payable and accrued expenses	35,730	—			2,051	
Due to other funds	162,993	—	—	6,385	—	
Total liabilities	198,723	—	—	6,385	2,051	—
Deferred inflows of resources						
Unearned revenues	—	—	—	—	—	—
Total deferred inflows of resources	—	—	—	—	—	—
Fund balances:						
Nonspendable	—	203	—	—	—	—
Restricted					32,234	
Committed						
Assigned	192,570	26,281	19,618	17,088		516
Unassigned						
Total fund balances	192,570	26,484	19,618	17,088	32,234	516
Total liabilities, deferred inflows of resources, and fund balances	\$ 391,293	\$ 26,484	\$ 19,618	\$ 23,473	\$ 34,285	\$ 516

See independent auditors' report
See notes to required supplementary information

Town of Middletown, Rhode Island
Supplementary Information
Non-Major Governmental Funds
Combined Balance Sheet
June 30, 2020

	Special Revenue Funds - Town			
	Civilian Police Academy Fund	PPV Public Safety	JFK Building SRF	Total Town Special Revenue Funds
Assets				
Cash and cash equivalents	\$ —			\$ 494,360
Accounts receivable, net				
Federal and state government				203
Loans receivable				100,000
Other receivable			—	—
Prepaid expenses				1,000
Due from other funds	1,660	251,439	227,735	530,676
Total assets	1,660	251,439	227,735	1,126,239
Deferred outflows of resources				
Deferred outflows	—	—	—	—
Total deferred outflows of resources	—	—	—	—
Total assets and deferred outflows of resources	\$ 1,660	\$ 251,439	\$ 227,735	\$ 1,126,239
Liabilities				
Accounts payable and accrued expenses			9,738	47,519
Due to other funds		—		171,434
Total liabilities	—	—	9,738	218,953
Deferred inflows of resources				
Unearned revenues	—	—	—	7,859
Total deferred inflows of resources	—	—	—	7,859
Fund balances:				
Nonspendable	—	—		100,203
Restricted				32,234
Committed				—
Assigned	1,660	251,439	217,997	766,990
Unassigned				—
Total fund balances	1,660	251,439	217,997	899,427
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,660	\$ 251,439	\$ 227,735	\$ 1,126,239

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

Town of Middletown, Rhode Island
Supplementary Information
Non-Major Governmental Funds
Combined Balance Sheet
June 30, 2020

	Special Revenue Funds - School					
	IDEA Part B Allocation	IDEA Part B Preschool	Title I	Title II	Title III	Perkins Vocational
Assets						
Cash and cash equivalents	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Accounts receivable, net						
Federal and state government	677,158	36,999	372,516	33,531	6,720	
Loans receivable						
Other receivable						
Prepaid expenses						
Due from other funds						17,027
Total assets	<u>677,158</u>	<u>36,999</u>	<u>372,516</u>	<u>33,531</u>	<u>6,720</u>	<u>17,027</u>
Deferred outflows of resources						
Deferred outflows	—	—	—	—	—	—
Total deferred outflows of resources	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total assets and deferred outflows of resources	<u>\$ 677,158</u>	<u>\$ 36,999</u>	<u>\$ 372,516</u>	<u>\$ 33,531</u>	<u>\$ 6,720</u>	<u>\$ 17,027</u>
Liabilities						
Accounts payable and accrued expenses	\$ 19,684	\$ 9,250	\$ —	\$ —	\$ —	\$ —
Due to other funds	657,474	27,749	372,516	33,531	6,720	
Total liabilities	<u>677,158</u>	<u>36,999</u>	<u>372,516</u>	<u>33,531</u>	<u>6,720</u>	<u>—</u>
Deferred inflows of resources						
Unearned revenues	—	—	—	—	—	—
Total deferred inflows of resources	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund balances:						
Nonspendable						
Restricted						17,027
Committed						
Assigned						
Unassigned						
Total fund balances	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>17,027</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 677,158</u>	<u>\$ 36,999</u>	<u>\$ 372,516</u>	<u>\$ 33,531</u>	<u>\$ 6,720</u>	<u>\$ 17,027</u>

See independent auditors' report
See notes to required supplementary information

Town of Middletown, Rhode Island
Supplementary Information
Non-Major Governmental Funds
Combined Balance Sheet
June 30, 2020

	Special Revenue Funds - School					
	McKinney Homeless I	McKinney Homeless II	US Dept. of Defense Grant MAPS	CARES (ESSER) - Replmt for Reduction of State Aid	CARES (CRF) Corona Virus Relief Funds	Healthier Challenge Grant
Assets						
Cash and cash equivalents	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Accounts receivable, net						
Federal and state government	4,490	—	110,664	252,914	278,338	
Loans receivable						
Other receivable						
Prepaid expenses						
Due from other funds						1,530
Total assets	<u>4,490</u>	<u>—</u>	<u>110,664</u>	<u>252,914</u>	<u>278,338</u>	<u>1,530</u>
Deferred outflows of resources						
Deferred outflows	—	—	—	—	—	
Total deferred outflows of resources	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	
Total assets and deferred outflows of resources	<u>\$ 4,490</u>	<u>\$ —</u>	<u>\$ 110,664</u>	<u>\$ 252,914</u>	<u>\$ 278,338</u>	<u>\$ 1,530</u>
Liabilities						
Accounts payable and accrued expenses	\$ —	\$ —	\$ —	\$ —	\$ 3,880	
Due to other funds	4,490		110,664	252,914	274,458	
Total liabilities	<u>4,490</u>	<u>—</u>	<u>110,664</u>	<u>252,914</u>	<u>278,338</u>	<u>—</u>
Deferred inflows of resources						
Unearned revenues	—	—	—	—		
Total deferred inflows of resources	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	
Fund balances:						
Nonspendable						
Restricted						1,530
Committed						
Assigned						
Unassigned						
Total fund balances	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,530</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,490</u>	<u>\$ —</u>	<u>\$ 110,664</u>	<u>\$ 252,914</u>	<u>\$ 278,338</u>	<u>\$ 1,530</u>

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

Town of Middletown, Rhode Island
Supplementary Information
Non-Major Governmental Funds
Combined Balance Sheet
June 30, 2020

	Special Revenue Funds - School					
	Early Childhood	Literacy	Student Equity	CS4RI	CTE Categorical Aid	English Learner Categorical
Assets						
Cash and cash equivalents	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Accounts receivable, net						
Federal and state government				—		8,507
Loans receivable						
Other receivable						
Prepaid expenses						
Due from other funds	22,504	16,502		31	15,731	
Total assets	<u>22,504</u>	<u>16,502</u>	<u>—</u>	<u>31</u>	<u>15,731</u>	<u>8,507</u>
Deferred outflows of resources						
Deferred outflows	—	—	—	—	—	—
Total deferred outflows of resources	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total assets and deferred outflows of resources	<u>\$ 22,504</u>	<u>\$ 16,502</u>	<u>\$ —</u>	<u>\$ 31</u>	<u>\$ 15,731</u>	<u>\$ 8,507</u>
Liabilities						
Accounts payable and accrued expenses	\$ —	\$ —	\$ —	\$ —		
Due to other funds			19,836			8,507
Total liabilities	<u>—</u>	<u>—</u>	<u>19,836</u>	<u>—</u>	<u>—</u>	<u>8,507</u>
Deferred inflows of resources						
Unearned revenues	—	—	—	—	—	—
Total deferred inflows of resources	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund balances:						
Nonspendable						
Restricted	22,504	16,502	(19,836)	31	15,731	
Committed						
Assigned						
Unassigned						
Total fund balances	<u>22,504</u>	<u>16,502</u>	<u>(19,836)</u>	<u>31</u>	<u>15,731</u>	<u>—</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 22,504</u>	<u>\$ 16,502</u>	<u>\$ —</u>	<u>\$ 31</u>	<u>\$ 15,731</u>	<u>\$ 8,507</u>

See independent auditors' report
See notes to required supplementary information

Town of Middletown, Rhode Island
Supplementary Information
Non-Major Governmental Funds
Combined Balance Sheet
June 30, 2020

	Special Revenue Funds - School					
	RIDE Career Exploration	RIDE Open Science Field Test Grant	Feinstein Foundation Grant	Van Beuren Charitable Foundation Award	EBCAP 1	
Assets						
Cash and cash equivalents	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Accounts receivable, net						
Federal and state government	1,217	2,153				
Loans receivable						
Other receivable						
Prepaid expenses						
Due from other funds			48,167			
Total assets	<u>1,217</u>	<u>2,153</u>	<u>48,167</u>	<u>—</u>	<u>—</u>	<u>—</u>
Deferred outflows of resources						
Deferred outflows	—	—	—	—	—	—
Total deferred outflows of resources	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total assets and deferred outflows of resources	<u>\$ 1,217</u>	<u>\$ 2,153</u>	<u>\$ 48,167</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Liabilities						
Accounts payable and accrued expenses	\$ —	\$ 2,029	\$ 199	\$ —	\$ —	\$ —
Due to other funds	1,217					
Total liabilities	<u>1,217</u>	<u>2,029</u>	<u>199</u>	<u>—</u>	<u>—</u>	<u>—</u>
Deferred inflows of resources						
Unearned revenues	—	—	—	—	—	—
Total deferred inflows of resources	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund balances:						
Nonspendable						
Restricted		124	47,968			
Committed						
Assigned						
Unassigned						
Total fund balances	<u>—</u>	<u>124</u>	<u>47,968</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,217</u>	<u>\$ 2,153</u>	<u>\$ 48,167</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

See independent auditors' report
See notes to required supplementary information

Town of Middletown, Rhode Island
Supplementary Information
Non-Major Governmental Funds
Combined Balance Sheet
June 30, 2020

	Special Revenue Funds - School					
	Rhode Island Foundation	Van Beuren Charitable Foundation	Target Private Donations	Office Max	Scholarship America	RI Art Association
Assets						
Cash and cash equivalents	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Accounts receivable, net						
Federal and state government	—					
Loans receivable						
Other receivable						
Prepaid expenses						
Due from other funds	6,122	78,956	195	100	472	132
Total assets	<u>6,122</u>	<u>78,956</u>	<u>195</u>	<u>100</u>	<u>472</u>	<u>132</u>
Deferred outflows of resources						
Deferred outflows	—	—	—	—	—	—
Total deferred outflows of resources	—	—	—	—	—	—
Total assets and deferred outflows of resources	<u>\$ 6,122</u>	<u>\$ 78,956</u>	<u>\$ 195</u>	<u>\$ 100</u>	<u>\$ 472</u>	<u>\$ 132</u>
Liabilities						
Accounts payable and accrued expenses	\$ —	(8,782)				
Due to other funds						
Total liabilities	—	(8,782)	—	—	—	—
Deferred inflows of resources						
Unearned revenues	—		—	—	—	—
Total deferred inflows of resources	—	—	—	—	—	—
Fund balances:						
Nonspendable						
Restricted	6,122	87,738	195	100	472	132
Committed						
Assigned						
Unassigned						
Total fund balances	<u>6,122</u>	<u>87,738</u>	<u>195</u>	<u>100</u>	<u>472</u>	<u>132</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 6,122</u>	<u>\$ 78,956</u>	<u>\$ 195</u>	<u>\$ 100</u>	<u>\$ 472</u>	<u>\$ 132</u>

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See notes to required supplementary information

Town of Middletown, Rhode Island
Supplementary Information
Non-Major Governmental Funds
Combined Balance Sheet
June 30, 2020

	Special Revenue Funds - School					
	PTO/PTG Donations	Middletown Education Collaborative	Safety Town	National Math & Science Inc	Angel Fund	Middle School Donors
Assets						
Cash and cash equivalents	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Accounts receivable, net						
Federal and state government						
Loans receivable						
Other receivable						
Prepaid expenses						
Due from other funds		2,501	500	6,621	630	4,568
Total assets	<u>—</u>	<u>2,501</u>	<u>500</u>	<u>6,621</u>	<u>630</u>	<u>4,568</u>
Deferred outflows of resources						
Deferred outflows	—	—	—	—	—	—
Total deferred outflows of resources	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total assets and deferred outflows of resources	<u>\$ —</u>	<u>\$ 2,501</u>	<u>\$ 500</u>	<u>\$ 6,621</u>	<u>\$ 630</u>	<u>\$ 4,568</u>
Liabilities						
Accounts payable and accrued expenses	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Due to other funds	36					
Total liabilities	<u>36</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Deferred inflows of resources						
Unearned revenues	—	—	—	—	—	—
Total deferred inflows of resources	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund balances:						
Nonspendable						
Restricted	(36)	2,501	500	6,621	630	4,568
Committed						
Assigned						
Unassigned						
Total fund balances	<u>(36)</u>	<u>2,501</u>	<u>500</u>	<u>6,621</u>	<u>630</u>	<u>4,568</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ —</u>	<u>\$ 2,501</u>	<u>\$ 500</u>	<u>\$ 6,621</u>	<u>\$ 630</u>	<u>\$ 4,568</u>

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Town of Middletown, Rhode Island
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Non-Major Governmental Funds
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	Special Revenue Funds - School					
	Forest Ave School Donors	Donations Music Boosters	Aquidneck School Donors	High School Donors	Donations- Boosters	Donations - Robotics Program
Assets						
Cash and cash equivalents	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Accounts receivable, net						
Federal and state government						
Loans receivable						
Other receivable						
Prepaid expenses						
Due from other funds	3,581		5,479	15,282	592	139
Total assets	<u>3,581</u>	<u>—</u>	<u>5,479</u>	<u>15,282</u>	<u>592</u>	<u>139</u>
Deferred outflows of resources						
Deferred outflows	—	—	—	—	—	—
Total deferred outflows of resources	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total assets and deferred outflows of resources	<u>\$ 3,581</u>	<u>\$ —</u>	<u>\$ 5,479</u>	<u>\$ 15,282</u>	<u>\$ 592</u>	<u>\$ 139</u>
Liabilities						
Accounts payable and accrued expenses	\$ —	\$ —	\$ —	\$ —		\$ —
Due to other funds						
Total liabilities	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Deferred inflows of resources						
Unearned revenues	—	—	—	—	—	—
Total deferred inflows of resources	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund balances:						
Nonspendable						
Restricted	3,581	—	5,479	15,282	592	139
Committed						
Assigned						
Unassigned						
Total fund balances	<u>3,581</u>	<u>—</u>	<u>5,479</u>	<u>15,282</u>	<u>592</u>	<u>139</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,581</u>	<u>\$ —</u>	<u>\$ 5,479</u>	<u>\$ 15,282</u>	<u>\$ 592</u>	<u>\$ 139</u>

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Town of Middletown, Rhode Island
Supplementary Information
Non-Major Governmental Funds
Combined Balance Sheet
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	Special Revenue Funds - School					
	Donations - Communications Plan	Other Enterprise	School Lunch Program	School Capital Improvement Fund	Total School Special Revenue Funds	Total Other Governmental Funds
Assets						
Cash and cash equivalents	\$ —	\$ —	\$ 299,810	\$ —	\$ 299,810	\$ 992,546
Accounts receivable, net						
Federal and state government		—	17,071		1,802,278	1,802,481
Loans receivable						100,000
Other receivable		—	19,542		19,542	19,542
Prepaid expenses						1,000
Due from other funds	200	93,607	94,621	52,340	547,814	1,090,338
Total assets	<u>200</u>	<u>93,607</u>	<u>431,044</u>	<u>52,340</u>	<u>2,669,444</u>	<u>4,005,907</u>
Deferred outflows of resources						
Deferred outflows	—	—	—	—	—	—
Total deferred outflows of resources	—	—	—	—	—	—
Total assets and deferred outflows of resources	<u>\$ 200</u>	<u>\$ 93,607</u>	<u>\$ 431,044</u>	<u>\$ 52,340</u>	<u>\$ 2,669,444</u>	<u>\$ 4,005,907</u>
Liabilities						
Accounts payable and accrued expenses		—	54,148	\$ 22,074	102,482	\$ 156,940
Due to other funds		98	54,094		1,824,304	1,995,738
Total liabilities	—	98	108,242	22,074	1,926,786	2,152,678
Deferred inflows of resources						
Deferred revenues	—	9,750	—	—	9,750	17,609
Total deferred inflows of resources	—	9,750	—	—	9,750	17,609
Fund balances:						
Nonspendable						297,481
Restricted	200	83,759	322,802	89,950	732,908	765,142
Committed						—
Assigned						772,997
Unassigned						—
Total fund balances	<u>200</u>	<u>83,759</u>	<u>322,802</u>	<u>89,950</u>	<u>732,908</u>	<u>1,835,620</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 200</u>	<u>\$ 93,607</u>	<u>\$ 431,044</u>	<u>\$ 112,024</u>	<u>\$ 2,669,444</u>	<u>\$ 4,005,907</u>

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Town of Middletown, Rhode Island
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Major Governmental Funds
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	Capital Project Funds		
	Town Capital Fund	School Capital Fund	Total Town & School Capital Project Funds
Assets			
Cash and cash equivalents	\$ 1,342,864	\$ 3,449,459	\$ 4,792,323
Accounts receivable, net			
Federal and state government			—
Loans receivable			—
Other receivable	609,692		609,692
Prepaid expenses			—
Due from other funds		—	—
Total assets	<u>1,952,556</u>	<u>3,449,459</u>	<u>5,402,015</u>
Deferred outflows of resources			
Deferred outflows	—	—	—
Total deferred outflows of resources	<u>—</u>	<u>—</u>	<u>—</u>
Total assets and deferred outflows of resources	<u>1,952,556</u>	<u>3,449,459</u>	<u>5,402,015</u>
Liabilities			
Accounts payable and accrued expenses	360,066	684,170	1,044,236
Due to other funds	945,333		945,333
Total liabilities	<u>1,305,399</u>	<u>684,170</u>	<u>1,989,569</u>
Deferred inflows of resources			
Unearned revenues	—	—	—
Total deferred inflows of resources	<u>—</u>	<u>—</u>	<u>—</u>
Fund balances:			
Nonspendable	—	—	—
Restricted	647,157	2,765,289	3,412,446
Committed			—
Assigned	—	—	—
Unassigned			—
Total fund balances	<u>647,157</u>	<u>2,765,289</u>	<u>3,412,446</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,952,556</u>	<u>\$ 3,449,459</u>	<u>\$ 5,402,015</u>

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Town of Middletown, Rhode Island
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Non-Major Governmental Funds
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	Permanent Funds			
	McCartney Scholarship Fund	McKie Scholarship Fund	Bennett Welfare Fund	Freebody Welfare Fund
Assets				
Cash and cash equivalents	\$ 17,618	\$ 18,489	\$ 3,603	\$ 3,005
Accounts receivable, net				
Federal and state government				
Loans receivable				
Other receivable				
Prepaid expenses				
Due from other funds				—
Total assets	<u>17,618</u>	<u>18,489</u>	<u>3,603</u>	<u>3,005</u>
Deferred outflows of resources				
Deferred outflows	—	—	—	—
Total deferred outflows of resources	—	—	—	—
Total assets and deferred outflows of resources	<u>\$ 17,618</u>	<u>\$ 18,489</u>	<u>\$ 3,603</u>	<u>\$ 3,005</u>
Liabilities				
Accounts payable and accrued expenses				
Due to other funds				
Total liabilities	—	—	—	—
Deferred inflows of resources				
Unearned revenues	—	—	—	—
Total deferred inflows of resources	—	—	—	—
Fund balances:				
Nonspendable	16,432	18,296	3,000	2,500
Restricted				
Committed				
Assigned	1,186	193	603	505
Unassigned				
Total fund balances	<u>17,618</u>	<u>18,489</u>	<u>3,603</u>	<u>3,005</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 17,618</u>	<u>\$ 18,489</u>	<u>\$ 3,603</u>	<u>\$ 3,005</u>

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Town of Middletown, Rhode Island
Supplementary Information
Non-Major Governmental Funds
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	Permanent Funds			
	Burial Fund	Summerfield Trust Fund	Middletown Main Drainage	Total Permanent Funds
Assets				
Cash and cash equivalents	\$ 133,761	\$ 2,980	\$ 18,920	\$ 198,376
Accounts receivable, net				
Federal and state government				
Loans receivable				
Other receivable				
Prepaid expenses				
Due from other funds	11,848	—	—	11,848
Total assets	<u>145,609</u>	<u>2,980</u>	<u>18,920</u>	<u>210,224</u>
Deferred outflows of resources				
Deferred outflows	—	—	—	—
Total deferred outflows of resources	—	—	—	—
Total assets and deferred outflows of resources	<u>\$ 145,609</u>	<u>\$ 2,980</u>	<u>\$ 18,920</u>	<u>\$ 210,224</u>
Liabilities				
Accounts payable and accrued expenses	\$ 6,939			\$ 6,939
Due to other funds	—			—
Total liabilities	<u>6,939</u>	<u>—</u>	<u>—</u>	<u>6,939</u>
Deferred inflows of resources				
Unearned revenues	—	—	—	—
Total deferred inflows of resources	—	—	—	—
Fund balances:				
Nonspendable	138,670	2,500	15,880	197,278
Restricted				—
Committed				—
Assigned	—	480	3,040	6,007
Unassigned				—
Total fund balances	<u>138,670</u>	<u>2,980</u>	<u>18,920</u>	<u>203,285</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 145,609</u>	<u>\$ 2,980</u>	<u>\$ 18,920</u>	<u>\$ 210,224</u>

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Town of Middletown, Rhode Island
Supplementary Information
Non-Major Governmental Funds
Combined Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2020

	Special Revenue Funds - Town					
	Library Grant Fund	Community Development Block Grant	Public Safety Relief/Goodman	Fire Alarm Fund	Fire Prevention Fund	Criminal Investigations Fund
Revenues						
Intergovernmental	\$ —	\$ 128,198	\$ —	\$ —	\$ —	\$ —
Licenses, permits and fees					5,761	
Interest and investment income			13			
Other						
Total revenues	<u>—</u>	<u>128,198</u>	<u>13</u>	<u>—</u>	<u>5,761</u>	<u>—</u>
Expenditures						
General government						
Public safety						
Public works						
Library						
Education						
Community Services		128,198				
Capital outlay						
Total expenditures	<u>—</u>	<u>128,198</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Excess (deficiency) of revenues over expenditures	<u>—</u>	<u>—</u>	<u>13</u>	<u>—</u>	<u>5,761</u>	<u>—</u>
Other financing sources (uses)						
Proceeds from Financing						
Transfers from other funds						
Transfers to other funds	—				(5,520)	
Total other financing sources (uses)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(5,520)</u>	<u>—</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>—</u>	<u>—</u>	<u>13</u>	<u>—</u>	<u>241</u>	<u>—</u>
Fund balances, beginning	4	100,000	7,273	500	30,704	1,086
Fund balances, ending	<u>\$ 4</u>	<u>\$ 100,000</u>	<u>\$ 7,286</u>	<u>\$ 500</u>	<u>\$ 30,945</u>	<u>\$ 1,086</u>

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Non-Major Governmental Funds
Combined Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2020

	Special Revenue Funds - Town					
	Capital Improvement Impact Fund	Library Gift Fund (ET)	Library Donations Fund	Library Public Access Print Server	Forfeited and Confiscated Funds (ET)	Retired Police Officers' Fund
Revenues						
Intergovernmental	—	\$ —	\$ —	\$ —	\$ —	\$ —
Licenses, permits and fees	180,489	1,492		2,416		
Interest and investment income	682	102			35	
Other			7,017		15,822	—
Total revenues	<u>181,171</u>	<u>1,594</u>	<u>7,017</u>	<u>2,416</u>	<u>15,857</u>	<u>—</u>
Expenditures						
General government						
Public safety						
Public works						
Library						
Education						
Community Services						
Capital outlay						
Total expenditures	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Excess (deficiency) of revenues over expenditures	<u>181,171</u>	<u>1,594</u>	<u>7,017</u>	<u>2,416</u>	<u>15,857</u>	<u>—</u>
Other financing sources (uses)						
Proceeds from Financing						
Transfers from other funds						
Transfers to other funds	(616,179)	—	(427)	(1,908)	(4,835)	—
Total other financing sources (uses)	<u>(616,179)</u>	<u>—</u>	<u>(427)</u>	<u>(1,908)</u>	<u>(4,835)</u>	<u>—</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(435,008)	1,594	6,590	508	11,022	—
Fund balances, beginning	627,578	24,890	13,028	16,580	21,212	516
Fund balances, ending	<u>\$ 192,570</u>	<u>\$ 26,484</u>	<u>\$ 19,618</u>	<u>\$ 17,088</u>	<u>\$ 32,234</u>	<u>\$ 516</u>

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Town of Middletown, Rhode Island
 Supplementary Information
 Non-Major Governmental Funds
 Combined Statement of Revenues, Expenditures and Changes in Fund Balance
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	Special Revenue Funds - Town				
	Civilian Police Academy Fund	PPV Public Safety	JFK Building SRF	Joel Peckham School Capital Improvement	Total Town Special Revenue Funds
Revenues					
Intergovernmental	\$ —	\$ 1,262,553	\$ —	\$ —	\$ 1,390,751
Licenses, permits and fees					190,158
Interest and investment income					832
Other			191,659		214,498
Total revenues	<u>—</u>	<u>1,262,553</u>	<u>191,659</u>	<u>—</u>	<u>1,796,239</u>
Expenditures					
General government					—
Public safety					—
Public works					—
Planning and inspection					—
Library					—
Education					—
Community Services					128,198
Capital outlay					—
Total expenditures	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>128,198</u>
Excess (deficiency) of revenues over expenditures	<u>—</u>	<u>1,262,553</u>	<u>191,659</u>	<u>—</u>	<u>1,668,041</u>
Other financing sources (uses)					
Proceeds from Financing					0
Transfers from other funds					0
Transfers to other funds		(1,094,630)	(138,904)		(1,862,403)
Total other financing sources (uses)	<u>—</u>	<u>(1,094,630)</u>	<u>(138,904)</u>	<u>—</u>	<u>(1,862,403)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>—</u>	<u>167,923</u>	<u>52,755</u>	<u>—</u>	<u>(194,362)</u>
Fund balances, beginning	<u>1,660</u>	<u>83,516</u>	<u>165,242</u>	<u>—</u>	<u>1,093,789</u>
Fund balances, ending	<u>\$ 1,660</u>	<u>\$ 251,439</u>	<u>\$ 217,997</u>	<u>\$ —</u>	<u>\$ 899,427</u>

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Town of Middletown, Rhode Island
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Non-Major Governmental Funds
Combined Statement of Revenues, Expenditures and Changes in Fund Balance
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	Special Revenue Funds - School					
	IDEA Part B Allocation	IDEA Part B Preschool	Title I	Title IIA	Title III	Perkins Vocational
Revenues						
Intergovernmental	\$ 677,158	\$ 36,999	\$ 372,517	\$ 33,531	\$ 6,720	\$ 7,400
Licenses, permits and fees						
Interest and investment income						
Other						
Total revenues	<u>677,158</u>	<u>36,999</u>	<u>372,517</u>	<u>33,531</u>	<u>6,720</u>	<u>7,400</u>
Expenditures						
General government						
Public safety						
Public works						
Planning and inspection						
Library						
Education	677,158	36,999	372,517	33,531	6,720	7,400
Community Services						
Capital outlay	—	—	—	—	—	—
Total expenditures	<u>677,158</u>	<u>36,999</u>	<u>372,517</u>	<u>33,531</u>	<u>6,720</u>	<u>7,400</u>
Excess (deficiency) of revenues over expenditures	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Other financing sources (uses)						
Proceeds from Financing						
Operating transfers from other funds						
Operating transfers to other funds						
Total other financing sources (uses)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund balances, beginning	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>17,027</u>
Fund balances, ending	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 17,027</u>

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	Special Revenue Funds - School					
	Mckinney Homeless I	Mckinney Homeless II	US Dept. of Defense Grant MAPS	CARES (ESSER) - Replcmt for Reduction of State Aid	CARES (CRF) Corona Virus Relief Funds	Healthier Challenge Grant
Revenues						
Intergovernmental	\$ 4,490	\$ 17,466	\$ 110,664	\$ 252,914	\$ 278,337	\$ —
Licenses, permits and fees						
Interest and investment income						
Other						
Total revenues	<u>4,490</u>	<u>17,466</u>	<u>110,664</u>	<u>252,914</u>	<u>278,337</u>	<u>—</u>
Expenditures						
General government						
Public safety						
Public works						
Library						
Education	4,490	17,466	75,082	252,914	259,950	—
Community Services						
Capital outlay	—	—	35,582	—	18,387	—
Total expenditures	<u>4,490</u>	<u>17,466</u>	<u>110,664</u>	<u>252,914</u>	<u>278,337</u>	<u>—</u>
Excess (deficiency) of revenues over expenditures	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Other financing sources (uses)						
Proceeds from Financing						
Operating transfers from other funds						
Operating transfers to other funds						
Total other financing sources (uses)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund balances, beginning	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,530</u>
Fund balances, ending	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,530</u>

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Town of Middletown, Rhode Island
Supplementary Information
Non-Major Governmental Funds
Combined Statement of Revenues, Expenditures and Changes in Fund Balance
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	Special Revenue Funds - School					
	Early Childhood	Literacy	Student Equity	CS4RI	CTE Categorical Aid	English Language Learner Categorical
Revenues						
Intergovernmental	\$ —	\$ —	\$ —	\$ 1,379	\$ —	8507
Licenses, permits and fees						
Interest and investment income						
Other						
Total revenues	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,379</u>	<u>—</u>	<u>8,507</u>
Expenditures						
General government						
Public safety						
Public works						
Library						
Education	—	—	68,793	1,348	—	8,507
Community Services						
Capital outlay	—	—	—	—	—	
Total expenditures	<u>—</u>	<u>—</u>	<u>68,793</u>	<u>1,348</u>	<u>—</u>	<u>8,507</u>
Excess (deficiency) of revenues over expenditures	<u>—</u>	<u>—</u>	<u>(68,793)</u>	<u>31</u>	<u>—</u>	<u>—</u>
Other financing sources (uses)						
Proceeds from Financing						
Operating transfers from other funds						
Operating transfers to other funds						
Total other financing sources (uses)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>—</u>	<u>—</u>	<u>(68,793)</u>	<u>31</u>	<u>—</u>	<u>—</u>
Fund balances, beginning	22,504	16,502	48,957	—	15,731	—
Fund balances, ending	<u>\$ 22,504</u>	<u>\$ 16,502</u>	<u>\$ (19,836)</u>	<u>\$ 31</u>	<u>\$ 15,731</u>	<u>\$ —</u>

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Town of Middletown, Rhode Island
Supplementary Information
Non-Major Governmental Funds
Combined Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2020

	Special Revenue Funds - School					
	RIDE Career Exploration	RIDE Open Science Field Test Grant	Feinstein Foundation Grant	Van Beuren Charitable Foundation Award 2	EBCAP 1	EBCAP 2 VB
Revenues						
Intergovernmental	\$ 1,217	\$ 2,153	\$ —			
Licenses, permits and fees						
Interest and investment income						
Other		—	17,133	25,000	1,436	5,383
Total revenues	<u>1,217</u>	<u>2,153</u>	<u>17,133</u>	<u>25,000</u>	<u>1,436</u>	<u>5,383</u>
Expenditures						
General government						
Public safety						
Public works						
Library						
Education	1,217	2,029	2,961	25,000	1,436	5,383
Community Services						
Capital outlay	—	—	2,986	—	—	—
Total expenditures	<u>1,217</u>	<u>2,029</u>	<u>5,947</u>	<u>25,000</u>	<u>1,436</u>	<u>5,383</u>
Excess (deficiency) of revenues over expenditures	<u>—</u>	<u>124</u>	<u>11,186</u>	<u>—</u>	<u>—</u>	<u>—</u>
Other financing sources (uses)						
Proceeds from Financing						
Operating transfers from other funds						
Operating transfers to other funds						
Total other financing sources (uses)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>—</u>	<u>124</u>	<u>11,186</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund balances, beginning	<u>—</u>	<u>—</u>	<u>36,782</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund balances, ending	<u>\$ —</u>	<u>\$ 124</u>	<u>\$ 47,968</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

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Town of Middletown, Rhode Island
 Supplementary Information
 Non-Major Governmental Funds
 Combined Statement of Revenues, Expenditures and Changes in Fund Balance
 For the Year Ended June 30, 2020

	Special Revenue Funds - School					
	Rhode Island Foundation	Van Beuren Charitable Foundation	Target Donations	Office Max	Scholarship America	RI Art Association
Revenues						
Intergovernmental	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Licenses, permits and fees						
Interest and investment income						
Other						
Total revenues	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Expenditures						
General government						
Public safety						
Public works						
Library						
Education	—	—	—	—		
Community Services						
Capital outlay	—	—	—	—		
Total expenditures	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Excess (deficiency) of revenues over expenditures	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Other financing sources (uses)						
Proceeds from Financing						
Operating transfers from other funds						
Operating transfers to other funds						
Total other financing sources (uses)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund balances, beginning	\$ 6,122	\$ 87,738	\$ 195	\$ 100	\$ 472	\$ 132
Fund balances, ending	<u>\$ 6,122</u>	<u>\$ 87,738</u>	<u>\$ 195</u>	<u>\$ 100</u>	<u>\$ 472</u>	<u>\$ 132</u>

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 See notes to required supplementary information*

Town of Middletown, Rhode Island
Supplementary Information
Non-Major Governmental Funds
Combined Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2020

	Special Revenue Funds - School					
	PTO/PTG Donations	Middletown Education Collaborative	Safety Town	National Math & Science Inc	Angel Fund	Middle School Donors
Revenues						
Intergovernmental						
Licenses, permits and fees						
Interest and investment income						
Other	8,838	9,510			130	
Total revenues	<u>8,838</u>	<u>9,510</u>	<u>—</u>	<u>—</u>	<u>130</u>	<u>—</u>
Expenditures						
General government						
Public safety						
Public works						
Library						
Education	5,300	9,260	—	—	—	—
Community Services						
Capital outlay	17,901	—	—	—	—	—
Total expenditures	<u>23,201</u>	<u>9,260</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Excess (deficiency) of revenues over expenditures	<u>(14,363)</u>	<u>250</u>	<u>—</u>	<u>—</u>	<u>130</u>	<u>—</u>
Other financing sources (uses)						
Proceeds from Financing						
Operating transfers from other funds						
Operating transfers to other funds						
Total other financing sources (uses)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(14,363)</u>	<u>250</u>	<u>—</u>	<u>—</u>	<u>130</u>	<u>—</u>
Fund balances, beginning	<u>14,327</u>	<u>2,251</u>	<u>500</u>	<u>6,621</u>	<u>500</u>	<u>4,568</u>
Fund balances, ending	<u>\$ (36)</u>	<u>\$ 2,501</u>	<u>\$ 500</u>	<u>\$ 6,621</u>	<u>\$ 630</u>	<u>\$ 4,568</u>

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Town of Middletown, Rhode Island
Supplementary Information
Non-Major Governmental Funds
Combined Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2020

	Special Revenue Funds - School					
	Forest Avenue Donations	Music Boosters Donations	Aquidneck School Donors	High School Donors	Boosters Donations	Robotics Program Donations
Revenues						
Intergovernmental						
Licenses, permits and fees						
Interest and investment income						
Other	1,030	1,250	85	5,088	4,365	2,000
Total revenues	<u>1,030</u>	<u>1,250</u>	<u>85</u>	<u>5,088</u>	<u>4,365</u>	<u>2,000</u>
Expenditures						
General government						
Public safety						
Public works						
Library						
Education	1,198	1,250	718	6,238	1,230	1,861
Community Services						
Capital outlay	—	—	—	—	3,135	
Total expenditures	<u>1,198</u>	<u>1,250</u>	<u>718</u>	<u>6,238</u>	<u>4,365</u>	<u>1,861</u>
Excess (deficiency) of revenues over expenditures	<u>(168)</u>	<u>—</u>	<u>(633)</u>	<u>(1,150)</u>	<u>—</u>	<u>139</u>
Other financing sources (uses)						
Proceeds from Financing						
Operating transfers from other funds						
Operating transfers to other funds						
Total other financing sources (uses)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(168)</u>	<u>—</u>	<u>(633)</u>	<u>(1,150)</u>	<u>—</u>	<u>139</u>
Fund balances, beginning	<u>3,749</u>	<u>—</u>	<u>6,112</u>	<u>16,432</u>	<u>592</u>	<u>—</u>
Fund balances, ending	<u>\$ 3,581</u>	<u>\$ —</u>	<u>\$ 5,479</u>	<u>\$ 15,282</u>	<u>\$ 592</u>	<u>\$ 139</u>

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Town of Middletown, Rhode Island
Supplementary Information
Non-Major Governmental Funds
Combined Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2020

	Special Revenue Funds - School					Total Non-Major funds
	Communication Plan Donations	Athletics and Summer Programs	School Lunch	School Capital Improvement Fund	Total School Special Revenue Funds	
Revenues						
Intergovernmental			\$ 335,288	\$ 74,950	\$ 2,221,690	\$ 3,612,441
Licenses, permits and fees		12,899	299,215		312,114	539,004
Interest and investment income					—	1,179
Other	200	235	—	125,277	206,960	424,818
Total revenues	200	13,134	634,503	200,227	2,740,764	4,577,442
Expenditures						
General government					—	—
Public safety					—	—
Public works					—	76,861
Library					—	—
Education	—	26,728	592,532	59,609	2,566,825	2,566,825
Community Services					—	128,198
Capital outlay			—	962,506	1,040,497	1,040,497
Total expenditures	—	26,728	592,532	1,022,115	3,607,322	3,812,381
Excess (deficiency) of revenues over expenditures	200	(13,594)	41,971	(821,888)	(866,558)	765,061
Other financing sources (uses)						
Proceeds from Financing						—
Operating transfers from other funds				870,841	870,841	910,237
Operating transfers to other funds						(1,862,403)
Total other financing sources (uses)	—	—	—	870,841	870,841	(952,166)
Excess (deficiency) of revenues and other sources over expenditures and other uses	200	(13,594)	41,971	48,953	4,283	(187,105)
Fund balances, beginning	—	97,353	97,353	40,997	728,625	2,022,725
Fund balances, ending	\$ 200	\$ 83,759	\$ 139,324	\$ 89,950	\$ 732,908	\$ 1,835,620

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Town of Middletown, Rhode Island
 Supplementary Information
 Major Governmental Funds
 Combined Statement of Revenues, Expenditures and Changes in Fund Balance
 For the Year Ended June 30, 2020

	Capital Project Funds		Total Town and School Capital Project Funds
	Town Capital Project Fund	School Capital Project Fund	
Revenues			
Intergovernmental	\$ —		\$ —
Licenses, permits and fees			—
Interest and investment income	493	66,800	67,293
Other	—	—	—
Total revenues	<u>493</u>	<u>66,800</u>	<u>67,293</u>
Expenditures			
General government	9,000		9,000
Public safety	—		—
Public works	—		—
Planning and inspection	—		—
Library	—		—
Education	—	—	—
Community Services	13,222		13,222
Capital outlay	1,512,268	3,052,481	4,564,749
Total expenditures	<u>1,534,490</u>	<u>3,052,481</u>	<u>4,586,971</u>
Excess (deficiency) of revenues over expenditures	<u>(1,533,997)</u>	<u>(2,985,681)</u>	<u>(4,519,678)</u>
Other financing sources (uses)			
Proceeds from Financing	1,225,000		1,225,000
Operating transfers from other funds	472,380	—	472,380
Operating transfers to other funds	(96,878)	—	(96,878)
Total other financing sources (uses)	<u>1,600,502</u>	<u>—</u>	<u>1,600,502</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	66,505	(2,985,681)	(2,919,176)
Fund balances, beginning	580,652	5,750,970	6,331,622
Fund balances, ending	<u>\$ 647,157</u>	<u>\$ 2,765,289</u>	<u>\$ 3,412,446</u>

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Town of Middletown, Rhode Island
Supplementary Information
Non-Major Governmental Funds
Combined Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2020

	Permanent Trust Funds			
	McCartney Scholarship Fund	Mckie Scholarship Fund	Bennett Welfare Fund	Freebody Welfare Fund
Revenues				
Intergovernmental	\$ —	\$ —	\$ —	\$ —
Licenses, permits and fees				
Interest and investment income	31	33	6	6
Other				
Total revenues	<u>31</u>	<u>33</u>	<u>6</u>	<u>6</u>
Expenditures				
General government				
Public safety				
Public works				
Library				
Education				
Community Services				
Capital outlay				
Total expenditures	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Excess (deficiency) of revenues over expenditures	<u>31</u>	<u>33</u>	<u>6</u>	<u>6</u>
Other financing sources (uses)				
Proceeds from Financing				
Operating transfers from other funds				
Operating transfers to other funds				
Total other financing sources (uses)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	31	33	6	6
Fund balances, beginning	17,587	18,456	3,597	2,999
Fund balances, ending	<u>\$ 17,618</u>	<u>\$ 18,489</u>	<u>\$ 3,603</u>	<u>\$ 3,005</u>

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Town of Middletown, Rhode Island
Supplementary Information
Non-Major Governmental Funds
Combined Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2020

	Permanent Trust Funds			Total Permanent Funds
	Burial fund	Summerfield Trust Fund	Middletown Main Drainage	
Revenues				
Intergovernmental	\$ —	\$ —	\$ —	\$ —
Licenses, permits and fees	36,732			36,732
Interest and investment income	233	5	33	347
Other	3,360			3,360
Total revenues	<u>40,325</u>	<u>5</u>	<u>33</u>	<u>40,439</u>
Expenditures				
General government				—
Public safety				—
Public works	76,861			76,861
Planning and inspection				—
Library				—
Education				—
Community Services				—
Capital outlay				—
Total expenditures	<u>76,861</u>	<u>—</u>	<u>—</u>	<u>76,861</u>
Excess (deficiency) of revenues over expenditures	<u>(36,536)</u>	<u>5</u>	<u>33</u>	<u>(36,422)</u>
Other financing sources (uses)				
Proceeds from Financing				—
Operating transfers from other funds	39,396			39,396
Operating transfers to other funds				—
Total other financing sources (uses)	<u>39,396</u>	<u>—</u>	<u>—</u>	<u>39,396</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	2,860	5	33	2,974
Fund balances, beginning	135,810	2,975	18,887	200,311
Fund balances, ending	<u>\$ 138,670</u>	<u>\$ 2,980</u>	<u>\$ 18,920</u>	<u>\$ 203,285</u>

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Town of Middletown, Rhode Island
Supplementary Information
Private Purpose Trust Funds
Combined Statement of Fiduciary Net Position
June 30, 2020

	Clarke Scholarship	Middletown Scholarships	Gladys Silveira Memorial Scholarship	Patricia Parsonage Scholarship	Joseph Krupowicz Scholarship	Twain Tennyson Scholarship	John Clarke Northwest Scholarshi	Total Private Purpose Trust Funds
Assets								
Cash and cash equivalents	\$ 10,654	\$ —	\$ —	\$ 264	\$ 6,004	\$ —	\$ 7,462	\$ 24,384
Investments				2,400	7,186	126,685	9,178	145,449
Due from external parties		57,282	1,375					58,657
Total assets	10,654	57,282	1,375	2,664	13,190	126,685	16,640	228,490
Liabilities								
Payables to external parties				500	5,600	14,000		20,100
Total liabilities	—	—	—	500	5,600	14,000	—	20,100
Net position:								
Restricted for scholarships	10,654	57,282	1,375	2,164	7,590	112,685	16,640	208,390
Total net position	10,654	57,282	1,375	2,164	7,590	112,685	16,640	208,390
Total liabilities and net position	\$ 10,654	\$ 57,282	\$ 1,375	\$ 2,664	\$ 13,190	\$ 126,685	\$ 16,640	\$ 228,490

See independent auditors' report
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Town of Middletown, Rhode Island
Supplementary Information
Private Purpose Trust Funds
Combined Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2020

	Clarke Scholarship	Middletown Scholarships	Gladys Silveira Memorial Scholarship	Patricia Parsonage Scholarship	Joseph Krupowicz Scholarship	Twain Tennyson Scholarship	John Clarke Northwest Scholarship	Total Private Purpose Trust Funds
Additions to net position:								
Contributions and donations	\$ —	\$ 16,500	\$ 1,375	\$ 6	\$ 119	\$ (4,175)	\$ —	\$ 13,825
Investment income, net:								
Interest income	19							19
Total additions	<u>19</u>	<u>16,500</u>	<u>1,375</u>	<u>6</u>	<u>119</u>	<u>(4,175)</u>	<u>—</u>	<u>13,844</u>
Deductions from net position:								
Investment expenses								—
Scholarships		43,950		—	65	—	—	44,015
Total deductions	<u>—</u>	<u>43,950</u>	<u>—</u>	<u>—</u>	<u>65</u>	<u>—</u>	<u>—</u>	<u>44,015</u>
Changes in net position	<u>19</u>	<u>(27,450)</u>	<u>1,375</u>	<u>6</u>	<u>54</u>	<u>(4,175)</u>	<u>—</u>	<u>(30,171)</u>
Net position, beginning of year	10,635	84,732	—	2,158	7,536	116,860	16,640	238,561
Net position, end of year	<u>\$ 10,654</u>	<u>\$ 57,282</u>	<u>\$ 1,375</u>	<u>\$ 2,164</u>	<u>\$ 7,590</u>	<u>\$ 112,685</u>	<u>\$ 16,640</u>	<u>\$ 208,390</u>

See independent auditors' report
See notes to required supplementary information

Town of Middletown, Rhode Island
 Supplementary Information
 Agency Funds
 Combined Statement of Fiduciary Net Position
June 30, 2020

	Maintenance Bonds	Ann Court	Probate Court Bond	West View Roadway	Student Activity General	Student Activity High School	FSA Account	Total Private Purpose Trust Funds
Assets								
Cash and cash equivalents	\$ —	\$ —	\$ —	\$ —	—	\$ 39,616	\$ 18,956	\$ 58,572
Receivables from external parties	181,157	6,667	39,788	5,368	—	—		232,980
Total assets	181,157	181,157	362,314	724,628	1,449,256	2,717,355	5,253,553	291,552
Liabilities								
Accounts payable and accrued expenses					3,239			3,239
Payables to external parties							18,956	18,956
Deposits held in custody for others	181,157	6,667	39,788	5,368	—	39,616		272,596
Total liabilities	\$ 181,157	\$ 6,667	\$ 39,788	\$ 5,368	\$ 3,239	\$ 39,616	\$ 18,956	\$ 294,791

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 See notes to required supplementary information*

CERTIFIED PUBLIC ACCOUNTANTS

126 President Avenue

Fall River, MA 02720

TEL. (508) 675-7889

FAX (508) 675-7859

www.hague-sahady.com

**Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Town of Middletown, Rhode Island (Town), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated January 25, 2021.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Hague, Sabady & Co. PC

Fall River, Massachusetts
January 25, 2021

Town of Middletown, RI
Other Supplementary Information
Annual Supplemental Transparency Report (MTP2)
For the Year Ended June 30, 2020

OTHER SUPPLEMENTARY INFORMATION

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

Annual Supplemental Transparency Report (MTP2) - Revenue
Annual Supplemental Transparency Report (MTP2) – Expenditures
Combining Schedule of Reportable Government Services with Reconciliation to MTP2 – Municipal
Combining Schedule of Reportable Government Services with Reconciliation to MTP2 – Education Department
Notes to Supplementary Information – Annual Supplemental Transparency Report (MTP2)

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See notes to required supplementary information

Town of Middletown, RI
Other Supplementary Information
Annual Supplemental Transparency Report (MTP2)
For the Year Ended June 30, 2020

<u>REVENUE</u>	<u>Municipal</u>	<u>Education Department</u>
Current Year Levy Tax Collection	\$ 46,297,947	\$ -
Last Year's Levy Tax Collection	656,778	-
Prior Years Property Tax Collection	25,868	-
Interest & Penalty	119,369	-
PILOT & Tax Treaty (excluded from levy) Collection	1,370,021	-
Other Local Property Taxes	49,525	-
Licenses and Permits	922,121	-
Fines and Forfeitures	900,241	-
Investment Income	43,356	-
Departmental	3,402,882	-
Rescue Run Revenue	674,387	-
Police & Fire Detail	380,067	-
Other Local Non-Property Tax Revenues	32,848	-
Tuition	-	75,686
Impact Aid	-	953,541
Medicaid	-	449,619
Federal Stabilization Funds	-	-
Federal Food Service Reimbursement	-	325,522
CDBG	-	-
COPS Grants	-	-
SAFER Grants	-	-
Other Federal Aid Funds	387,274	1,266,944
COVID - ESSER	-	278,337
COVID - CRF	-	252,914
COVID - CDBG	-	-
COVID - FEMA	-	-
COVID - Other	22,312	-
MV Excise Tax Reimbursement	76,147	-
State PILOT Program	-	-
Distressed Community Relief Fund	-	-
Library Resource Aid	144,623	-
Library Construction Aid	47,786	-
Public Service Corporation Tax	200,247	-
Meals & Beverage Tax / Hotel Tax	1,469,364	-
LEA Aid	-	7,328,849
Group Home	-	-
Housing Aid Capital Projects	69,580	-
Housing Aid Bonded Debt	288,850	-
State Food Service Revenue	-	9,766
Incentive Aid	-	-
Property Revaluation Reimbursement	-	-
Other State Revenue	381,510	817
Motor Vehicle Phase Out	287,307	-
Other Revenue	334,118	643,823
Local Appropriation for Education	-	26,510,694
Regional Appropriation for Education	-	-
Supplemental Appropriation for Education	-	-
Regional Supplemental Appropriation for Education	-	-
Other Education Appropriation	-	870,840
Rounding	-	-
Total Revenue	\$ 58,584,528	\$ 38,967,352
Financing Sources: Transfer from Capital Funds	\$ 96,878	\$ -
Financing Sources: Transfer from Other Funds	530,979	-
Financing Sources: Debt Proceeds	-	-
Financing Sources: Other	-	-
Rounding	-	-
Total Other Financing Sources	\$ 627,857	\$ -

See independent auditors' report
See notes to required supplementary information

Town of Middletown, RI
Other Supplementary Information
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For the Year Ended June 30, 2020

EXPENDITURES	General		Social	Centralized	Planning	Libraries	Public Works	Parks and Rec	Police Department
	Government	Finance	Services	IT					
Compensation - Group A	\$ 474,260	\$ 576,788	\$ 199,306	\$ 156,516	\$ 364,853	\$ 406,522	\$ 813,508	\$ 793,914	\$ 3,051,240
Compensation - Group B	-	-	-	-	-	-	-	-	220,622
Compensation - Group C	-	-	-	-	-	-	-	-	-
Compensation - Volunteer	-	-	-	-	-	-	-	-	-
Overtime - Group A	8,712	1,695	20,860	2,162	24	1,214	72,568	100,638	433,741
Overtime - Group B	-	-	-	-	-	-	-	-	8,334
Overtime - Group C	-	-	-	-	-	-	-	-	-
Police & Fire Detail	-	-	-	-	-	-	-	-	263,246
Active Medical Insurance - Group A	51,350	93,457	29,551	25,342	32,922	26,004	144,312	20,509	412,706
Active Medical Insurance- Group B	-	-	-	-	-	-	-	-	22,084
Active Medical Insurance- Group C	-	-	-	-	-	-	-	-	-
Active Dental insurance- Group A	3,052	5,288	1,622	1,450	34,923	1,655	9,029	1,218	22,571
Active Dental Insurance- Group B	-	-	-	-	-	-	-	-	1,106
Active Dental Insurance- Group C	-	-	-	-	-	-	-	-	-
Payroll Taxes	33,943	41,639	16,936	11,540	25,407	28,466	63,862	65,051	298,904
Life Insurance	6,486	7,925	2,668	1,942	4,807	1,291	2,251	2,204	4,454
State Defined Contribution - Group A	3,739	3,670	1,557	1,503	10,717	-	5,357	1,634	-
State Defined Contribution - Group B	-	-	-	-	-	-	-	-	-
State Defined Contribution - Group C	-	-	-	-	-	-	-	-	-
Other Benefits- Group A	10,460	6,192	-	-	2,498	1,064	7,229	30,345	161,357
Other Benefits- Group B	-	-	-	-	-	-	-	-	1,308
Other Benefits- Group C	-	-	-	-	-	-	-	-	-
Local Defined Benefit Pension - Group A	-	-	-	-	-	-	28,866	-	25,961
Local Defined Benefit Pension - Group B	-	-	-	-	-	-	-	-	-
Local Defined Benefit Pension - Group C	-	-	-	-	-	-	-	-	-
State Defined Benefit Pension - Group A	47,275	45,767	21,862	17,100	14,130	-	52,483	18,018	278,813
State Defined Benefit Pension - Group B	-	-	-	-	-	-	-	-	6,789
State Defined Benefit Pension - Group C	-	-	-	-	-	-	-	-	-
Other Defined Benefit / Contribution	15,114	9,929	-	-	6,439	14,128	9,560	2,613	12,981
Purchased Services	644,942	50,690	73,471	47,789	162,731	73,777	95,986	90,461	119,985
Materials/Supplies	37,531	5,517	17,642	44,023	636	97,901	188,525	144,362	54,562
Software Licenses	-	-	-	345,916	-	2,086	-	-	-
Capital Outlays	88,345	-	113,921	214,545	95,987	15,000	229,395	183,622	216,539
Insurance	251,075	-	-	-	-	-	-	-	-
Maintenance	150,561	481	9,511	18,552	-	23,376	146,703	110,791	158,125
Vehicle Operations	-	-	4,356	906	2,211	-	133,574	14,128	132,472
Utilities	91,538	1,626	18,942	59,656	1,289	71,783	37,310	93,262	95,029
Contingency	-	-	-	-	-	-	-	-	-
Street Lighting	-	-	-	-	-	-	208,596	-	-
Revaluation	-	-	-	-	-	-	-	-	-
Snow Removal-Raw Material & External Contracts	-	-	-	-	-	-	31,209	-	-
Trash Removal & Recycling	-	-	-	-	-	-	736,595	-	-
Claims & Settlements	11,155	-	-	-	-	-	-	-	-
Community Support	235,176	-	-	-	-	-	-	-	-
Other Operation Expenditures	24,603	3,831	210	360	903	260	1,103	69,583	9,306
Tipping Fees	-	-	-	-	-	-	130,617	-	-
Local Appropriation for Education	-	-	-	-	-	-	-	-	-
Regional Appropriation for Education	-	-	-	-	-	-	-	-	-
Supplemental Appropriation for Education	-	-	-	-	-	-	-	-	-
Regional Supplemental Appropriation for Education	-	-	-	-	-	-	-	-	-
Other Education Appropriation	-	-	-	-	-	-	-	-	-
Municipal Debt- Principal	-	-	-	-	-	-	-	-	-
Municipal Debt- Interest	-	-	-	-	-	-	-	-	-
School Debt- Principal	-	-	-	-	-	-	-	-	-
School Debt- Interest	-	-	-	-	-	-	-	-	-
Retiree Medical Insurance- Total	-	-	-	-	-	-	-	-	-
Retiree Dental Insurance- Total	-	-	-	-	-	-	-	-	-
OPEB Contribution- Total	-	-	-	-	-	-	-	-	-
Rounding	-	-	-	-	-	-	-	-	-
Total Expenditures	\$ 2,189,317	\$ 854,495	\$ 532,415	\$ 949,302	\$ 760,477	\$ 764,527	\$ 3,148,638	\$ 1,742,353	\$ 6,012,235

See independent auditors' report
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Town of Middletown, RI
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EXPENDITURES	Fire Department	Centralized Dispatch	Public Safety Other	Education Appropriation	Debt	OPEB	Total Municipal	Education Department
Compensation - Group A	\$ 1,996,008	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,832,915	\$ 16,780,700
Compensation - Group B	236,622	-	-	-	-	-	457,244	1,722,189
Compensation - Group C	-	-	-	-	-	-	-	3,005,904
Compensation -Volunteer	-	-	-	-	-	-	-	-
Overtime- Group A	440,896	-	-	-	-	-	1,082,510	-
Overtime - Group B	48,299	-	-	-	-	-	56,633	-
Overtime - Group C	-	-	-	-	-	-	-	41,408
Police & Fire Detail	7,248	-	-	-	-	-	270,494	-
Active Medical Insurance - Group A	358,933	-	-	-	-	-	1,195,086	2,051,859
Active Medical Insurance- Group B	44,787	-	-	-	-	-	66,871	180,931
Active Medical Insurance- Group C	-	-	-	-	-	-	-	661,572
Active Dental Insurance- Group A	21,186	-	-	-	-	-	101,994	-
Active Dental Insurance- Group B	3,012	-	-	-	-	-	4,118	11,360
Active Dental Insurance- Group C	-	-	-	-	-	-	-	39,449
Payroll Taxes	192,217	-	-	-	-	-	777,965	587,728
Life Insurance	12,650	-	-	-	-	-	46,678	43,947
State Defined Contribution - Group A	-	-	-	-	-	-	28,177	360,170
State Defined Contribution - Group B	1,029	-	-	-	-	-	1,029	28,170
State Defined Contribution - Group C	-	-	-	-	-	-	-	23,078
Other Benefits- Group A	115,841	-	-	-	-	-	334,986	148,911
Other Benefits- Group B	2,958	-	-	-	-	-	4,266	25,982
Other Benefits- Group C	-	-	-	-	-	-	-	22,277
Local Defined Benefit Pension - Group A	175,290	-	-	-	-	-	230,117	-
Local Defined Benefit Pension - Group B	-	-	-	-	-	-	-	4,685
Local Defined Benefit Pension - Group C	-	-	-	-	-	-	-	8,888
State Defined Benefit Pension - Group A	150,858	-	-	-	-	-	646,306	2,373,639
State Defined Benefit Pension - Group B	11,706	-	-	-	-	-	18,495	221,763
State Defined Benefit Pension - Group C	-	-	-	-	-	-	-	283,410
Other Defined Benefit / Contribution	7,781	-	-	-	-	-	78,545	-
Purchased Services	91,751	-	-	-	-	-	1,451,583	7,647,562
Materials/Supplies	120,767	-	-	-	-	-	711,466	399,288
Software Licenses	-	-	-	-	-	-	348,002	35,459
Capital Outlays	396,880	-	-	-	-	-	1,554,234	4,178,230
Insurance	-	-	-	-	-	-	251,075	202,707
Maintenance	68,937	-	-	-	-	-	687,037	269,100
Vehicle Operations	127,217	-	-	-	-	-	414,864	10,647
Utilities	417,622	-	-	-	-	-	888,057	701,377
Contingency	-	-	-	-	-	-	-	-
Street Lighting	-	-	-	-	-	-	208,596	-
Revaluation	-	-	-	-	-	-	-	-
Snow Removal-Raw Material & External Contracts	-	-	-	-	-	-	31,209	-
Trash Removal & Recycling	-	-	-	-	-	-	736,595	-
Claims & Settlements	-	-	-	-	-	-	11,155	5,500
Community Support	-	-	-	-	-	-	235,176	-
Other Operation Expenditures	5,410	-	-	-	-	-	115,569	59,195
Tipping Fees	-	-	-	-	-	-	130,617	-
Local Appropriation for Education	-	-	-	26,510,694	-	-	26,510,694	-
Regional Appropriation for Education	-	-	-	-	-	-	-	-
Supplemental Appropriation for Education	-	-	-	-	-	-	-	-
Regional Supplemental Appropriation for Education	-	-	-	-	-	-	-	-
Other Education Appropriation	-	-	-	855,100	-	-	855,100	-
Municipal Debt- Principal	-	-	-	-	2,095,169	-	2,095,169	-
Municipal Debt- Interest	-	-	-	-	672,562	-	672,562	-
School Debt- Principal	-	-	-	-	605,000	-	605,000	-
School Debt- Interest	-	-	-	-	328,295	-	328,295	-
Retiree Medical Insurance- Total	-	-	-	-	-	-	-	-
Retiree Dental Insurance- Total	-	-	-	-	-	-	-	2,498
OPEB Contribution- Total	-	-	-	-	-	3,959,431	3,959,431	596,399
Rounding	-	-	-	-	-	-	-	-
Total Expenditures	\$ 5,055,905	\$ -	\$ -	\$ 27,365,794	\$ 3,701,026	\$ 3,959,431	\$ 57,035,915	\$ 42,735,973

Financing Uses: Transfer to Capital Funds	\$ 472,381	\$ -
Financing Uses: Transfer to Other Funds	39,396	-
Financing Uses: Payment to Bond Escrow Agent	-	-
Financing Uses: Other	-	-
Total Other Financing Uses	\$ 511,777	\$ -
Net Change in Fund Balance¹	1,664,693	(3,768,621)
Fund Balance¹- beginning of year	\$19,137,548	\$9,585,555
Funds removed from Reportable Government Services (RGS)	-	-
Funds added to Reportable Government Services (RGS)	-	-
Prior period adjustments	-	-
Misc. Adjustment	-	(2)
Fund Balance¹ - beginning of year adjusted	19,137,548	9,585,553
Rounding	-	-
Fund Balance¹ - end of year	\$ 20,802,241	\$ 5,816,932

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

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

Town of Middletown, RI
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Combining Schedule of Reportable Government Services with Reconciliation to MTP2 - Municipal

Per Audited Fund Financial Statements	Total Other Financing		Total Other Financing		Net Change in Fund	Beginning Fund	Prior Period	Restated Beginning	Ending
Fund Description	Revenue	Sources	Expenditures	Uses	Balance ¹	Fund Balance ¹ (Deficit)	Adjustment	Fund Balance ¹ (Deficit)	Fund Balance ¹ (Deficit)
Fund Balance¹ - per MTP-2 at June 30, 2019						\$ 19,137,548	-	\$ 19,137,548	
<i>No funds removed from RGS for fiscal 2020</i>						-	-	-	
<i>No funds added to RGS for Fiscal 2020</i>						-	-	-	
<i>No misc. adjustments made for fiscal 2020</i>						-	-	-	
Fund Balance¹ - per MTP-2 at June 30, 2019 adjusted						<u>\$ 19,137,548</u>	<u>-</u>	<u>\$ 19,137,548</u>	
General Fund	\$ 53,594,328	\$ 1,385,087	\$ 26,829,121	\$ 27,883,342	\$ 266,952	\$ 12,588,736	\$ -	\$ 12,588,736	\$ 12,855,688
Public Private Venture	1,262,552	-	-	1,094,630	167,922	83,516	-	83,516	251,438
Parks & Recreation	2,620,439	343,171	1,836,603	-	1,127,007	5,860,823	-	5,860,823	6,987,830
Refuse and Recycling	1,107,209	-	1,004,397	-	102,812	604,473	-	604,473	707,285
Totals per audited financial statements	<u>\$ 58,584,528</u>	<u>\$ 1,728,258</u>	<u>\$ 29,670,121</u>	<u>\$ 28,977,972</u>	<u>\$ 1,664,693</u>	<u>\$ 19,137,548</u>	<u>\$ -</u>	<u>\$ 19,137,548</u>	<u>\$ 20,802,241</u>
Reconciliation from financial statements to MTP2									
Reclassify transfer of municipal appropriation to Education Department as expenditure on MTP2	\$ -	\$ -	\$ 26,510,694	\$ (26,510,694)	\$ -	\$ -	\$ -	\$ -	\$ -
Reclassify transfer of municipal appropriation from a Special Revenue Fund (GASB 54) to Education Department as expenditure on MTP-2	-	-	855,100	(855,100)	-	-	-	-	-
Eliminate transfers between Funds reported on MTP2:									
- from a Special Revenue Fund (GASB 54) to Parks & Recreation Fund	-	(5,771)	-	(5,771)	-	-	-	-	-
- from Public Private Venture to a Special Revenue Fund (GASB 54)	-	(175,144)	-	(175,144)	-	-	-	-	-
- from Public Private Venture to General Fund	-	(919,486)	-	(919,486)	-	-	-	-	-
Rounding	-	-	-	-	-	-	-	-	-
Totals Per MTP2	<u>\$ 58,584,528</u>	<u>\$ 627,857</u>	<u>\$ 57,035,915</u>	<u>\$ 511,777</u>	<u>\$ 1,664,693</u>	<u>\$ 19,137,548</u>	<u>\$ -</u>	<u>\$ 19,137,548</u>	<u>\$ 20,802,241</u>

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

See independent auditors' report
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Town of Middletown, RI
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Combining Schedule of Reportable Government Services with Reconciliation to MTP2 - Education Department

Per Audited Fund Financial Statements Fund Description	Total Revenue	Total Other Financing Sources	Total Expenditures	Total Other Financing Uses	Net Change in Fund Balance ¹	Beginning Fund Fund Balance ¹ (Deficit)	Prior Period Adjustment	Restated Beginning Fund Balance ¹ (Deficit)	Ending Fund Balance ¹ (Deficit)
Fund Balance¹ - per MTP-2 at June 30, 2019						\$ 9,585,555	-	\$ 9,585,555	
<i>Misc. adjustment</i>						(2)	-	(2)	
Fund Balance¹ - per MTP-2 at June 30, 2019 adjusted						<u>\$ 9,585,553</u>	-	<u>\$ 9,585,553</u>	
School Unrestricted Fund	\$ 10,399,202	\$ 26,510,694	\$ 37,666,931	\$ -	\$ (757,035)	\$ 2,878,034	-	\$ 2,878,034	\$ 2,120,999
Enterprise Fund	647,637	-	619,261	-	28,376	378,185	-	378,185	406,561
SBA School Capital Project Fund	267,028	870,840	4,074,596	-	(2,936,728)	5,791,967	-	5,791,967	2,855,239
School Special Revenue Funds	1,892,900	-	1,965,944	-	(73,044)	309,441	-	309,441	236,397
Totals per audited financial statements	<u>\$ 13,206,767</u>	<u>\$ 27,381,534</u>	<u>\$ 44,326,732</u>	<u>\$ -</u>	<u>\$ (3,738,431)</u>	<u>\$ 9,357,627</u>	<u>\$ -</u>	<u>\$ 9,357,627</u>	<u>\$ 5,619,196</u>
<u>Reconciliation from financial statements to MTP2</u>									
Municipal appropriation for Education reported as a transfer on financial statements but a revenue on MTP2	\$ 26,510,694	\$ (26,510,694)	\$ -	\$ -	\$ -	-	-	-	-
State contributions on behalf of teacher pensions are reported as revenue and expenditures on financial statements only	(1,634,774)	-	(1,634,774)	-	-	-	-	-	-
Reclassify transfer of municipal appropriation from a special revenue fund/town to school department as a revenue on MTP-2.	870,840	(870,840)	-	-	-	-	-	-	-
Student Scholarships	13,825	-	44,015	-	(30,190)	227,926	-	227,926	197,736
Rounding	-	-	-	-	-	-	-	-	-
Totals Per MTP2	<u>\$ 38,967,352</u>	<u>\$ -</u>	<u>\$ 42,735,973</u>	<u>\$ -</u>	<u>\$ (3,768,621)</u>	<u>\$ 9,585,553</u>	<u>\$ -</u>	<u>\$ 9,585,553</u>	<u>\$ 5,816,932</u>
<u>Reconciliation from MTP2 to UCOA</u>									
Miscellaneous variance between UCOA and MTP2	\$ -	-	\$ 3	-	-	-	-	-	-
Totals per UCOA Validated Totals Report	<u>\$ 38,967,352</u>	<u>\$ -</u>	<u>\$ 42,735,976</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

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

Town of Middletown, RI
Other Supplementary Information
Annual Supplemental Transparency Report (MTP2)
For the Year Ended June 30, 2020

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

NOTE 1. Basis of Presentation

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

NOTE 2. Reportable Government Services

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

NOTE 3. Allocations

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

NOTE 4. Employee Groups - Compensation and Benefit Costs

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

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

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

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

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

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

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

See independent auditors' report

Town of Middletown, RI
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NOTE 5. Education Revenue and Expenditures

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

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

See independent auditors' report