

In the opinion of Partridge Snow & Hahn LLP, Bond Counsel, based upon an analysis of existing law and assuming, among other matters, compliance with certain covenants, interest on the Series 2024 F Bonds (as defined herein) is excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended (the "Code"). Interest on the Series 2024 F Bonds will not be included in computing the alternative minimum taxable income of individuals. However, interest on the Series 2024 F Bonds will be included in the adjusted financial statement income of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. Under existing law, the Series 2024 F Bonds, their transfer and the income therefrom including any profit made on the sale thereof, are exempt from taxation by the State of Rhode Island (the "State") or any political subdivision or other instrumentality of the State, although the income therefrom may be included in the measure of Rhode Island estate taxes and certain Rhode Island corporate and business taxes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2024 F Bonds See "TAX MATTERS" and "APPENDIX G" herein.

\$84,640,000

**RHODE ISLAND HEALTH AND
EDUCATIONAL BUILDING CORPORATION
PUBLIC SCHOOLS REVENUE BOND FINANCING PROGRAM
REVENUE BONDS, SERIES 2024 F (TOWN OF MIDDLETOWN ISSUE)**

**Dated:** Date of Delivery**Due:** May 15 of the years shown on the inside cover

The Rhode Island Health and Educational Building Corporation Public Schools Revenue Bond Financing Program Revenue Bonds, Series 2024 F (Town of Middletown Issue) (the "Series 2024 F Bonds") will be issued only as fully registered bonds without coupons and, when issued, will be registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Series 2024 F Bonds. Purchases of the Series 2024 F Bonds may be made only in book-entry form, in the denomination of \$5,000 or any integral multiple thereof. Purchasers of beneficial ownership interest in the Series 2024 F Bonds (the "Beneficial Owners") will not receive certificates representing their beneficial interest in the Series 2024 F Bonds. So long as Cede & Co. is the Bondowner, as nominee of DTC, references herein to the Bondholders or registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners. (See "THE SERIES 2024 F BONDS – Book-Entry Only System" herein.)

Interest on the Series 2024 F Bonds will be payable on May 15 and November 15 of each year, commencing November 15, 2024. Principal of, semiannual interest, sinking fund installments, if any and redemption price, if any, on the Series 2024 F Bonds will be paid by The Bank of New York Mellon Trust Company, N.A. (the "Trustee") and as paying agent (the "Paying Agent"), to Cede & Co., as nominee of DTC in accordance with the maturity schedule herein. As long as DTC or its nominee, Cede & Co., is the Bondowner, such payments to the DTC Participants are the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants and the Indirect Participants, as described herein. Interest is computed on the basis of a 360-day year consisting of twelve 30-day months.

The Series 2024 F Bonds are subject to redemption prior to maturity as set forth in this Official Statement.

The Series 2024 F Bonds shall be special obligations of Rhode Island Health and Educational Building Corporation (the "Corporation") and, except to the extent payable from the proceeds received from the sale thereof or from other sources as described herein, will be payable solely from and secured by a pledge of payments to be made by the Town of Middletown (the "Borrower"), pursuant to a Financing Agreement between the Corporation and the Borrower, dated the date hereof (the "Financing Agreement") and all funds and accounts (except the Arbitrage Rebate Fund and the Administrative Fund) authorized under a Master Trust Indenture between the Corporation and the Trustee dated June 17, 2020 (the "Master Indenture") and a Series 2024 F Indenture between the Corporation and the Trustee dated September 4, 2024 (the "Series 2024 F Indenture"), authorizing the Series 2024 F Bonds. None of the funds and accounts established under the Series 2024 F Indenture to secure the Series 2024 F Bonds shall secure any other Series of Bonds. There are no debt service reserve funds securing the Series 2024 F Bonds and no real property of the Borrower secures the Series 2024 F Bonds.

Pursuant to the Financing Agreement, the Corporation will make a loan (the "Loan") to the Borrower from proceeds of the Series 2024 F Bonds for the purpose of financing and refinancing certain school projects of the Borrower, as more particularly described herein. The Borrower is required under the Financing Agreement to deliver its general obligation bonds (the "Borrower Bonds") to the Corporation to evidence its obligation to repay the Loan. The principal and redemption price of and interest on the Borrower Bonds (the "Loan Repayments") are scheduled to be sufficient to repay, when due, the principal, sinking fund installments, if any, and redemption price of and interest on the Series 2024 F Bonds. The Borrower is also required under the Financing Agreement to pay such amounts as are required to be paid under the Financing Agreement, including the fees and expenses of the Corporation and the Trustee. To secure its payment of all amounts due under the Financing Agreement, the Borrower under the Financing Agreement has pledged its full faith and credit and taxing power (its "General Obligation Pledge").

The Corporation has assigned to the Trustee the Revenues with respect to the Series 2024 F Bonds, which include amounts payable by the Borrower under the Borrower Bonds, State Housing Aid and Basic Education Aid (each, as defined herein), to the extent received by the Corporation with respect to the Series 2024 F Bonds. The Borrower has acknowledged that the State Housing Aid with respect to the Series 2024 F Bonds will be paid directly to the Corporation or its designee as provided in the School Aid Act (as defined herein) and that upon the occurrence of certain events of default under the Financing Agreement, State Housing Aid relating to other bonds, notes or other evidences of indebtedness of the Borrower and Basic Education Aid of the Borrower will be paid to the Corporation or its designee, as provided in the Memorandum of Understanding by and among the Corporation, the General Treasurer of the State of Rhode Island ("General Treasurer") and the Controller of the State of Rhode Island (the "State Controller") and acknowledged by the Rhode Island Department of Elementary and Secondary Education dated June 27, 2006, as amended and restated on September 20, 2006 and further amended and restated on September 26, 2012 (the "MOU"). The Series 2024 F Bonds will be secured by the pledge and assignment to the Trustee of the payments to be made by the Borrower on the Borrower Bonds relating to the Series 2024 F Bonds and under the Financing Agreement relating to the Series 2024 F Bonds.

NEITHER THE STATE OF RHODE ISLAND NOR THE CORPORATION IS OBLIGATED TO PAY THE PRINCIPAL, SINKING FUND INSTALLMENTS, IF ANY, REDEMPTION PRICE, OR INTEREST ON THE SERIES 2024 F BONDS EXCEPT FROM THE REVENUES UNDER THE MASTER INDENTURE AND THE SERIES 2024 F INDENTURE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF RHODE ISLAND IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL, SINKING FUND INSTALLMENTS, IF ANY, REDEMPTION PRICE, OR INTEREST ON THE SERIES 2024 F BONDS. THE CORPORATION DOES NOT HAVE TAXING POWER. THE STATE PROVIDES CONSTRUCTION AID TO MUNICIPALITIES AND SCHOOL DISTRICTS FOR THE COST OF BUILDING OR RENOVATING PUBLIC SCHOOLS ("STATE HOUSING AID") PURSUANT TO RHODE ISLAND GENERAL LAWS SECTIONS 16-7-35 TO 16-7-47, AS AMENDED (THE "SCHOOL AID ACT") AND BASIC EDUCATION AID TO MUNICIPALITIES AND SCHOOL DISTRICTS FOR SCHOOL OPERATIONS ("BASIC EDUCATION AID"), PURSUANT TO SECTIONS 16-7-15 THROUGH 16-7-34.3 OF THE RHODE ISLAND GENERAL LAWS, EACH OF WHICH MAY BE INTERCEPTED TO PAY AMOUNTS DUE UNDER THE FINANCING AGREEMENT. PAYMENTS OF STATE HOUSING AID AND BASIC EDUCATION AID ARE SUBJECT TO ANNUAL APPROPRIATION BY THE RHODE ISLAND GENERAL ASSEMBLY AND DO NOT CONSTITUTE A PLEDGE OF THE FAITH AND CREDIT OR TAXING POWER OF THE STATE.

The Series 2024 F Bonds will be offered when, as and if issued by the Corporation, subject to prior sale, withdrawal or modification of the offer without notice, and the approval of legality and certain other matters by Partridge Snow & Hahn LLP, Providence, Rhode Island, Bond Counsel, as well as certain other conditions. Certain legal matters will be passed upon for the Corporation by its counsel, Savage Law Partners, LLP, Providence, Rhode Island, and for the Underwriters by their counsel, Harrington & Vitale, Ltd., Providence, Rhode Island. PFM Financial Advisors LLC is serving as municipal advisor for the Corporation in this transaction. Hilltop Securities Inc. is serving as municipal advisor for the Borrower in this transaction. The Series 2024 F Bonds are expected to be available for delivery through the facilities of DTC in New York, New York on or about September 4, 2024.

**J.P. Morgan
Raymond James**

Academy Securities**Loop Capital Markets**

Dated: August 19, 2024

\$84,640,000

**RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION
PUBLIC SCHOOLS REVENUE BOND FINANCING PROGRAM
REVENUE BONDS, SERIES 2024 F (TOWN OF MIDDLETOWN ISSUE)**

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, PRICES, YIELDS AND CUSIPS[†]

<i><u>Maturity (May 15)</u></i>	<i><u>Principal Amount</u></i>	<i><u>Interest Rate</u></i>	<i><u>Yield</u></i>	<i><u>Price</u></i>	<i><u>CUSIP[†]</u></i>
2028	\$1,550,000	5.000%	2.830%	107.562	7621967R8
2029	1,625,000	5.000	2.830	109.477	7621967S6
2030	1,710,000	5.000	2.890	111.006	7621967T4
2031	1,795,000	5.000	2.960	112.306	7621967U1
2032	1,885,000	5.000	3.030	113.430	7621967V9
2033	1,975,000	5.000	3.070	114.629	7621967W7
2034	2,075,000	5.000	3.110	115.713	7621967X5
2035	2,180,000	5.000	3.190	114.990*	7621967Y3
2036	2,290,000	5.000	3.240	114.541*	7621967Z0
2037	2,405,000	5.000	3.290	114.094*	7621968A4
2038	2,525,000	5.000	3.350	113.560*	7621968B2
2039	2,650,000	5.000	3.420	112.941*	7621968C0
2040	2,780,000	5.000	3.510	112.152*	7621968D8
2041	2,920,000	5.000	3.600	111.369*	7621968E6
2042	3,065,000	5.000	3.660	110.850*	7621968F3
2043	3,220,000	5.000	3.710	110.420*	7621968G1
2044	3,380,000	5.000	3.760	109.992*	7621968H9

\$19,715,000 5.25% Term Bond due May 15, 2049 Price 110.467* to Yield 3.940% CUSIP 7621968J5

\$24,895,000 4.125% Term Bond due May 15, 2054 Price 95.941 to Yield 4.370% CUSIP 7621968K2

*Priced to the May 15, 2034 optional redemption date at a redemption price of 100%

[†] CUSIP is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. Copyright © 2024 CUSIP Global Services. All rights reserved. The CUSIP numbers have been assigned by an independent company not affiliated with the Corporation and are included solely for the convenience of the holders of the Series 2024 F Bonds. Neither the Underwriters, the Borrower nor the Corporation is responsible for the selection or uses of the CUSIP numbers, and no representation is made as to their correctness on the Series 2024 F Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2024 F Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2024 F Bonds.

This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of Series 2024 F Bonds in any jurisdiction in which such an offer or solicitation is not authorized or in which it is unlawful to make such an offer or solicitation. No dealer, broker, salesman or other person has been authorized to give any information or to make any representations not contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized by the Corporation, the Borrower, PFM Financial Advisors LLC, the municipal advisor for the Corporation, or Hilltop Securities Inc., the municipal advisor for the Borrower.

The information set forth herein has been obtained from the Corporation, the Borrower and other sources all of which are believed to be reliable, but it is not guaranteed as to its accuracy or completeness and nothing contained in this Official Statement is or shall be relied upon as a promise or representation. The information and expressions of opinion set forth herein are made as of the date hereof and are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall, in the circumstances, create any implication that there has been no change in the affairs of the Corporation or the Borrower or in any other matter since the date hereof.

The Borrower has agreed to enter into a Continuing Disclosure Certificate pursuant to which the Borrower will provide certain continuing disclosure to the extent required by law. See “CONTINUING DISCLOSURE” herein.

The municipal advisor for the Corporation has provided the following sentence for inclusion in this Official Statement. The municipal advisor for the Corporation has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the Corporation and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the municipal advisor for the Corporation does not guarantee the accuracy or completeness of such information.

The municipal advisor for the Borrower has provided the following sentence for inclusion in this Official Statement. The municipal advisor for the Borrower has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the Borrower and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the municipal advisor for the Borrower does not guarantee the accuracy or completeness of such information.

UPON ISSUANCE, THE SERIES 2024 F BONDS WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER ANY STATE SECURITIES LAW, AND NEITHER THE MASTER INDENTURE NOR THE SERIES 2024 F INDENTURE HAVE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON THE EXEMPTIONS CONTAINED IN SUCH ACTS. THE SERIES 2024 F BONDS WILL NOT BE LISTED ON ANY STOCK OR OTHER SECURITIES EXCHANGE AND NEITHER THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION NOR ANY OTHER FEDERAL, STATE OR GOVERNMENTAL ENTITY OR AGENCY WILL HAVE PASSED UPON THE ACCURACY OR ADEQUACY HEREOF.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

This Official Statement, which includes all appendices hereto, contains forward-looking statements that involve risks and uncertainties. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions, future events or performance (often, but not always, through the use

of the words or phrases such as “will result”, “expects to”, “will continue”, “anticipates”, “plans”, “intends”, “estimated”, “projects” and “outlook”) are not historical and may be forward-looking. Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause actual results to be materially different from those expressed or implied by such forward-looking statements are reasonable, they cannot guarantee future results, levels of activity, performance or achievements. Moreover, none of the Corporation, the Borrower or any other person assumes responsibility for the accuracy or completeness of these statements. Accordingly, investors should not rely on forward-looking statements in this Official Statement.

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OFFICIAL STATEMENT

Relating To

\$84,640,000

**RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION
PUBLIC SCHOOLS REVENUE BOND FINANCING PROGRAM
REVENUE BONDS, SERIES 2024 F (TOWN OF MIDDLETOWN ISSUE)**

INTRODUCTION

The purpose of this Official Statement, including the cover page and appendices, is to set forth certain information in connection with the issuance and sale by the Rhode Island Health and Educational Building Corporation (the “Corporation”), a public body corporate and agency of the State of Rhode Island (the “State”) of its Public Schools Revenue Bond Financing Program Revenue Bonds, Series 2024 F (Town of Middletown Issue) in the aggregate principal amount of \$84,640,000 (the “Series 2024 F Bonds”). The Corporation is authorized under Chapter 38.1 of Title 45 of the General Laws of Rhode Island (the “Act”), and pursuant to a resolution of the Corporation adopted on July 17, 2024 (the “Resolution”) to issue the Series 2024 F Bonds. The Series 2024 F Bonds will be issued and secured under a Master Trust Indenture dated as of June 17, 2020, (the “Master Indenture”) between the Corporation and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”) and a Series 2024 F Indenture dated September 4, 2024 (the “Series 2024 F Indenture”) between the Corporation and the Trustee. The Trustee is also bond registrar and paying agent for the Series 2024 F Bonds.

The Corporation and the Town of Middletown, Rhode Island (the “Borrower”) will enter into a Financing Agreement dated the date hereof (the “Financing Agreement”), pursuant to which the Corporation will make a loan (the “Loan”) to the Borrower from the proceeds of the Series 2024 F Bonds for the purpose of financing and refinancing certain school projects of the Borrower, as more particularly described herein. See “THE PROJECT” herein. The Borrower is required under the Financing Agreement to deliver its general obligation bonds (the “Borrower Bonds”) to the Corporation to evidence its obligation to repay the Loan.

The Master Indenture authorizes the issuance of multiple Series of Bonds. Each Series of Bonds is to be separately secured by (i) the funds and accounts established pursuant to the Applicable Series Indenture providing for the issuance of such Series of Bonds, (ii) certain payments to be made under the applicable financing agreement by the municipality or school district receiving a loan to be funded from the proceeds of such Series of Bonds (each, a “borrower”), and (iii) certain State Housing Aid and Basic Education Aid (each, as defined herein) to the extent received by the Corporation.

All references in this Official Statement to “the Borrower” shall mean the Town of Middletown, Rhode Island. The Corporation has also previously issued revenue bonds under its Public Schools Revenue Bond Financing Program on behalf of various municipalities and school districts in the State, including one series of bonds issued on behalf of the Town of Middletown, of which \$7,430,000 was outstanding as of June 30, 2023 as shown in Appendix F - “Rhode Island Health and Educational Building Corporation Schedule of Indebtedness” herein. Accordingly, the references to “Borrower” or “Borrowers” generally in this Official Statement shall mean any and all such municipalities and school districts under such prior bond issuances. For additional information regarding the Corporation’s prior bond issuances specifically benefitting the Borrower, see “SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2024 F BONDS – Security for the Series 2024 F Bonds - Payments under the Financing Agreement and Borrower Bonds” below.

None of the funds and accounts established under any series indenture or the pledge of the Applicable Revenues to secure a Series of Bonds shall secure any other Series of Bonds. However, if more than one Series of Bonds has been issued to finance or refinance projects for a particular Borrower, the State Housing Aid and the Basic Education Aid for a particular Borrower will secure all such Series of Bonds on a parity basis. See “SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2024 F BONDS – Issuance of Additional Bonds”.

The Series 2024 F Bonds are special obligations of the Corporation payable solely from the payments due under the Financing Agreement, including the Borrower’s payments of the principal and redemption price of and interest on the Borrower Bonds (the “Loan Repayments”) and the State Housing Aid and State Basic Education Aid payable to the Corporation on account of the Borrower, to the extent received by the Corporation. The payments due under the Financing Agreement are scheduled to be sufficient to pay the principal, sinking fund installments, if any and redemption price of and interest on the Series 2024 F Bonds, from the proceeds of which the Borrower will receive the Loan. The Financing Agreement also requires the Borrower to pay fees and expenses of the Corporation and the Trustee. Pursuant to the Master Indenture, the payments and the Corporation’s right to receive the same from the Financing Agreement in respect of the Series 2024 F Bonds have been pledged to the Trustee to secure solely such Series of Bonds and no other Series of Bonds.

No Borrower will be responsible for the payment obligations of any other Borrower nor will the General Obligation Pledge (hereinafter defined) of a Borrower be available to satisfy the obligation of another Borrower. A failure to pay an amount when due by the Borrower under the Financing Agreement in respect of the Borrower Bonds would result in an intercept of the State Housing Aid relating to other bonds, notes or other evidences of indebtedness of the Borrower and the Basic Education Aid of the Borrower in an amount required to pay such deficiency. If a Borrower fails to pay amounts due under its financing agreement, the Corporation’s sole recourse will be against the defaulting Borrower and no other Borrower. Further, upon the occurrence of such an event of default, none of the Corporation or the holders of the Bonds of such Series will have the right to accelerate the obligation of the defaulting Borrower under its financing agreement. See “SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2024 F BONDS – Payment of the Series 2024 F Bonds” herein.

The Series 2024 F Bonds will be secured by the pledge and assignment to the Trustee of the Loan Repayments and all funds and accounts authorized by the Master Indenture and established by the Series 2024 F Indenture (with the exception of the Arbitrage Rebate Fund and the Administrative Fund). The Borrower will deliver the Borrower Bonds to the Corporation to evidence its obligation to repay the Loan. The Borrower will pledge its full faith and credit to the payment of the principal of and interest on its Borrower Bonds and has the power and is required under the State statutes to levy and collect *ad valorem* taxes on all its taxable property for such payment (the “General Obligation Pledge”). The Corporation, as the holder of such Borrower Bonds, will have the right to remedies provided for by the State Constitution and applicable statutes to the holder of general obligation bonds, including a statutory lien on *ad valorem* taxes and general fund revenues. See “SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2024 F BONDS – Security for the Series 2024 F Bonds – *Statutory Lien Benefitting the Borrower Bonds*” herein.

To secure payment of all amounts due under the Financing Agreement, the Borrower has given its General Obligation Pledge to the Corporation. The Borrower, under the Financing Agreement, has directed and acknowledged that State Housing Aid with respect to the Series 2024 F Bonds is to be paid directly to the Corporation or its designee as provided in Rhode Island General Laws Sections 16-7-35 to 16-7-47, as amended (the “School Aid Act”) and that after the occurrence of an event of default resulting from the failure to pay the amounts due in support of the Series 2024 F Bonds under the Financing Agreement, State Housing Aid due to the Borrower relating to other bonds, notes and evidences of indebtedness of the

Borrower and Basic Education Aid of the Borrower may be intercepted and applied to the payment of the Series 2024 F Bonds, as provided in the Memorandum of Understanding by and among the Corporation, the General Treasurer and the State Controller and acknowledged by the Rhode Island Department of Elementary and Secondary Education dated June 27, 2006, as amended and restated on September 20, 2006 and further amended and restated on September 26, 2012 (the “MOU”). The School Aid Act authorizes an intercept mechanism under which the General Treasurer shall pay the State Housing Aid and Basic Education Aid allocable to the Borrower directly to the Trustee pursuant to an assignment from the Corporation. See “SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2024 F BONDS – Security for the Series 2024 F Bonds.”

The determination of the amount of State Housing Aid and Basic Education Aid and the apportionment of such State Housing Aid and Basic Education Aid are legislative acts and the General Assembly may amend or repeal the statutes relating to State Housing Aid and Basic Education Aid and the formulas which determine the amount of State Housing Aid and Basic Education Aid payable to the Borrower. Such amendments could result in the increase, decrease or elimination of the amount of the State Housing Aid and Basic Education Aid available for the payment of debt service on the Series 2024 F Bonds. The financial condition of the State may affect the amount of State Housing Aid and Basic Education Aid appropriated by the General Assembly.

NEITHER THE STATE OF RHODE ISLAND NOR THE CORPORATION IS OBLIGATED TO PAY THE PRINCIPAL, SINKING FUND INSTALLMENTS, IF ANY, REDEMPTION PRICE, OR INTEREST ON THE SERIES 2024 F BONDS EXCEPT FROM THE REVENUES UNDER THE MASTER INDENTURE AND THE SERIES 2024 F INDENTURE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF RHODE ISLAND IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL, SINKING FUND INSTALLMENTS, IF ANY, REDEMPTION PRICE, OR INTEREST ON THE SERIES 2024 F BONDS. THE CORPORATION DOES NOT HAVE TAXING POWER.

The purchase of the Series 2024 F Bonds involves a degree of risk. Prospective purchasers should carefully consider the material under the “RISK FACTORS” herein.

The summaries contained herein are not comprehensive or definitive. All references to the Series 2024 F Bonds, the Master Indenture, the Series 2024 F Indenture, the Financing Agreement, the Borrower Bonds and the MOU are qualified in their entirety by the definitive forms thereof. Copies of the documents will be made available by PFM Financial Advisors LLC to any prospective purchasers upon request.

Unless otherwise defined herein, capitalized terms used in this Official Statement shall have the meanings specified in APPENDIX C - “Definitions” attached hereto. Terms not otherwise defined in this Official Statement have the meanings provided in the specific documents.

THE SERIES 2024 F BONDS

Description of the Series 2024 F Bonds

The Series 2024 F Bonds will be dated the date of delivery and will bear interest at the rates and mature at the times set forth on the inside cover page of this Official Statement.

The Series 2024 F Bonds will be issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof. The Series 2024 F Bonds will be registered in the name of Cede & Co., as nominee of DTC, pursuant to DTC’s Book-Entry Only System. Purchases of beneficial interests in the Series 2024 F Bonds will be made in book-entry form, without certificates. If at any time the Book-Entry

Only System is discontinued for the Series 2024 F Bonds, the Series 2024 F Bonds will be exchangeable for other fully registered Series 2024 F Bonds in any other authorized denominations of the same maturity without charge except the payment of any tax, fee or other governmental charge to be paid with respect to such exchange, subject to the conditions and restrictions set forth in the Master Indenture. See “THE SERIES 2024 F BONDS - Book-Entry Only System” and APPENDIX E – “Summary of Certain Provisions of the Master Indenture and the Series 2024 F Indenture” herein.

Interest on the Series 2024 F Bonds will be payable by check or draft mailed to the registered owners thereof at the address thereof as it appears on the registration books held by the Trustee, or, at the option of a Holder of at least \$1,000,000 or more aggregate principal amount of the Series 2024 F Bonds by wire transfer to such Holder. Interest is payable to the registered owners who are such registered owners at the close of business on the fifteenth day preceding an interest payment date. The principal or redemption price of the Series 2024 F Bonds will be payable in lawful money of the United States of America at the principal corporate trust office of the Trustee and Paying Agent. As long as the Series 2024 F Bonds are registered in the name of Cede & Co., as nominee of DTC, such payments will be made directly to DTC. See “THE SERIES 2024 F BONDS - Book-Entry Only System” herein.

For a more complete description of the Series 2024 F Bonds, see APPENDIX E – “Summary of Certain Provisions of the Master Indenture and the Series 2024 F Indenture”.

Redemption Provisions

The Series 2024 F Bonds are subject to redemption prior to maturity as described below.

Optional Redemption. The Series 2024 F Bonds maturing on or before May 15, 2034 are not subject to optional redemption prior to maturity. The Series 2024 F Bonds maturing on or after May 15, 2035 are subject to redemption prior to maturity on or after May 15, 2034 in any order of maturity at the option of the Corporation, as a whole or in part at any time, at a redemption price equal to 100% of the principal amount of the Series 2024 F Bonds or portions thereof to be redeemed, plus accrued interest to the redemption date.

Mandatory Redemption. The Series 2024 F Bonds maturing on May 15, 2049 are also subject to redemption, in part in each of the years and in the respective principal amounts set forth below, at a Redemption Price of 100% of the principal amount thereof, plus accrued interest to the date of redemption, from mandatory sinking fund installments which are required to be made in amounts sufficient to redeem the principal amount of Series 2024 F Bonds specified for each of the dates shown below:

<u>May 15</u>	<u>Principal Amount</u>
2045	\$3,550,000
2046	3,735,000
2047	3,935,000
2048	4,140,000
2049*	4,355,000

*Maturity

The Series 2024 F Bonds maturing on May 15, 2054 are also subject to redemption, in part in each of the years and in the respective principal amounts set forth below, at a Redemption Price of 100% of the principal amount thereof, plus accrued interest to the date of redemption, from mandatory sinking fund

installments which are required to be made in amounts sufficient to redeem the principal amount of Series 2024 F Bonds specified for each of the dates shown below:

<u>May 15</u>	<u>Principal Amount</u>
2050	\$4,585,000
2051	4,775,000
2052	4,970,000
2053	5,175,000
2054**	5,390,000

**Final Maturity

Notice of Redemption and Other Notices

So long as DTC or its nominee is the Bondowner, the Borrower, the Corporation and the Trustee will recognize DTC or its nominee as the Bondowner for all purposes, including notices and voting. Conveyance or notices and other communications by DTC to Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory and regulatory requirements as may be in effect from time to time.

Unless the Series 2024 F Bonds to be redeemed are Book-Entry Only Bonds, the Trustee shall give notice of redemption to the Holders of such Series 2024 F Bonds by first class mail, postage prepaid, not less than thirty (30) days nor more than sixty (60) days prior to the redemption date and otherwise comply with the Master Indenture notice requirements. The failure of any such Bondholder to receive such notice shall not affect the validity of the proceedings for the redemption of such Series 2024 F Bonds.

If the Series 2024 F Bonds to be redeemed are Book-Entry Only Bonds, the Trustee shall give notice of redemption to DTC not less than thirty-five (35) days prior to the redemption date and otherwise comply with the Master Indenture notice requirements. Any failure on the part of DTC or failure on the part of a nominee of a Beneficial Owner (having received notice from a DTC Participant or otherwise) to notify the Beneficial Owner so affected, shall not affect the validity of the redemption. For a more complete description of the Series 2024 F Bonds and their notice provisions for redemption, see APPENDIX E – “Summary of Certain Provisions of the Master Indenture and the Series 2024 F Indenture.”

Book-Entry Only System

The information under this heading has been furnished by The Depository Trust Company (“DTC”), New York, New York. Neither the Corporation nor the Borrower make any representations as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

DTC will act as securities depository for the Series 2024 F Bonds. The Series 2024 F Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Bond certificate will be issued for each maturity of the Series 2024 F Bonds, each in the aggregate principal amount of such maturity and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law,

a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Series 2024 F Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2024 F Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2024 F Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2024 F Bonds, except in the event that use of the book-entry system for the Series 2024 F Bonds is discontinued.

To facilitate subsequent transfers, all Series 2024 F Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2024 F Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2024 F Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2024 F Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2024 F Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2024 F Bonds, such as redemptions, tenders, defaults, and proposed amendments to the bond documents. For example, Beneficial Owners of Series 2024 F Bonds may wish to ascertain that the nominee holding the Series 2024 F Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2024 F Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2024 F Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Corporation as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2024 F Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, sinking fund installments, if any, and redemption price and interest on the Series 2024 F Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit the Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Corporation or Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, or the Corporation, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Corporation, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

THE INFORMATION IN THIS SECTION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE CORPORATION BELIEVES TO BE RELIABLE, BUT THE CORPORATION TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF.

THE CORPORATION, THE BORROWER, THE PAYING AGENT AND THE TRUSTEE WILL HAVE NO RESPONSIBILITY OR OBLIGATION TO SUCH DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEE WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR THE DTC PARTICIPANTS, OR THE INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE SERIES 2024 F BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE BONDHOLDERS OR REGISTERED OWNERS OF THE SERIES 2024 F BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES 2024 F BONDS.

None of the Corporation, the Borrower, the Trustee, or the Paying Agent shall have any responsibility or obligation with respect to: (i) the accuracy of the records of DTC or any Participant with respect to any beneficial ownership interest of the Series 2024 F Bonds; (ii) the delivery to any Participant, Beneficial Owner of the Series 2024 F Bonds or other person, other than DTC, of any notice with respect to the Series 2024 F Bonds; (iii) the payment to any Participant, Beneficial Owner of the Series 2024 F Bonds or other person, other than DTC of any amount with respect to the principal of, sinking fund installments, if any, redemption price, if any, or interest on, the Series 2024 F Bonds; (iv) any consent given by DTC as registered owner; or (v) the selection by DTC or any Participant of any Beneficial Owners to receive payment if the Series 2024 F Bonds are redeemed in part.

Certificated Bonds

DTC may discontinue providing its services as securities depository with respect to the Series 2024 F Bonds at any time by giving reasonable notice to the Corporation and the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered. The Corporation may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2024 F BONDS

Set forth below is a narrative description of certain contractual and statutory provisions relating to the sources of payment and security for the Series 2024 F Bonds issued under the Master Indenture. These provisions have been summarized and this description does not purport to be complete. References should be made to the School Aid Act, the Master Indenture, the Series 2024 F Indenture, the Financing Agreement, the MOU and the Borrower Bonds for a more complete description of such provisions. Copies of the School Aid Act, the Master Indenture, the Series 2024 F Indenture, the Financing Agreement, the MOU and the Borrower Bonds are on file with the Corporation and/or the Trustee. See also APPENDIX D – “Summary of Certain Provisions of the Financing Agreement” and APPENDIX E – “Summary of Certain Provisions of the Master Indenture and the Series 2024 F Indenture” for a more complete statement of the rights, duties and obligations of the parties thereto.

Payment of the Series 2024 F Bonds

The Series 2024 F Bonds will be special obligations of the Corporation. The principal, sinking fund installments, if any, and redemption price of and interest on the Series 2024 F Bonds are payable solely from the Revenues pledged to the Series 2024 F Bonds. The Revenues with respect to the Series 2024 F Bonds consist of the Loan Repayments paid by the Borrower under the Financing Agreement, the State Housing Aid and the Basic Education Aid to the extent received by the Corporation, the right to receive the same and the proceeds thereof. The Revenues with respect to the Series 2024 F Bonds and the right to receive them have been pledged by the Corporation to the Trustee for the payment of the Series 2024 F Bonds.

Loan Repayments in respect to the Series 2024 F Bonds are to be paid by the Borrower on the dates and in the amounts specified in the Financing Agreement and the Borrower Bonds, which dates are at least forty-five (45) days prior to the dates on which principal and interest are next due on the Series 2024 F Bonds and which amounts are scheduled to be sufficient to pay principal and interest on the Series 2024 F Bonds.

A failure to pay an amount when due by the Borrower under the Financing Agreement in respect to the Series 2024 F Bonds will result in an intercept under the MOU of the State Housing Aid due to the Borrower relating to other bonds, notes or evidences of indebtedness of the Borrower and Basic Education Aid of the Borrower in an amount required to pay such deficiency. If the State Housing Aid and State Basic Education Aid which is available for payment is insufficient to make up such deficiency, then the General Treasurer will pay the amount of such deficiency at the time and to the extent that State Housing Aid or State Basic Education Aid subsequently becomes due and available to the Borrower until the amount of the delinquency has been paid in full. If the Borrower fails to pay amounts due under the Financing Agreement, the Corporation’s sole recourse will be against the defaulting Borrower. See “SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2024 F BONDS – Security for the Series 2024 F Bonds” herein.

The Master Indenture and the MOU also provide that, to the extent that (i) the Corporation issues more than one Series of Bonds to finance loans to a particular Borrower, (ii) the Corporation does not receive sufficient payments from such Borrower to meet such Borrower's payment obligations with respect to all such Series of Bonds, and (iii) the State Housing Aid and Basic Education Aid payable to such Borrower is insufficient to fully make up such deficiency, then the General Treasurer will direct a proportionate amount of said aid to the trustee for each such Series of Bonds in accordance with instructions provided by the Corporation pursuant to the MOU. The General Treasurer will pay the amount of such deficiency at the time and to the extent that State Housing Aid or State Basic Education Aid subsequently becomes due and available to such Borrower until the amount of the delinquency has been paid in full.

Security for the Series 2024 F Bonds

The Series 2024 F Bonds will be secured by the pledge and assignment to the Trustee of the Loan Repayments under the Financing Agreement, and all funds and accounts authorized by the Master Indenture and established by the Series 2024 F Indenture (with the exception of the Arbitrage Rebate Fund and the Administrative Fund), and the State Housing Aid and Basic Education Aid to the extent received by the Corporation in respect of the Series 2024 F Bonds. There are no debt service reserve funds securing the Series 2024 F Bonds. Pursuant to the terms of the Master Indenture, the funds and accounts established by the Series 2024 F Indenture authorizing the Series 2024 F Bonds secure only such Series 2024 F Bonds and do not secure any other Series of Bonds issued under the Master Indenture. See "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2024 F BONDS – Issuance of Additional Bonds" herein.

Payments under the Financing Agreement and Borrower Bonds. The Borrower will, pursuant to the Financing Agreement, deliver the Borrower Bonds to the Corporation to evidence its obligation to repay the Loan made by the Corporation to the Borrower. No Series 2024 F Bonds are secured by any interest in any real property of the Borrower. The Borrower Bonds are general obligations of the Borrower secured by the pledge of the Borrower's full faith and credit. State law provides a statutory lien on *ad valorem* taxes and general fund revenues of the Borrower to pay principal, interest on and redemption premium on the Borrower Bonds. The Borrower has the power and is required under State statutes to levy and collect *ad valorem* taxes on all taxable property of the Borrower for such payment. The Borrower's obligation to pay the amounts due under the Borrower Bonds is absolute and unconditional without any right of set-off, recoupment or counterclaim against the Corporation. See "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2024 F BONDS – Security for the Series 2024 F Bonds – *Statutory Lien Benefitting the Borrower Bonds*" herein.

The Corporation has covenanted for the benefit of the Holders of the Series 2024 F Bonds that it will not create or cause to be created any lien or charge upon the Revenues specifically pledged to secure the Series 2024 F Bonds, the proceeds of the Series 2024 F Bonds or the funds or accounts established under the Series 2024 F Indenture, which is prior to the pledge made by the Master Indenture for such Series 2024 F Bonds, except for the pledge of State Housing Aid and Basic Education Aid of the Borrower, for which the Corporation has issued more than one Series of Bonds to finance Loans to the Borrower, which will secure all such Series of Bonds on a parity basis. The Corporation has previously issued revenue bonds under its Public Schools Revenue Bond Financing Program consisting of the Series 2017 D issue for the benefit of the Borrower.

State Housing Aid and Basic Education Aid. The Borrower under the Financing Agreement has acknowledged that State Housing Aid relating to the Borrower Bonds is to be paid directly to the Corporation or its designee as provided in the School Aid Act, and that, upon the occurrence of certain events of default under the Financing Agreement, State Housing Aid due to the Borrower relating to other bonds, notes and evidences of indebtedness of the Borrower and Basic Education Aid of the Borrower may be intercepted and applied to the payment of the Series 2024 F Bonds, as provided in the MOU.

Pursuant to the School Aid Act, the State provides construction aid to Rhode Island municipalities and school districts for the cost of building or renovating public schools (“State Housing Aid”). All buildings constructed or renovated since July 1, 1949 are eligible for assistance to a minimum of 40% (for school housing projects completed after June 30, 2010 that received approval from the board of regents prior to June 30, 2012) or to a minimum of 35% (for school housing projects that received approval from the board of regents after June 30, 2012) of the full cost of such buildings. Such assistance level may be further increased by a formula, which takes into account the equalized assessed valuation and debt service burden of the particular municipality. Projects completed by June 30 of a fiscal year are eligible for reimbursement in the following fiscal year. The legislation authorizing State Housing Aid is subject to future change and all State aid is subject to annual appropriation by the Rhode Island General Assembly.

School housing project costs include the cost of interest on any bond issued after July 1, 1988. For projects approved by the voters after June 30, 2003, the cost of interest on any bond will be reimbursed as an eligible project cost only if the bonds for these projects are issued through the Corporation. The legislation authorizing State Housing Aid and Basic Education Aid is subject to future change and all State aid is subject to annual appropriation by the Rhode Island General Assembly. State aid reimbursement for school construction projects is based on the share ratio established for that year by the Rhode Island Department of Education (“RIDE”). This ratio can vary from year to year.

Prior to June 2012, the School Aid Act authorized an intercept mechanism under which the General Treasurer shall pay State Housing Aid for school housing projects directly to the Corporation or its designee. Pursuant to the School Aid Act and the MOU, if a Borrower shall not have paid the scheduled loan payments, then the Corporation shall send a notice to the General Treasurer, the State Controller and the Rhode Island Department of Elementary and Secondary Education so stating, and requesting the General Treasurer to deduct from any of such Borrower’s State Housing Aid an amount sufficient to pay such Borrower’s loan payments and pay such amounts directly to the Corporation or the Corporation’s designee. In June 2012, the General Assembly amended Section 16-7-41 of the School Aid Act to provide that in the event that a Borrower fails to pay amounts due to the Corporation, the General Treasurer shall also intercept state operations aid authorized pursuant to Sections 16-7-15 through 16-7-34.3 of the Rhode Island General Laws (“Basic Education Aid”) to become due to such Borrower in addition to State Housing Aid in an aggregate amount equal to the amount required to be paid by such Borrower to the Corporation with respect to such Borrower’s allocable portion of a Series of Bonds.

The State Housing Aid reimbursement ratio for the Project (defined below) is at least 35%. Moreover, 100% of the debt service on the Series 2024 F Bonds is eligible for payment from Basic Education Aid if the Borrower fails to pay amounts due to the Corporation. See “THE PROJECT” herein.

There can be no assurance that the amount of the Borrower’s State Housing Aid and Basic Education Aid will be sufficient to pay the amount of any deficiency in Loan Repayments payable by the Borrower.

The State Aid Act has various restrictions. Under current law, State Housing Aid only applies to those projects undertaken at school facilities under the care and control of a school committee and located on school property. In addition, facilities with combined school and municipal uses or facilities that are operated jointly with any other profit or non-profit agency do not qualify for State Housing Aid. Therefore, in the event that a facility (i) ceases to be under the care and control of a school committee, (ii) is located on property which ceases to be school property, (iii) becomes a facility with joined school and municipal uses, or (iv) becomes jointly operated with a profit or non-profit agency, a project will no longer qualify for State Housing Aid and payments of State Housing Aid in respect to such project shall be discontinued. See APPENDIX A – “Information Relating to the Borrower – State Aid.”

Statutory Lien Benefitting the Borrower Bonds. In July of 2011, the General Assembly enacted amendments to Section 45-12-1 of the Rhode Island General Laws to provide for a statutory lien on *ad valorem* taxes and general fund revenues for the benefit of general obligation debt of cities and towns and for giving a priority in a bankruptcy. The Borrower Bonds delivered to the Corporation are general obligation bonds of the Borrower. The validity and priority of the lien granted by Section 45-12-1 have not been adjudicated in any Chapter 9 proceeding. The amendments to Section 45-12-1 are summarized, in part, as follows:

The faith and credit and *ad valorem* taxes and general fund revenues of each city and town are pledged for the payment of principal of, premium and interest on all general obligation bonds and notes of the city or town, whether or not the pledge is stated in the bonds and notes or in the proceedings authorizing their issue and the pledge constitutes a first lien on such *ad valorem* taxes and general fund revenues. In addition, annual appropriations for payment of financing leases and obligations securing bonds, notes or certificates (“other financing obligations”), have a first lien on *ad valorem* taxes and general fund revenues commencing on the date of each annual appropriation. Amounts appropriated or added to the tax levy to pay principal of, premium and interest on general obligation bonds or notes and payments of other financing obligations are applied to the payment of such obligations. Any municipal employee or official who intentionally violates such provisions of Section 45-12-1 is personally liable to the city or town for any amounts not expended in accordance with such appropriations. The superior court has jurisdiction to adjudicate claims brought by any city or town and to order such relief as the court may find appropriate to prevent further violations under such provisions of Section 45-12-1. Any municipal employee or official who violates such provisions of Section 45-12-1 is subject to removal.

Section 45-12-1 further provides, in part, that:

Notwithstanding any provision of any other law, including the Uniform Commercial Code, Title 6A of the Rhode Island General Laws: (1) the pledge of *ad valorem* taxes and general fund revenues to the payment of the principal, premium and interest on general obligation bonds and notes and payment of other financing obligations is valid and binding, and deemed continuously perfected from the time the bonds or notes or other financing obligations are issued; (2) no filing need be made under the Uniform Commercial Code or otherwise to perfect the first lien on general fund revenues; (3) the pledge of *ad valorem* taxes and general fund revenues is subject to the lien of the pledge without delivery or segregation, and the first lien on *ad valorem* taxes and general fund revenues is valid and binding against all parties having claims of contract or tort or otherwise against the city or town, whether or not the parties have notice thereof; and (4) the pledge shall be a statutory lien effective by operation of law and shall apply to all general obligation bonds and notes and financing obligations of cities, towns and districts and shall not require a security agreement to be effective.

The July 2011 amendments, described above, provide that *ad valorem* taxes and general fund revenues may be applied as required by the pledge without further appropriation except for financing obligations which are subject to annual appropriation of funds.

Enforceability of the Borrower Obligations. Enforcement of a claim for payment of principal of or interest on a bond or note issued by the Borrower is subject to the applicable provisions of the federal bankruptcy laws and of statutes, if any, hereafter enacted by the federal government or the State of Rhode Island extending the time for payment of such obligations or imposing other constitutionally valid constraints upon such enforcement.

Judicial enforcement of statutes such as Rhode Island General Laws Sections 45-15-5 to 45-15-7, the statutory lien provided for in section 45-12-1 and state aid intercepts such as that provided for in Section 45-12-32 are within the discretion of a court. The status of these rights and remedies of owners of bonds

and notes in a proceeding to restructure city or town debt under Chapter 9 of the Federal Bankruptcy Code, or pursuant to other subsequently enacted laws relating to creditors' rights has not been adjudicated.

Issuance of Additional Bonds

In addition to the Series 2024 F Bonds, the Master Indenture authorizes the issuance of other Series of Bonds for the Borrower and other Borrowers and for specified purposes, including to refund Outstanding Bonds issued under the Master Indenture. Each Series of Bonds issued under the Master Indenture will be separately secured by the pledge and assignment of the Applicable Revenues, the Applicable State Housing Aid, the Applicable Basic Education Aid, to the extent received by the Corporation, the proceeds from the sale of such Series of Bonds and all funds and accounts (with the exception of the Arbitrage Rebate Fund and the Administrative Fund) authorized by the Applicable Series Indenture.

The Master Indenture and the MOU also provide that, to the extent that (i) the Corporation issues more than one Series of Bonds to finance loans to a particular Borrower, (ii) the Corporation does not receive sufficient payments from such Borrower to meet such Borrower's payment obligations with respect to all such Series of Bonds, and (iii) the State Housing Aid and Basic Education Aid payable to such Borrower is insufficient to fully make up such deficiency, then the General Treasurer will direct a proportionate amount of said aid to the trustee for each such Series of Bonds in accordance with instructions provided by the Corporation pursuant to the MOU. The General Treasurer will pay the amount of such deficiency at the time and to the extent that State Housing Aid or State Basic Education Aid subsequently becomes due and available to the Borrower until the amount of the delinquency has been paid in full.

General

The Series 2024 F Bonds will not be a debt of the State nor will the State be liable thereon. The Corporation has no taxing power. The Corporation has never defaulted in the timely payment of principal, sinking fund installments or interest on its bonds or notes. See "THE CORPORATION" herein.

Defaults and Remedies under the Financing Agreement

Among the events which would constitute an "event of default" under the Financing Agreement are: (i) the failure by the Borrower to pay the amounts due under the Financing Agreement as evidenced by the Borrower Bonds; (ii) the failure by the Borrower to pay any other amounts due under the Financing Agreement which continues for the applicable grace period, provided notice of such payment was given to the Borrower; or (iii) the failure by the Borrower to observe or perform any of the covenants, conditions or agreements contained in the Financing Agreement which continues for the applicable grace period after notice of such failure has been given to the Borrower. In the event any such event of default happens as a result of a failure to pay the amounts due under the Financing Agreement, the Corporation may direct payment to the Trustee pursuant to the State Housing Aid and Basic Education Aid intercept mechanism authorized by the School Aid Act and implemented by the MOU of certain State Housing Aid and Basic Education Aid payable by the State to the Borrower. See "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2024 F BONDS" herein. The Corporation also may exercise a number of remedies, including such remedies as are available to the holder of the Borrower Bonds, and any other remedies available at law or in equity.

In no event may any "event of default" under the Financing Agreement cause an acceleration of the amounts due under the Financing Agreement.

Defaults and Remedies under the Master Indenture

“Events of Default” under the Master Indenture in respect of a Series of Bonds include: (i) the failure to pay principal, sinking fund installments, if any, or redemption price of, and interest on the Bonds of such Series when due; (ii) the failure to comply with the provisions of the Code applicable to such Series necessary to maintain the exclusion of interest thereon from gross income under Section 103 of the Code, with the result that interest on the Bonds of such Series is no longer excludable from the gross income of the Holders thereof; and (iii) a default by the Corporation in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Master Indenture or the Applicable Series Indenture or in the Bonds of such Series on the part of the Corporation to be performed and such default continues for thirty (30) days after written notice specifying such default and requiring same to be remedied is given to the Corporation by the Trustee, which may give such notice in its discretion and must give such notice at the written request of the Holders of not less than twenty-five percent (25%) in principal amount of the Outstanding Bonds of such Series, unless, if such default is not capable of being cured within thirty (30) days, the Corporation has commenced to cure such default within said thirty (30) days and diligently prosecutes the cure thereof.

In no event may any “event of default” cause an acceleration of any Series 2024 F Bonds. In the enforcement of any remedy under the Master Indenture and the Applicable Series Indenture, the Trustee may sue for, enforce payment of, and receive any and all amounts then, or during any default becoming, and at any time remaining, due from the Corporation for principal or interest or otherwise under any of the provisions of the Master Indenture and the Applicable Series Indenture or of the Bonds of the applicable Series, with interest on overdue payments of the principal of or interest on the Bonds of such Series at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings under the Master Indenture and the Applicable Series Indenture and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the Holders of such Bonds, and to recover and enforce a judgment or decree against the Corporation but solely as provided in the Master Indenture and the Applicable Series Indenture and in such Bonds, for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect in any manner provided by law, the moneys adjudged or decreed to be payable.

THE CORPORATION

Authorization

After having been initially organized in 1966 as a Rhode Island non-business corporation under the name of “Rhode Island Educational Building Corporation” (the “Corporation”), the Corporation was constituted as a public body corporate and agency of the State in 1967 with the passage of Chapter 38.1 of Title 45 of the General Laws by the General Assembly of the State (the “Act”). Under the Act, the Corporation was given broad powers to assist in providing educational facilities to accommodate the projected increases in the college and university enrollment levels in the State. In 1968, by virtue of an amendment to the Act in Chapter 224 of the Rhode Island Public Laws of 1968, the Corporation’s name was changed to the Rhode Island Health and Educational Building Corporation and its powers were expanded to enable it to assist hospitals in the State in the financing of health care facilities.

Since 1968, the Corporation’s powers have been expanded many times under various amendments to the Act for the following purposes: to provide assistance to nonprofit health associations and cooperative hospital service organizations; to initiate a student loan program for institutions for higher education in the State (1982); to treat any nonprofit corporation, all of whose members are hospitals or parent corporations of hospitals, as a “hospital” for purposes of the Act (1988); to guaranty or insure loans to a participating hospital or institution for higher education and to pledge, encumber or advance funds of the Corporation in

connection therewith (1989); to provide financial assistance to nonprofit visiting nurse associations (1990); to assist in financing a broad range of nonprofit health care providers (1991); to assist in financing nonprofit secondary schools and child day care centers and to finance facilities for companies, pursuant to state contracts, which counsel and assist troubled youths (1992); to assist in financing the development of the site of the former Narragansett Brewery in the City of Cranston as a multi-purpose facility to be used as a center for economic development, biotechnology research, education, health care, governmental and other similar uses (1994); to enable it to assist in financing stand-alone nonprofit assisted living facilities and adult day care facilities (1998); to enable it to issue Revenue Anticipation Notes and Capital Notes; to enable it to assist local educational authorities within the State in financing school projects (2000); to refund any obligations issued by or for the benefit of a participating educational institution for a School Project (2007); to enable it to assist in financing nonprofit clinical laboratories (2008); and to assist in the financing of structures suitable for use as a public library, gymnasium, recreational facility, park, playground, and maintenance, storage, or utility facility and other structures for municipalities (2022).

In 2011, the Corporation's list of eligible borrowers (referred to herein as "participants") was expanded to include not only educational institutions and health care providers but also various entities controlled by such educational institutions and health care providers, as well as those engaged in public-private partnership agreements with educational institutions and health care providers. In 2022, the Corporation's list of eligible borrowers was further expanded to include museums, performing arts centers, social service providers, providers of temporary housing and shelter, and municipalities, among others.

In 2015, the Rhode Island legislature established the School Building Authority Capital Fund to provide upfront funding to public elementary and secondary schools for high priority building repairs. The School Building Authority is part of the Rhode Island Department of Education's Office of Statewide Efficiencies. The School Building Authority oversees the school construction process to ensure that districts comply with school construction regulations. The Corporation has the statutory authority to administer the School Building Authority Capital Fund. Pursuant to Section 16-105-7 of the Rhode Island General Laws, as amended in 2019, in order to provide for one-time or limited expenses of the School Building Authority, the Corporation is required to provide funding from the School Building Authority Capital Fund, fees generated from the origination of bonds and other financing vehicles used for school construction, and its own reserves.

Under the Act, the Corporation is authorized and empowered, among other things, directly or by and through an eligible borrower, as its agent, (i) to acquire real and personal property as it may deem necessary or convenient for the construction or operation of a project and to take title thereto in its own name or in the name of a participating institution as its agent; (ii) to construct, reconstruct, renovate, replace, maintain, repair, operate, lease, as lessor or lessee, and regulate any project and to designate a participant to do the same; (iii) to enter into contracts for any or all of such purposes or for the management and operation of a project and to designate a participant to do the same; (iv) to issue bonds, bond anticipation notes and other obligations and to fund or refund the same; (v) to fix and revise from time to time and charge and collect rates, rents, fees and charges for the use of and for the services furnished by a project or any portion thereof and to enter into contracts in respect thereof; (vi) to establish rules and regulations for the use of a project or any portion thereof and to designate a participant to do the same; (vii) to receive and accept from any public agency loans or grants for or in aid of the construction of a project or any portion thereof; (viii) to mortgage any project and the site thereof for the benefit of the holders of bonds issued to finance such project; (ix) to make loans to any participant for the cost of a project or to refund outstanding obligations, mortgages, advances issued, made or given by such participant for the cost of a project; (x) to charge to and equitably apportion among participants its administrative costs and expenses incurred; (xi) to accept gifts or grants or loans of funds or property or financial or other aid in any form from the federal government or any agency or instrumentality thereof or from the State or any agency or instrumentality thereof or from any other source; (xii) to make loans to participating institutions for higher education for

the purpose of funding student loan programs; (xiii) to make gifts or grants of funds for construction of or development of any project; (xiv) to assist local educational authorities within the State in financing school projects; and (xv) to do all things necessary or convenient to carry out the purpose of the Act.

ANY NOTES OR BONDS ISSUED BY THE CORPORATION FOR THESE PURPOSES DO NOT AND CANNOT CONSTITUTE A DEBT OF THE STATE. NEITHER THE STATE NOR THE CORPORATION SHALL BE OBLIGATED TO PAY THE PRINCIPAL, SINKING FUND INSTALLMENTS, IF ANY, REDEMPTION PRICE, OR INTEREST ON THE SERIES 2024 F BONDS, EXCEPT FROM REVENUES UNDER THE MASTER INDENTURE AND THE SERIES 2024 F INDENTURE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL, SINKING FUND INSTALLMENTS, IF ANY, REDEMPTION PRICE, OR THE INTEREST ON THE SERIES 2024 F BONDS. THE CORPORATION DOES NOT HAVE TAXING POWER.

Under the Act, the Corporation is required to report annually to the Governor of the State on its activities. Such report must include financial statements reported on by independent certified public accountants.

Board of Directors

The Act provides that all of the powers of the Corporation shall be vested in its Board of Directors, the five members of which are appointed by the Governor of the State to serve for five years. The Board of Directors is required by the Act to elect a Chair and Vice Chair from its membership and a Secretary and Treasurer who need not be members of the Board of Directors. Each such officer is elected at the annual meeting to serve for a term of one year.

The members of the Corporation's Board of Directors and its officers are as follows:

Ms. Channavy Chhay, Chair. Term as a member expires June 30, 2027. Ms. Chhay is a resident of East Greenwich, Rhode Island, and is the Executive Director of the Center for Southeast Asians ("CSEA"), a community-rooted nonprofit organization serving the needs of low-income refugees and immigrant groups, catering specifically to Southeast Asian refugees. CSEA offers assistance with navigating Rhode Island's governmental, healthcare, human services, legal, and financial services system. CSEA is also a main hub of Southeast Asians' cultural affairs in Rhode Island.

Mr. William S. Murray, Vice Chair. Term as a member expires June 30, 2026. Mr. Murray, a resident of Cumberland, Rhode Island for 56 years, was Mayor of Cumberland from 2015 to 2019. He is currently working for Best Practice Energy in Wakefield as an energy advisor and consultant.

Ms. Lisa Andoscia, Secretary. Term as a member expires June 30, 2025. Ms. Andoscia is a resident of North Providence, Rhode Island, and a business consultant. In 2002, Ms. Andoscia founded Rosewood Consulting Inc., a consulting firm specializing in government affairs, strategic marketing, public relations and grants management to municipalities, private sector and non-profit organizations. She also serves as a member of the Board of Commissioners of the Narragansett Bay Commission.

Mr. David Almonte, Treasurer. Term as a member expires June 30, 2029. Mr. Almonte is a resident of Exeter, Rhode Island. He is a certified public accountant and is employed as a Senior Manager/Financial Reporting and Analysis for Amica Mutual Insurance Company. Mr. Almonte is a co-founder of FountainHead RI, a 501(c)(3) non-profit organization, whose mission is to bring together and connect diverse, like-minded individuals who share a similar passion, vision, and ambition for moving local and global communities forward. Mr. Almonte is also a graduate of the Rhode Island State Police Academy and a graduate of the FBI Citizen's Academy.

Mr. Constantinos Perdikakis, Director. Term as a member expires June 30, 2028. Mr. Perdikakis is a resident of Cranston, Rhode Island. He has over 40 years of experience designing and developing real estate as well as owning and managing several businesses throughout Rhode Island.

Staff, Advisors and Other Officers

The staff, advisors and other officers of the Corporation other than the directors are as follows:

Mr. Dylan Zelazo, Executive Director and Assistant Secretary. Mr. Zelazo's office of the Executive Director is located at 33 Broad Street, Suite 200, Providence, Rhode Island 02903. The telephone number is (401) 831-3770.

Mr. Scott O'Malley, Chief Financial Officer and Assistant Treasurer. Mr. O'Malley's office of the Chief Financial Officer and Assistant Treasurer is located at 33 Broad Street, Suite 200, Providence, Rhode Island 02903. The telephone number is (401) 831-3770.

PFM Financial Advisors LLC, a financial advisory firm located in Boston, Massachusetts serves as municipal advisor to the Corporation in connection with the issuance of the Series 2024 F Bonds.

Hilltop Securities Inc., a financial and investment advisory firm located in Lincoln, Rhode Island serves as municipal advisor to the Borrower in connection with the issuance of the Series 2024 F Bonds.

Partridge Snow & Hahn LLP, of Providence, Rhode Island, is serving as Bond Counsel and will submit its approving opinion with regard to the legality of the Series 2024 F Bonds in substantially the form attached hereto as APPENDIX G - "Form of Approving Opinion of Bond Counsel."

Savage Law Partners, LLP, of Providence, Rhode Island is serving as Counsel to the Corporation with respect to the issuance of the Series 2024 F Bonds.

Withum Smith & Brown, PC, of Braintree, Massachusetts, served as independent certified public accountants to the Corporation for the fiscal year ended June 30, 2023. Copies of the Corporation's financial statements and the auditor's report for the fiscal year ended June 30, 2023 are available at the office of the Corporation.

Indebtedness of the Corporation

The Corporation has heretofore authorized and issued certain series of its bonds and notes for eligible institutions in the State. As of June 30, 2023, the Corporation had 142 series of bonds and notes outstanding (excluding series secured by trust funds for future redemption) totaling \$4,387,549,069 originally issued and \$3,263,190,472 outstanding. See APPENDIX F - "Rhode Island Health and Educational Building Corporation Schedule of Indebtedness" herein.

The Corporation expects to issue subsequent series of bonds and notes for the purpose of financing and refinancing projects. With respect to such other series of bonds and notes, the Corporation expects to enter into separate agreements with eligible institutions.

Each series of bonds and notes issued by the Corporation is payable only from revenues provided by the applicable borrower for such series, and the general funds of the Corporation are not pledged to any bonds or notes. Each series of bonds and notes issued has been a special obligation of the Corporation issued under a separate agreement.

Except for the information contained herein under the headings "THE CORPORATION", "LITIGATION" "CONTINUING DISCLOSURE" and in APPENDIX F - "Rhode Island Health and Educational Building Corporation Schedule of Indebtedness" insofar as it relates to the Corporation, and in the description of the terms and conditions of the MOU, the Corporation has not provided any of the

information contained in this Official Statement. The Corporation is not responsible for and does not certify as to the accuracy or sufficiency of the disclosures made herein or any other information provided by the Borrower, the Underwriters or any other person.

THE BORROWER

For a discussion of certain matters regarding the Borrower, see APPENDIX A – “Information Relating to the Borrower” and APPENDIX B - “Audited Financial Statements of the Borrower.”

THE PROJECT

The proceeds of the Series 2024 F Bonds will be loaned to the Borrower and used to finance (i) the construction of a new middle and high school at the multipurpose fields on Aquidneck Avenue for grades 6-12, make renovations to the current Middletown High School for grades 2-5, school administration and school facilities department, and finance renovations to the current Forest Avenue Elementary School for grades PK-1, and (ii) costs of issuance (collectively, the “Project”).

ESTIMATED SOURCES AND USES OF FUNDS

Estimated Sources of Funds

Par Amount of Series 2024 F Bonds	\$84,640,000.00
Net Original Issue Premium	\$ <u>5,961,176.15</u>
TOTAL SOURCES	<u>\$90,601,176.15</u>

Estimated Uses of Funds

Deposit to Construction Fund	\$90,000,000.00
Costs of Issuance*	\$ <u>601,176.15</u>
TOTAL USES	<u>\$90,601,176.15</u>

** Includes Corporation administrative fee, Rhode Island School Building Authority Statutory Fee, and underwriters’ discount.*

RISK FACTORS

Purchase of the Series 2024 F Bonds involves a degree of risk. In order to identify risk factors and make an informed investment decision, potential investors should be thoroughly familiar with this entire Official Statement (including the Appendices hereto) in order to make a judgment as to whether the Series 2024 F Bonds are an appropriate investment. Certain of the risks associated with the purchase of the Series 2024 F Bonds are described below. The following list of possible factors, while not setting forth all the factors which must be considered, contains some of the factors which should be considered prior to purchasing the Series 2024 F Bonds. This discussion of risk factors is not, and is not intended to be, comprehensive or exhaustive. Prospective purchasers of the Series 2024 F Bonds should give careful consideration to the matters referred to in the following summary. Such summary should not be considered exhaustive, but rather informational only.

No Obligation of the State of Rhode Island

NEITHER THE STATE OF RHODE ISLAND NOR THE CORPORATION IS OBLIGATED TO PAY THE PRINCIPAL, SINKING FUND INSTALLMENTS, IF ANY, REDEMPTION PRICE, OR INTEREST ON THE SERIES 2024 F BONDS EXCEPT FROM THE REVENUES UNDER THE MASTER INDENTURE AND THE SERIES 2024 F INDENTURE AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF RHODE ISLAND IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL, SINKING FUND INSTALLMENTS, IF ANY, REDEMPTION PRICE, OR INTEREST ON THE SERIES 2024 F BONDS. THE CORPORATION DOES NOT HAVE TAXING POWER.

PURSUANT TO THE SCHOOL AID ACT, THE STATE PROVIDES STATE HOUSING AID TO BORROWERS FOR THE COST OF BUILDING OR RENOVATING PUBLIC SCHOOLS. THE STATE ALSO PROVIDES BASIC EDUCATION AID TO BORROWERS FOR SCHOOL OPERATIONS. STATE HOUSING AID AND BASIC EDUCATION AID MAY BE INTERCEPTED TO PAY AMOUNTS DUE UNDER THE FINANCING AGREEMENT. PAYMENTS OF STATE HOUSING AID AND BASIC EDUCATION AID ARE SUBJECT TO ANNUAL APPROPRIATION BY THE RHODE ISLAND GENERAL ASSEMBLY AND DO NOT CONSTITUTE A PLEDGE OF THE FAITH AND CREDIT OR TAXING POWER OF THE STATE.

Event of Taxability

If the Borrower does not comply with certain covenants of the Borrower in the Financing Agreement or if certain representations made by the Borrower in the Financing Agreement or certain certificates of the Borrower are false or misleading, the interest payable on the Series 2024 F Bonds may become subject to federal income taxation retroactive to the date of issuance of the Series 2024 F Bonds, regardless of the date on which noncompliance or misrepresentation is ascertained. In the event that interest on the Series 2024 F Bonds should become subject to federal income taxation, the Master Indenture does not provide for the redemption of the Series 2024 F Bonds, the acceleration of the payment of debt service on the Series 2024 F Bonds, or an increase in interest paid on the Series 2024 F Bonds.

State Housing Aid

The School Aid Act has various restrictions. Under current law, State Housing Aid only applies to those projects undertaken at school facilities under the care and control of a school committee and located on school property. In addition, facilities with combined school and municipal uses or facilities that are operated jointly with any other profit or non-profit agency do not qualify for State Housing Aid. Therefore, in the event that a facility (i) ceases to be under the care and control of a school committee, (ii) is located on property which ceases to be school property, (iii) becomes a facility with joined school and municipal uses, or (iv) becomes jointly operated with a profit or non-profit agency, a project will no longer qualify for State Housing Aid and payments of State Housing Aid in respect to such project shall be discontinued.

Default by the Borrower or the Corporation

No representations or assurances can be given that the Borrower or the Corporation will not default in performing their respective obligations under the Master Indenture, the Series 2024 F Indenture, the Financing Agreement or any of the other financing documents. In certain circumstances, if an “event of default” occurs under the Master Indenture, then the Trustee may be empowered to pursue such suits, actions or special proceedings in equity or at law as the Trustee shall deem most effectual to protect and enforce its rights and the rights of the Series 2024 F Bondholders, including but not limited to an action for a writ of mandamus; provided, however, that the Trustee is not empowered to accelerate the maturity of the

Series 2024 F Bonds upon the occurrence of an event of default under the Master Indenture. See “SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2024 F BONDS – Defaults and Remedies under the Master Trust Indenture” and APPENDIX E – “Summary of Certain Provisions of the Master Indenture and the Series 2024 F Indenture” herein.

Market Factors

The financial condition of the Borrower as well as the market for the Series 2024 F Bonds could be affected by a variety of factors, some of which are beyond the Borrower’s control. There can be no assurance that an adverse event will not occur which might affect the market price of and the market for the Series 2024 F Bonds. If a significant event should occur in the affairs of the Borrower, the market for and the market value of the Series 2024 F Bonds could be adversely affected.

SUMMARY OF THE MASTER INDENTURE, THE SERIES 2024 F INDENTURE AND THE FINANCING AGREEMENT

The Series 2024 F Bonds will be issued under and secured by the Master Indenture. Reference is made to the Master Indenture, the Series 2024 F Indenture and the Financing Agreement for the complete details of the terms thereof. See APPENDIX D - “Summary of Certain Provisions of and the Financing Agreement” and APPENDIX E – “Summary of Certain Provisions of the Master Indenture and the Series 2024 F Indenture” for a brief summary of certain provisions of the Master Indenture, the Series 2024 F Indenture and the Financing Agreement which should not be considered a full statement thereof.

TAX MATTERS

In the opinion of Partridge Snow & Hahn LLP, Bond Counsel to the Corporation (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Series 2024 F Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”). Bond Counsel is of the further opinion that interest on the Series 2024 F Bonds will not be included in computing the alternative minimum taxable income of Series 2024 F Bondholders who are individuals. However, interest on the Series 2024 F Bonds will be included in the adjusted financial statement income of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. Bond Counsel expresses no opinion regarding any other federal tax consequences arising with respect to the ownership or disposition of, or the accrual or receipt of interest on the Series 2024 F Bonds.

The Code imposes various requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2024 F Bonds. Failure to comply with these requirements may result in interest on the Series 2024 F Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2024 F Bonds. The Corporation and the Borrower have covenanted to comply with such requirements to ensure that interest on the Series 2024 F Bonds will not be included in federal gross income. The opinion of Bond Counsel assumes compliance with these requirements.

Bond Counsel is also of the opinion that, under existing law, the Series 2024 F Bonds, their transfer and the income therefrom including any profit made on the sale thereof, are exempt from taxation by the State of Rhode Island (the “State”) and by the municipalities and all other political subdivisions of the State, although the income therefrom may be included in the measure of Rhode Island estate taxes and certain Rhode Island corporate and business taxes. Bond Counsel has not opined as to other Rhode Island tax consequences arising with respect to the Series 2024 F Bonds. Bond Counsel has not opined as to the taxability of the Series 2024 F Bonds or the income therefrom under the laws of any state other than Rhode

Island. A complete copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX G hereto.

To the extent the issue price of any maturity of the Series 2024 F Bonds is less than the amount to be paid at maturity of such Series 2024 F Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2024 F Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the Series 2024 F Bonds which is excluded from gross income for federal income tax purposes and is exempt from Rhode Island personal income taxes. For this purpose, the issue price of a particular maturity of the Series 2024 F Bonds is either the reasonably expected initial offering price to the public or the first price at which a substantial amount of such maturity of the Series 2024 F Bonds is sold to the public, as applicable. The original issue discount with respect to any maturity of the Series 2024 F Bonds accrues daily over the term to maturity of such Series 2024 F Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series 2024 F Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2024 F Bonds. Series 2024 F Bondholders should consult their own tax advisors with respect to the tax consequences of ownership of Series 2024 F Bonds with original issue discount, including the treatment of purchasers who do not purchase such Series 2024 F Bonds in the original offering to the public at the reasonably expected initial offering price or, if applicable, the first price at which a substantial amount of such Series 2024 F Bonds is sold to the public.

Series 2024 F Bonds purchased, whether at original issuance or otherwise, for an amount greater than the stated principal amount to be paid at maturity of such Series 2024 F Bonds, or, in some cases, at the earlier redemption date of such Series 2024 F Bonds (“Premium Bonds”), will be treated as having amortizable bond premium for federal income tax purposes and Rhode Island personal income tax purposes. No deduction is allowable for the amortizable bond premium in the case of obligations, such as the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, a Series 2024 F Bondholder’s basis in a Premium Bond will be reduced by the amount of amortizable bond premium properly allocable to such Series 2024 F Bondholder. Holders of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Series 2024 F Bonds may adversely affect the value of, or the tax status of interest on, the Series 2024 F Bonds.

Although Bond Counsel is of the opinion that interest on the Series 2024 F Bonds is excluded from gross income for federal income tax purposes and is exempt from Rhode Island personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2024 F Bonds may otherwise affect the federal or state tax liability of a Series 2024 F Bondholder. Among other possible consequences of ownership or disposition of, or the accrual or receipt of interest on, the Series 2024 F Bonds, the Code requires recipients of certain social security and certain railroad retirement benefits to take into account receipts or accruals of interest on the Series 2024 F Bonds in determining the portion of such benefits that are included in gross income. The nature and extent of all such other tax consequences will depend upon the particular tax status of the Series 2024 F Bondholder or the Series 2024 F Bondholder’s other items of income, deduction, or exclusion. Bond Counsel expresses no opinion regarding any such other tax consequences, and the Series 2024 F Bondholders should consult with their own tax advisors with respect to such consequences.

Risk of Future Legislative Changes and/or Court Decisions

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the Rhode Island legislature. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Series 2024 F Bonds. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Series 2024 F Bonds will not have an adverse effect on the tax status of interest on the Series 2024 F Bonds or the market value or marketability of the Series 2024 F Bonds. These adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), or repeal (or reduction in the benefit) of the exclusion of interest on the Series 2024 F Bonds from gross income for federal or state income tax purposes for all or certain taxpayers.

Additionally, Series 2024 F Bondholders should be aware that future legislative actions (including federal income tax reform) may retroactively change the treatment of all or a portion of the interest on the Series 2024 F Bonds for federal income tax purposes for all or certain taxpayers. In all such events, the market value of the Series 2024 F Bonds may be affected and the ability of Series 2024 F Bondholders to sell their Series 2024 F Bonds in the secondary market may be reduced. The Series 2024 F Bonds are not subject to special mandatory redemption, and the interest rates on the Series 2024 F Bonds are not subject to adjustment, in the event of any such change in the tax treatment of interest on the Series 2024 F Bonds.

Investors should consult their own financial and tax advisors to analyze the importance of these risks.

APPROVAL OF LEGAL PROCEEDINGS

Legal matters incident to the authorization, issuance and sale of the Series 2024 F Bonds are subject to the approving opinion of Partridge Snow & Hahn LLP, Providence, Rhode Island, Bond Counsel to the Corporation, a form of which is attached as APPENDIX G - "Form of Approving Opinion of Bond Counsel." Copies of such opinion will be available at the time of delivery of the Series 2024 F Bonds. Bond Counsel is not passing upon the accuracy or the adequacy of the statements made in the Official Statement except the Sections entitled "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2024 F BONDS," "THE SERIES 2024 F BONDS" except for the portion under the subheading "Book-Entry Only System," "SUMMARY OF THE MASTER INDENTURE, THE SERIES 2024 F INDENTURE AND THE FINANCING AGREEMENT," "TAX MATTERS," "STATE NOT LIABLE ON THE SERIES 2024 F BONDS" and "COVENANT BY THE STATE," and APPENDICES C, D, E and G. In addition, Partridge Snow & Hahn LLP, Providence, Rhode Island will deliver an opinion regarding the authorization and issuance of the Borrower Bonds as general obligations of the Borrower.

Certain legal matters will be passed upon for the Corporation by Savage Law Partners, LLP, Providence, Rhode Island.

UNDERWRITING

The Series 2024 F Bonds are being purchased for reoffering by J.P. Morgan Securities LLC as representative of the Underwriters (the "Representative") shown on the cover page of this Official Statement for the Series 2024 F Bonds (collectively, the "Underwriters"). Subject to the terms and conditions set forth in a bond purchase agreement among the Corporation and the Underwriters, the Underwriters have agreed to purchase the Series 2024 F Bonds at a price of \$90,354,771.61 (which is equal to the par amount of the Series 2024 F Bonds, plus net original issue premium of \$5,961,176.15, and less an Underwriters' discount of \$246,404.54), and will offer the Series 2024 F Bonds for resale at the interest

rates and prices stated on the inside cover hereof. Such initial public offering prices may be changed from time to time and the Series 2024 F Bonds may be offered and sold to dealers and others (including dealers depositing the Series 2024 F Bonds into unit investment trusts and other municipal securities portfolios) at prices lower than such initial public offering prices.

J.P. Morgan Securities LLC (“JPMS”), one of the Underwriters of the Series 2024 F Bonds, has entered into negotiated dealer agreements (each, a “Dealer Agreement”) with each of Charles Schwab & Co., Inc. (“CS&Co.”) and LPL Financial LLC (“LPL”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that such firm sells.

MUNICIPAL ADVISORS

PFM Financial Advisors LLC, Boston, Massachusetts, is acting as Municipal Advisor to the Corporation (the “Corporation’s Municipal Advisor”) in connection with the issuance of the Series 2024 F Bonds. The Corporation’s Municipal Advisor has not independently verified any of the information contained in this Official Statement and makes no guarantee as to its completeness or accuracy. In addition, the Corporation’s Municipal Advisor has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Series 2024 F Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies or rating agencies. The Corporation’s Municipal Advisor’s fee for services rendered with respect to the sale of the Series 2024 F Bonds is contingent upon the issuance and delivery of the Series 2024 F Bonds, and receipt by the Corporation of payment therefor.

Hilltop Securities Inc., Lincoln, Rhode Island, is acting as Municipal Advisor to the Borrower (the “Borrower’s Municipal Advisor”) in connection with the issuance of the Series 2024 F Bonds. The Borrower’s Municipal Advisor has not independently verified any of the information contained in this Official Statement and makes no guarantee as to its completeness or accuracy. In addition, the Borrower’s Municipal Advisor has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Series 2024 F Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies or rating agencies. The Borrower’s Municipal Advisor’s fee for services rendered with respect to the sale of the Series 2024 F Bonds is contingent upon the issuance and delivery of the Series 2024 F Bonds.

CONTINUING DISCLOSURE

The Corporation has determined that no financial or operating data concerning the Corporation is material to any decision to purchase, hold or sell the Series 2024 F Bonds and the Corporation will not provide any such information. The Borrower has undertaken all responsibility for any continuing disclosure for the benefit of the Bondowners (including Beneficial Owners) of the Series 2024 F Bonds as described below, and the Corporation shall have no liability to the Bondowners of the Series 2024 F Bonds or any person with respect to disclosure.

In order to assist the Underwriters in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission (“Rule 15c2-12”), the Borrower has undertaken in a written agreement (the “Continuing Disclosure Certificate”) for the benefit of the Series 2024 F Bondholders to provide on an annual basis to the Corporation and the Municipal Securities Rulemaking Board (the “MSRB”) as the sole recognized municipal securities information repository, through its Electronic Municipal Market Access System (“EMMA”) for municipal securities disclosures designated by the Securities and Exchange

Commission in accordance with Rule 15c2-12, on or before nine (9) months after the end of each fiscal year of the Borrower, commencing with the fiscal year ending June 30, 2024, operating data and financial information of the type specified in APPENDIX H to this Official Statement (the “Annual Information”), together with the Borrower’s annual financial statements prepared in accordance with generally accepted accounting principles and audited by an independent firm of certified public accountants in accordance with generally accepted auditing standards. The Annual Information for the Borrower will consist of the (a) operating data and financial information of the type specified in APPENDIX A to this Official Statement (only to the extent that this information is not included in the audited financial statements of the Borrower), together with (b) a narrative explanation, if necessary to avoid misunderstanding and to assist the reader in understanding the presentation of financial and operating data concerning the Borrower and in judging the financial and operating condition of the Borrower.

In addition, the Borrower has undertaken in the Continuing Disclosure Certificate, for the benefit of the Series 2024 F Bondholders, to provide to the MSRB in a timely manner, not in excess of ten (10) business days after the occurrence thereof, notice of certain events required to be provided by Rule 15c2-12 and described below.

The notices to be provided by the Borrower include notice of any of the following events with respect to the Series 2024 F Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, IRS notices, determinations or events affecting the tax status of the Series 2024 F Bonds; (7) modifications to rights of the Holders of the Series 2024 F Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution or sale of property securing repayment of the Series 2024 F Bonds, if material; (11) rating changes; (12) the bankruptcy, insolvency, receivership or similar event of the Borrower; (13) the consummation of a merger, consolidation, or acquisition of the Borrower or the sale or all or substantially all of the assets of the Borrower, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee, or the change of name of a trustee, if material, (15) incurrence of a financial obligation of the Borrower, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Borrower, any of which affect Owners of the Series 2024 F Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Borrower, any of which reflect financial difficulties.

The form of the Continuing Disclosure Certificate to be entered into by the Borrower is attached hereto as APPENDIX H. The sole and exclusive remedy for breach or default under the Continuing Disclosure Certificate is an action to compel specific performance of the undertakings of the Borrower, and no person, including any owner of the Series 2024 F Bonds, may recover monetary damages thereunder under any circumstances. The Borrower may be compelled to comply with its obligations under the Continuing Disclosure Certificate (i) in the case of enforcement of its obligations to provide information required thereunder, by any owner of outstanding Series 2024 F Bonds or by the Trustee on behalf of the Holders of outstanding Series 2024 F Bonds, or (ii) in the case of challenges to the adequacy of the information provided, by the Trustee on behalf of the Holders of outstanding Series 2024 F Bonds. However, the Trustee is not required to take any enforcement action unless so directed by the Holders of not less than 25% in aggregate principal amount of outstanding Series 2024 F Bonds. A breach or default under a Continuing Disclosure Certificate will not constitute an Event of Default under the Master Indenture or any other financing document. In addition, if all or any part of Rule 15c2-12 ceases to be in effect for any reason, then the information required to be provided under the Continuing Disclosure Certificate,

insofar as the provision of Rule 15c2-12 no longer in effect required the providing of such information, will no longer be required to be provided.

The foregoing undertakings are intended to set forth a general description of the type of financial information and operating data that will be provided; the descriptions are not intended to state more than general categories of financial information and operating data; and where an undertaking calls for information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect will be provided. The Continuing Disclosure Certificate, however, may under certain circumstances be amended or modified without the consent of Holders of the Series 2024 F Bonds. Copies of each Continuing Disclosure Certificate when executed by the Borrower upon the delivery of the Series 2024 F Bonds will be on file at the principal office of the Corporation.

Town of Middletown

The Borrower is required to provide certain financial information and operating data in respect to certain of its outstanding bonds by not later than nine months after the end of each fiscal year. During the past five years, the Borrower has complied in all material respects with its prior continuing disclosure obligations under Rule 15c2-12, except as hereinafter described. The Borrower filed the fiscal year June 30, 2022 financial statements in a timely manner; however, they were not linked to CUSIP numbers for the Corporation's Series 2017 D bond issue and the Town's 2016 Series A bond issue, for which it has a continuing disclosure obligation under the rule. Those respective CUSIP numbers are now linked in EMMA. The annual financial information for fiscal year June 30, 2019 through June 30, 2023 omitted certain information related to debt ratios and debt per capita, for which it has a continuing disclosure obligation under the rule. A corrective posting has since been filed on EMMA. The Borrower has implemented procedures to ensure timely filing of such financial information and operating data in the future.

RATING

Moody's Investors Service, Inc. ("Moody's") has assigned a rating of "Aa1" to the Series 2024 F Bonds. Such rating reflects only the views of Moody's and any desired explanation of the significance of such rating should be obtained from the rating agency furnishing the same. Generally, a rating agency bases its rating on the information and materials furnished it and on investigations, studies and assumptions by the rating agency. There is no assurance that a particular rating will apply for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the agency originally establishing the rating, circumstances so warrant. The Corporation has undertaken no responsibility either to bring to the attention of the Holders of the Series 2024 F Bonds any proposed revision or withdrawal of the rating of the Series 2024 F Bonds or to oppose any such proposed revision or withdrawal. Any downward revision or withdrawal of such rating could have an adverse effect on the market price of the Series 2024 F Bonds. Such rating should not be taken as a recommendation to buy or hold the Series 2024 F Bonds.

LITIGATION

As of the date hereof, there is no litigation of any nature pending or to the best of the Corporation's knowledge, threatened against the Corporation to restrain or enjoin the issuance, sale, execution or delivery of the Series 2024 F Bonds or the application of the proceeds thereof toward the Cost of the Project, or in any way contesting or affecting the validity of the Series 2024 F Bonds or any proceedings of the Corporation taken with respect to the issuance or sale thereof, or the pledge or application of any monies or security for the Series 2024 F Bonds or the existence or powers of the Corporation.

As of the date hereof, there is no litigation pending or to the best of the Borrower's knowledge, threatened against the Borrower, wherein an unfavorable decision would adversely affect the ability of the Borrower to operate the Project or to carry out its obligations under the Financing Agreement or would have a material adverse impact on the financial position of the Borrower.

STATE NOT LIABLE ON SERIES 2024 F BONDS

NEITHER THE STATE NOR THE CORPORATION IS OBLIGATED TO PAY THE PRINCIPAL, SINKING FUND INSTALLMENTS, IF ANY, REDEMPTION PRICE, OR INTEREST ON THE SERIES 2024 F BONDS EXCEPT FROM THE REVENUES TO BE PROVIDED UNDER THE MASTER INDENTURE AND THE SERIES 2024 F INDENTURE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL, SINKING FUND INSTALLMENTS, IF ANY, REDEMPTION PRICE, OR INTEREST ON THE SERIES 2024 F BONDS. THE ACT DOES NOT IN ANY WAY CREATE A SO-CALLED MORAL OBLIGATION OF THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF TO PAY DEBT SERVICE IN THE EVENT OF DEFAULT BY THE BORROWER. THE CORPORATION DOES NOT HAVE TAXING POWER.

COVENANT BY THE STATE

Under the Act, the State pledges and agrees with the Holders of the Series 2024 F Bonds that the State will not limit or alter the rights vested in the Corporation until such Series 2024 F Bonds, together with interest thereon, are fully met and discharged; provided that nothing in the Act shall preclude such limitation or alteration if and when adequate provision shall be made by law for the protection of the Holders of such Series 2024 F Bonds.

MISCELLANEOUS

The references to the Act, the School Aid Act, the Master Indenture, the Series 2024 F Indenture, the Financing Agreement and the MOU are brief summaries of certain provisions thereof. Such summaries do not purport to be complete, and reference is made to the Act, the School Aid Act, the Master Indenture, the Series 2024 F Indenture, the Financing Agreement and the MOU for full and complete statements of such and all provisions. The agreements of the Corporation with the Holders of the Series 2024 F Bonds are fully set forth in the Master Indenture, and neither any advertisement of the Series 2024 F Bonds nor this Official Statement is to be construed as constituting an agreement with the holders of the Series 2024 F Bonds. So far as any statements are made in this Official Statement involving matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact. Copies of the documents mentioned in this paragraph are on file at the offices of the Corporation.

Information relating to DTC and the book-entry only system described under "BOOK-ENTRY ONLY SYSTEM" has been furnished by DTC and is believed to be reliable. However, none of the Corporation or the Borrower make any representations or warranties whatsoever with respect to the information contained therein.

Attached to this Official Statement as APPENDIX A which contains certain information relating to the Borrower. While the information contained in APPENDIX A is believed to be reliable, the Corporation makes no representations or warranties whatsoever with respect thereto. Also attached to this Official Statement is APPENDIX B which contains the most recent audited financial statements of the Borrower, together with the independent auditor's reports thereon. The Corporation has relied on the information contained in APPENDICES A and B.

APPENDIX C – “Definitions,” APPENDIX D – “Summary of Certain Provisions of the Financing Agreement,” APPENDIX E – “Summary of Certain Provisions of the Master Indenture and the Series 2024 F Indenture,” APPENDIX G – “Form of Approving Opinion of Bond Counsel,” and APPENDIX H – “Form of Continuing Disclosure Certificate” have been prepared by Partridge Snow & Hahn LLP, Bond Counsel.

APPENDIX F – “Rhode Island Health and Educational Building Corporation Schedule of Indebtedness” has been prepared by the Corporation.

The Borrower has reviewed the portions of this Official Statement under “THE BORROWER,” “CONTINUING DISCLOSURE,” the second paragraph of “LITIGATION” and in APPENDICES A and B, “THE PROJECT,” “RISK FACTORS” and “ESTIMATED SOURCES AND USES OF FUNDS.” At the closing, the Borrower will certify that such portions of this Official Statement, and APPENDICES A and B, do not contain an untrue statement of a material fact or omit a statement of material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading.

The distribution of this Official Statement and its execution have been duly authorized by the Corporation.

RHODE ISLAND HEALTH AND
EDUCATIONAL BUILDING CORPORATION

Dated: August 19, 2024

By: /s/Channavy Chhay
Chair

APPENDIX A

INFORMATION RELATING TO THE BORROWER

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August 19, 2024

Rhode Island Health and Educational Building Corporation
33 Broad Street, Suite 200
Providence, RI 02903

Ladies and Gentlemen,

We are pleased to submit the following information with respect to the Town of Middletown, Rhode Island (the “Town”). This letter and the information herein are submitted to the Rhode Island Health and Educational Building Corporation (the “Corporation”) for inclusion in the Official Statement relating to its Public Schools Revenue Bond Financing Program Revenue Bonds, Series 2024 F (Town of Middletown Issue) (the “Bonds”). Unless otherwise noted, all information, including statistics, is taken from the records of the Town and the Town’s School Department. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Official Statement.

THE TOWN OF MIDDLETOWN

General

The Town is located 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 Airport, located in Middletown, which provides charter air service to all major airports in New England and New York. The Town has a population of 17,075 according to the 2020 U.S. Census.

Government

The Town was established in 1639 and incorporated as a Town in 1743. The Town is governed by a seven member Town Council and an appointed Town Administrator. Local elections are held every two years in even years for all Town Council members. The Town adopted a Home Rule Charter November 5, 1968, under which all powers of the Town (including those powers formerly vested in and exercised by the Financial Town Meeting, which was discontinued) are vested in the elected Town Council. The Town Council may enact local legislation subject only to the limitations imposed by Charter, the State Constitution, and General Laws. Under the Charter, the Town Council determines policy, enacts law and appoints the Town Administrator.

The Town Administrator, appointed by the Town Council, is responsible for the administration of Town Government. Mr. Shawn J. Brown was appointed the Town Administrator on April 26, 2008. Prior to this appointment, Mr. Brown served as the Town’s Finance Director since 2000. Prior to serving the Town, Mr. Brown held positions as a Financial Systems Consultant and Auditor, as a Public Accountant, Corporate Accountant and Financial Systems Analyst within the financial services industry, and as a Finance and Accounting Officer in the Army. Mr. Brown is a Certified Public Accountant licensed in the State of Rhode Island. He holds a Master of Science degree in Systems Management from the University of Southern California and a Bachelor of Science degree in Accounting from the University of Rhode Island.

On May 16, 2016, Mr. Marc W. Tanguay was appointed as the Finance Director after serving as Interim Finance Director since January 29, 2016. Prior to his appointment as Finance Director, Mr. Tanguay served as the Town Accountant from October 5, 2005 to June 30, 2008 and as Town’s Deputy Finance Director from July 1, 2008 to May 16, 2016. Prior to serving the Town, Mr. Tanguay held positions as a manager and supervisor, as a Public Accountant, and as a Controller. Mr. Tanguay is a Certified Public Accountant licensed in the State of Rhode Island. He holds a Bachelor of Science degree in Accounting from Bryant University.

Government Services

Police

The Police Department employs 46 uniformed officers, including one police chief, two captains, six lieutenants, three sergeants, thirty-four patrol officers and detectives. The Police Department also employs 2 civilian personnel performing clerical and records functions, 1 full-time civilian performing mechanical functions, 1 full-time animal control officer, and 1 part-time vehicle inspection officer. In fiscal year 2023, the Town expended \$7,561,795, including \$475,245 of capital outlay and \$54,089 of grant expenditures on the Police Department and has budgeted \$7,434,010, including of \$204,268 for capital outlay and \$24,997 of grant expenditures for fiscal year 2024.

Fire

The Fire Department employs 37 full-time professional firefighters, including one fire chief, four battalion chiefs, 2 captains, 6 lieutenants. The Fire Department also employs 4 full-time civilian dispatch personnel and 1 full-time civilian performing clerical services. The fiscal year 2023 expenditures for Fire Department services totaled \$5,255,332, including \$0 of capital outlay and \$453,233 of grants, and the Town has budgeted \$6,010,185, including \$255,940 of capital outlay, and grant expenditures of \$406,936 for fiscal year 2024.

Water

The Town's potable water resource is supplied by the City of Newport Water Department (the "Newport Water Department"). The Newport Water Department supplies water to 15,027 customers of Newport, Middletown, and Portsmouth. Approximately 4,854 of its customers reside in Middletown and are billed directly by the City of Newport. The areas not served by the Newport Water Department depend solely on private groundwater wells for domestic needs.

The sources of raw water supply for the entire system are nine surface water reservoirs located on Aquidneck Island and in the Towns of Tiverton and Little Compton. Four of the surface water reservoirs are located in the Town at Easton North and South Ponds, Newson Pond, and Gardiner Pond. The particular municipalities in which the surface water reservoirs are located bear the responsibility for the protection of the watershed areas of the reservoirs.

Sewers

The Town operates and maintains a sanitary sewer collection system consisting of all public/municipal sewer mains, gravity and force, and pump stations with the Town. The Town's collection system is tied into the City of Newport Sewage Treatment Plant in accordance with the State of Rhode Island base plan. At the present time, approximately 75% of the Town's population utilizes this service, with the balance utilizing individual sewage disposal systems in accordance with regulations of the Rhode Island Department of Environmental Management. In fiscal year 2023, the Town spent \$5,904,220, including \$681,763 of capital outlay, \$44,500 of grant expenses and \$1,122,500 of bond principal payments, in connection with operating the sewer collection system and has budgeted \$6,532,062 including \$100,000, of capital outlay, \$44,500 of grant expense, and \$1,013,500 of bond principal payments, for fiscal year 2024.

Solid Waste and Recycling

On November 1, 2007 the Town implemented a curbside pick-up system which is funded through a "pay-as-you-throw" user fee mechanism rather than through taxes. The Town's current recycling rate is 35.5%. The Town collected \$1,145,319 in revenues in fiscal year 2023 and expenditures for solid waste and recycling totaled \$1,269,819. The fiscal year 2024 budget includes \$1,322,664 in solid waste and recycling revenues, exclusive of any appropriations from the General Fund, and \$1,322,664 in expenditures.

Recreation

The Town maintains just over 250 acres of public parks and recreation land, including baseball, basketball, tennis, boating, bathing facilities, nature trails, and two public beaches. In addition, there are private and semi-private facilities such as the Norman Bird Sanctuary and the Sachuest Point Wildlife Preserve that are open to the public. The Town's 2023 fiscal year expenditures for parks and recreation totaled \$2,481,054 including \$2,643,417 of capital outlay and \$23,320 for grant expenditures; the Town has budgeted \$3,232,187 including \$1,505,000 of capital outlay and \$0 for grant expenditures for fiscal year 2024.

Library

The Middletown Public Library occupies a Town-owned 13,000 square foot one-story structure, which was completely renovated in 2003, including a 3,000 square foot addition, new parking lots and sidewalks, lighting, and a high efficiency HVAC system. The Library has a collection of over 77,280 items and provides direct access to 4.7 million items through its shared network. The Library is a valuable community resource with an annual circulation of over 90,318 items and over 95,580 visitors per year. It provides state-of-the-art meeting space, cultural enrichment programs, and technology resources to the public. The Library is supported by municipal and state funds as well as private donations. It is governed by a seven-member Board of Trustees in accordance with Rhode Island Minimum Public Library Standards and the Rhode Island General Laws. The Town appropriated \$915,288 plus State aid of \$168,217 and other Local Revenue of \$21,462 to the library in fiscal year 2023 and has budgeted \$1,015,751 plus State aid of \$180,903 and other Local Revenue of \$80,160 for fiscal year 2024.

Education

The School Committee determines and controls all policies affecting the administration, construction, maintenance, and operation of the Town's public schools. The School Committee also appoints a superintendent of schools as its chief administrative agent and such other administrative officers as are considered necessary.

Charter amendments approved by the electors in November 2012 require that all collective bargaining agreements affecting employees of town departments, including the school department, must be ratified by the Town Council before they become effective.

The Town's school system consists of three elementary schools, one middle school, and one senior high school. There are presently 299.21 full-time equivalent staff in the school system, 191.1 of whom are teachers. The student per teacher ratio is approximately 20 for kindergarten through second grade and 25 for third through twelfth grade.

Actual and projected student enrollment is as shown in the following table:

Enrollment K-12		
<u>School Year</u>	<u>Actual</u>	<u>Projected</u>
2017-18	2,124	-
2018-19	2,153	-
2019-20	2,133	-
2020-21	2,011	-
2021-22	2,014	-
2022-23	1,971	-
2023-24	1,961	-
2024-25	-	1,957
2025-26	-	1,953

Investment Considerations

Climate Change

The Town is predicting rising sea levels, hotter and drier summers, wetter winters, and stronger, more intense storms, as they prepare plans to mitigate the effects of climate change and address the Town's heightened risk. An immediate area of concern is the Town's waterfront, which includes historic homes and commercial areas. A major focus is managing the stormwater runoff from more intense storms. The Town addresses their plan and preparation for the effects of climate change through their; Comprehensive Plan (2015), Hazard Mitigation Plan (2019), completion of the nationally recognized Community Resilience Building Program, and adoption of zoning amendments to mitigate flood risk. The Town has been certified by the State as a "Resilient Rhody Municipality" and is implementing capital improvements to accommodate stormwater and rising sea levels.

Cyber Security

The Town's cyber security program is based on the National Institute of Standards and Technology (NIST) framework and utilizes artificial intelligence to identify abnormalities in network traffic and provide intrusion detection and prevention. Endpoint protection for devices connected to the Town's network is used to stop breaches by mean of a unified set of cloud-delivered technologies that help prevent cyber-attacks, including malware. The Town has software that manages email flow and a third-party artificial intelligence engine actively alerts staff to abnormalities in email activity. The Town's technology and security policies authorize the Information Services Department to promulgate and communicate Information Technology Security Standards (Security Standards) concerning the use, protection, and preservation of computer information systems, networks, and data processed or stored on any of the Town's computing devices. The Security Standards are updated by the Information Services Department and the policy applies to all full-time, part-time, seasonal, and temporary employees. The Town conducts monthly security awareness and threat training simulations.

Employee Relations

As of June 30, 2024, the Town had 126 full-time and 30 part-time employees, exclusive of the School Department. The School Department employed 201.1 professional employees and 97.6 non-professional and part-time personnel as of June 30, 2024.

The current status of union contracts for municipal and school employees is as follows:

Employees	Organization	Number of Employees	Current Contract Expiration Date
Police Officers	Middletown Fraternal Order of Police, Lodge #21	45	6/30/2027
Firefighters	International Association of Firefighters, Local #1933	41	6/30/2026
Library	NEA/Middletown	10	6/30/2025
General	NEA/Middletown	20	6/30/2025
Public Works	Teamsters Local #251	20	6/30/2025
Non-Certified School:			
Custodians	RI Council 94, AFSCME, AFL-CIO, Local #1823	22	6/30/2024*
Clerical (other)	Individual Contracts	23	6/30/2025-6/30/2026
Teacher's Aid	Middletown Educational Support Personnel	52.6	8/31/2025
Certified School:			
Teachers	NEA	191.1	8/31/2025
Other	Admin on Individual Contracts, AFSCME, AFL-CIO, Local #2668	10	6/30/2024-6/30/2026

*Currently in negotiation

Retirement Plans

The Town provides the opportunity for pension benefits to the majority of full-time municipal employees. The clerical and custodial school department employees, police and fire personnel, public works employees, and the Town Hall employee group participate in the Municipal Employees' Retirement System of the State of Rhode Island, an agent multiple employer plan ("MERS"). Teachers participate in the Employees' Retirement System of the State of Rhode Island, a cost-sharing multiple-employer public retirement system ("ERSRI"). Eligible police, fire, public works, and municipal employees hired prior to January 1, 2001 participate in the Town of Middletown Retirement Plan, a single employer defined benefit pension plan (the "Town Defined Benefit Plan"). Eligible 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 participate in the Town of Middletown 401(a) Defined Contribution Plan (the "Town 401(a) Defined Contribution Plan").

MERS

MERS is a cost sharing multi-employer public employee system administered by the State Retirement Board. In November 2011, the State enacted the Rhode Island Retirement Security Act of 2011 ("RIRSA") which made broad changes to MERS effective July 1, 2012. See "Hybrid Plan for MERS and ERSRI Participants" herein.

Effective July 1, 2012 RIRSA took effect and retirement eligibility became based on one of four schedules for municipal units and one of three schedules for the police and fire unit, depending on retirement eligibility status as of June 30, 2012. In addition, COLA provisions have changed for members who retire after June 30, 2012. The plan also provides pre-retirement benefits under the Retirement Formula for non-occupational disabilities after 5 years of service, and at 67% of salary for occupational disabilities regardless of service. Surviving spouses are also eligible for both pre- and post-retirement death benefits.

Rhode Island General Law sets contributions of participating employees. Effective July 1, 2012, General employees contribute 1% of their salary per year, and police officers and firefighters contribute 9% to the defined benefit plan, and if the municipality has elected one of the optional cost-of-living provisions, an additional member contribution of 1% of salary is required. Participants with over 20 years of service at July 1, 2012 contribute 9.25%.

Annual required contributions are actuarially determined for each separate employer and are assessed to each as a percentage of their participating employees' payroll. The annual required contribution covers normal costs and, where applicable, a payment to amortize the unfunded actuarial accrued liability as of June 30, 2010 over a closed period of 25 years

(with 12 years remaining as of June 30, 2023). The State makes no contributions to the Municipal Plan on behalf of the Town nor does it assume any liability for funding pension benefits for the Town's participants. For the fiscal year ending June 30, 2023, the Town and employees contributed \$1,022,697 to MERS for the municipal, police, and fire employees, which was equal to 100% of the required contribution, to MERS. The Town budgeted employer contributions of \$746,418 for the fiscal year ending June 30, 2024 for the municipal, police, and fire employees, which represents 100% of the annual employer required contribution. Over the past six years, the Town has made the following required contributions:

Municipal Employees' Retirement System (MERS) – General Employees					
Fiscal Year	Annual Required Pension Cost	Actual Contribution	Percent Contributed	Funded/Unfunded Liability	Funded Ratio
2023	\$ 605,069	\$ 605,069	100 %	\$ 2,296,020	92 %
2022	580,636	580,636	100 %	2,234,243	91 %
2021	599,771	599,771	100 %	3,144,247	88 %
2020	566,415	566,415	100 %	3,746,039	85 %
2019	541,344	541,344	100 %	4,314,686	82 %
2018	525,837	525,837	100 %	4,934,922	80 %

Municipal Employees' Retirement System (MERS) – Police and Fire					
Fiscal Year	Annual Required Pension Cost	Actual Contribution	Percent Contributed	Funded/Unfunded Liability	Funded Ratio
2023	\$ 417,628	\$ 417,628	100 %	\$ (1,718,217)	111 %
2022	488,493	488,493	100 %	(1,252,274)	109 %
2021	484,242	484,242	100 %	(797,520)	106 %
2020	432,700	432,700	100 %	(797,205)	108 %
2019	541,344	541,344	100 %	70,861	99 %
2018	525,837	525,837	100 %	400,359	96 %

ERSRI

The Town provides retirement benefits to its public school teachers through its participation in ERSRI, a statutory, mandatory, statewide, cost-sharing multi-employer defined benefit plan, which first covered State teachers on July 1, 1949. ERSRI is administered as a unified statewide system by the State Retirement Board, the composition of which is set forth in the pertinent State statute. The Town School system contributed \$2,634,660 for the fiscal year ending June 30, 2023. The assets are held in the custody of the State Treasurer as an undivided single fund. RIRSA made broad changes to ERSRI effective July 1, 2012. See "Hybrid Plan for MERS and ERSRI Participants" herein.

Rhode Island General Law currently sets the defined benefit contribution rates of participating employees at 3.75% of salary. Annual required contributions by both employers and the State on behalf of those employees are determined by actuaries and assessed as a percentage of participants' payroll. The required contributions include (a) normal costs; (b) payments to amortize the unfunded frozen actuarial accrued liability as of June 30, 1999 over 30 years initially, but in conjunction with the implementation of RIRSA the amortization period was reset to 25 years as of June 30, 2010; and (c) interest on the unfunded frozen actuarial liability. The Town participates in the optional Teachers Survivor Benefits Fund whereby the employer and the employee each contribute 1% of the first \$9,600 of each participating employee's salary for survival benefits. The Town contributed \$21,990 to this fund during fiscal year 2023.

The funding policy, as set forth in the General Laws, Section 16-16-22, provides for actuarially determined periodic contributions for the plan. For fiscal year 2020 Middletown teachers were required to contribute 3.75% of their annual covered salary. The State of Rhode Island (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 11.12% and 15.04% of annual covered payroll for the fiscal year ended June 30, 2023 for the State and public school teachers, respectively. Over the past six fiscal years, the Town has made the following required contributions.

Employees' Retirement System of Rhode Island (Teachers)

Fiscal Year	Annual Required Pension Cost	Actual Contribution	Percent Contributed
2023	\$ 2,656,649	\$ 2,656,649	100 %
2022	2,637,087	2,637,087	100 %
2021	2,721,839	2,721,839	100 %
2020	2,415,589	2,415,589	100 %
2019	2,470,983	2,470,983	100 %
2018	2,431,962	2,431,962	100 %

Effective with the June 30, 2011 actuarial valuation, the funding method was changed to the Individual Entry Age Cost Method in order to be consistent with RIRSA and GASB Statement No. 27 standards. The ERSRI does not maintain separate data for each of its participants. The ERSRI's website contains additional information (www.ersri.org).

The following are comparative highlights for 2019 through 2023 for ERSRI as a whole:

	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019
Active Participants	13,554	13,537	13,372	13,474	13,511
Pensioners & Beneficiaries	11,595	11,521	11,398	11,274	11,196
Inactive Participants	5,000	4,539	4,227	4,001	3,888
Market Value of Assets	\$4,664,344,475	\$4,418,568,124	\$4,671,641,312	\$3,798,755,901	\$3,629,895,134
Employer Contributions	305,022,002	322,772,188	275,778,411	266,034,899	249,634,988
Member & Other Misc. Contributions	50,949,871	50,159,049	50,174,050	50,781,701	51,057,446
Total Contributions	\$ 355,971,873	\$ 372,931,237	\$ 325,952,461	\$ 316,816,600	\$ 300,692,434
Investment Income	384,803,808	(131,387,447)	1,034,477,257	139,896,962	233,855,078
Total Income Available for Benefit Payments	\$ 740,775,681	\$ 241,543,790	\$1,360,429,718	\$ 456,713,562	\$ 534,547,512
Benefit Payment	(399,985,015)	(395,317,218)	(388,897,569)	(383,140,608)	(378,292,374)
Transfer and other Adjustments	100,176	(155,525)	248,851	(69,787)	364,683
Excess of Income Over Expenses	\$ 340,890,842	\$(153,928,953)	\$ 971,781,000	\$ 73,503,167	\$ 156,619,821
Funded Ratio	64.5 %	61.5 %	56.7 %	54.2 %	55.3 %

Compiled from Employees' Retirement System of Rhode Island – Actuarial Valuation Report as of June 30, 2023

Actuarial costs and liabilities, as shown in the summary presentation, are determined in the aggregate for ERSRI. Accordingly, employer contributions are first determined in the aggregate for all participating employers in this multi-employer system and are then expressed as a percentage of the aggregate participating payroll. For fiscal year 2023, the town school system applied 43 percent of this factor to its participating payroll (the remaining 57 percent of the employer cost is contributed by the State as well as the full cost of deferred contributions by the State).

Hybrid Plan for MERS and ERSRI Participants

In November 2011, the State enacted RIRSA, which made broad changes effective July 1, 2012 to MERS and ERSRI. The most significant changes include changing the structure of the retirement program from a traditional defined benefit plan to a hybrid plan designed with a smaller defined benefit plan and a supplemental defined contribution plan; changing the automatic cost of living adjustment (COLA) from a CPI- related formula to a formula contingent on the actual investment performance over time; suspension/reduction of the COLA during times when the funded ratio is lower than targeted 80% levels; and the re-amortization of the Unfunded Actuarial Accrued Liability (UAAL) to 25 years from the 19-year schedule as of June 30, 2010. For ERSRI, teachers not covered by Social Security will participate in additional defined contribution allocations equal to 2% member plus 2% employer. Included within these significant changes are certain rules for transitioning from the defined benefit structure to the smaller defined benefit plan going forward. The changes in the defined benefit plan instituted by RIRSA have

been fully reflected in the actuarial valuation beginning with June 30, 2012. These changes resulting from RIRSA are the subject of ongoing litigation which has been settled by most parties. (Please see also “Litigation Challenging Pension Reform” herein).

RIRSA changed the MERS and ERSRI defined benefit plans to hybrid plans which include a defined contribution plan. The State selected TIAA-CREF to administer the plan. All employees in MERS and ERSRI are required to participate. MERS and ERSRI employees contribute 5% of their annual salary into the defined contribution plan, with an additional 2% contribution for those employees that do not participate in Social Security, and the Town must contribute 1% of salary. Participants have a selection of investments options chosen by the State and provided by TIAA-CREF. The Town recognized an expense of \$435,432 for contributions to the defined contribution plan for the fiscal year ended June 30, 2023.

Town Defined Benefit Plan

The Town Defined Benefit Plan is a single employer defined benefit pension plan established by the Town in accordance with the Town Charter. The Town Defined Benefit Plan was administered by the John Hancock Mutual Life Insurance Company through a Group Annuity Contract (“GAC”). Effective July 1, 1999 the Town established a pension trust fund with Citizens Bank as trustee and the GAC was transferred to the trust. Hancock retains a portion of the GAC for guaranteed payments, which will not receive any more funding.

The following benefit provisions were established and may be amended by an ordinance of the Town Council. The Town Defined Benefit Plan provides pension, disability and death benefits. A Police and Fire Department member may retire after twenty years of service; benefits are 3% (2.75% for fire) of average compensation multiplied by completed years and months of service with a maximum benefit of 70% (75% for fire) of average compensation. School Department custodial and clerical members may retire after thirty years of service, or at age 65 with a minimum of five years of service; benefits are 2% of average compensation multiplied by completed years and months of service with a maximum benefit of 70% of average compensation. Public Works members may retire after thirty years of service, or at age 60 with a minimum of ten years of service; benefits are 2.5% of average compensation multiplied by completed years and months of service with a maximum benefit of 70% of average compensation. Town Hall members may retire after age 65 with a minimum of five years of service; benefits are 2% of average compensation multiplied by completed years and months of service with a maximum benefit of 70% of average compensation.

For the fiscal year ending June 30, 2023 the Town contributed \$141,005 to the Town Defined Benefit Plan when the required contribution was zero (\$0) as the pension was actuarially fully funded. The FY2023 budget is based on the remaining active employees and is a contribution factor of the respective employees’ earnings in FY2023. Over the past six years, the Town has made the following required contributions:

Town of Middletown Defined Benefit Plan					
Fiscal Year	Actuarially Determined Contribution	Actual Contribution	Percent Contributed	Funded/ Unfunded Liability	Funded Ratio
2023	\$ —	\$ 141,005	--	\$ 4,319,666	92 %
2022	872,125	1,006,661	115 %	4,356,672	92 %
2021	86,861	247,959	285 %	(6,027,774)	110 %
2020	86,861	214,704	247 %	1,908,503	97 %
2019	—	1,681,525	--	(2,487,342)	104 %
2018	1,132,150	2,403,830	212 %	(1,988,360)	103 %

The Town Defined Benefit Plan also covers certain other post-employment benefits. See “Other Post- Employment Benefits” below.

Town 401(a) Defined Contribution Plan

The Town implemented a defined contribution plan established under Code Section 401(a) for eligible Town Hall NEARI and Public Works Teamsters employees, full-time Civilian Dispatchers, and any non-union Town employees hired on or after July 1, 2012. Employee contributions of 6% of compensation are matched by employer contributions to the plan of 6%. The plan members and the Town each contributed \$85,637 during the fiscal year ended June 30, 2023.

Legal Challenges to Pension Reform

In order to increase the stability and security of the State's pension plans, the General Assembly enacted legislation in 2005, 2009, 2010 and 2011 to modify the plans' pension benefit structure and reduce benefits, the most recent of which was RIRSA. RIRSA and the State's other legislative pension reforms have contributed to a reduction in the ARC and UAAL for the plans. These reductions, however, are already fully reflected in the June 30, 2013 valuation and therefore, are not expected to materially reduce either the ARC or the UAAL going forward.

The 2009, 2010 and 2011 legislative pension reforms resulted in numerous lawsuits against the State brought by current and retired employees, as well as their unions. Of these lawsuits, one is currently pending as described below.

In September 2014, a case challenging RIRSA was commenced by the Rhode Island State Troopers Association and Rhode Island State Troopers Association ex rel. Kevin M. Grace and Ernest E. Adams in Superior Court against the State and ERSRI as co-defendants. In 2019, the co-defendants filed motions to dismiss, which were granted in part. The co-defendants thereafter filed motions for summary judgment on the remaining counts. In August 2023, the Court granted ERSRI's motion for summary judgment in its entirety and took the State's motion for summary judgment under advisement.

Other Post-Employment Benefits

Plan Description

The Town provides postretirement healthcare 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 "OPEB Plan"). The Town established the Other Post-Employment Benefits Trust (the "Trust") on June 20, 2011. The Trust's assets and liabilities at June 30, 2023 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, 2022.

Benefits and employee contributions

The Town paid 100% of the amount for medical insurance for eligible retirees, which totaled \$1,992,356 for the year ended June 30, 2023. Some of the more recent retirees contribute a percentage of the premiums ranging from 2% to 50% on a monthly basis, based on the CBA they retired under.

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

As of June 30, 2023, the OPEB Plan had 354 active employees and 142 retirees and beneficiaries. The Town's annual determined contribution for FY2023 was \$1,155,724, and the Town contributed \$3,277,454. The Town's annual determined contribution for FY2024 is \$763,644.

OPEB Costs and Funding Status

The change in net liability of the OPEB Plan is as follows:

Year Ended June 30,	Total OPEB Liability	Increase/Decrease in Plan Fiduciary Net Position	Net OPEB Liability
2023	\$ 26,621,087	\$ 23,902,729	\$ 2,718,358
2022	26,885,440	19,829,670	7,055,770
2021	26,798,439	22,204,091	4,594,348

As of June 30, 2023, the funded status and the funding progress were as follows:

Funded Ratio	73.76%
Actuarial accrued liability for benefits	\$26,885,440
Actuarial value of assets	19,829,670
Unfunded actuarial accrued liability (UAAL)	7,055,770
Covered payroll	27,521,237
UAAL to covered payroll	25.6%

ECONOMIC CHARACTERISTICS

Population

The Town's 2020 population was 17,075 according to the U.S. Census. The following table shows the Town's historical population:

Year	Population
1980	17,216
1990	19,460
2000	17,334
2010	16,150
2020	17,075

Unemployment

The most recent labor market information summary indicates that annualized and monthly unemployment for the years indicated was as shown in the following table:

	Annualized				
	2019	2020	2021	2022	2023
Middletown	3.1 %	8.6 %	5.3 %	2.8 %	2.7 %
Rhode Island	3.6	9.2	5.6	3.2	3.0
United States	3.7	8.1	5.3	3.6	3.6

Source: RI Department of Labor & Training
Not Seasonally Adjusted

	2024 Monthly					
	Jan	Feb	Mar	Apr	May	Jun
Town of Middletown	5.0 %	5.5 %	4.2 %	3.3 %	3.6 %	3.7 %
Rhode Island	4.6	5.4	4.3	3.7	4.4	4.3
United States	4.1	4.2	3.9	3.5	3.7	4.3

Source: RI Department of Labor & Training
Not Seasonally Adjusted

Largest Employers

The following is a list of the largest private sector employers in the Town.

Employer
 Embrace Home Loans, Inc.
 Avid Airline Products of RI Inc.
 Science Applications International Corporation
 Bank of Newport
 Child & Family Services of Newport County
 Systems Engineering Associates Corporation
 Stop & Shop Supermarket Company LLC
 McLaughlin Research Corp.
 KVH Industries, Inc.
 St. George's School
 Home Depot U.S.A., Inc.
 Shaw's Supermarkets, Inc.

Source: Town of Middletown

Employment

The following is a listing of the various types of industry in the Town covered by the Department of Labor and Training:

	Total Wage	# of Units	Avg. Empmnt.	% of Covered Emp.
Agriculture, Forestry, Fishing & Hunting	\$ 3,395,533	6	83	0.76 %
Mining	*	1	*	0.00
Utilities	*	1	*	0.00
Construction	38,863,723	77	542	4.95
Manufacturing	60,702,063	17	627	5.73
Wholesale Trade	14,222,631	44	179	1.64
Retail Trade	60,303,265	93	1,369	12.51
Transportation & Warehousing	5,229,898	14	121	1.11
Information	12,840,449	18	109	1.00
Finance & Insurance	52,291,418	46	494	4.52
Real Estate & Rental & Leasing	8,259,094	37	133	1.22
Professional & Technical Services	229,643,527	163	2,629	24.03
Management of Companies & Enterprises	42,241,189	8	531	4.85
Administrative & Waste Services	20,115,706	64	446	4.08
Educational Services	13,655,736	21	229	2.09
Health Care & Social Assistance	57,957,178	94	1,160	10.60
Arts, Entertainment, & Recreation	6,165,797	16	148	1.35
Accommodations & Food Services	50,757,872	99	1,664	15.21
Other Service Except Public Admin	15,981,451	73	476	4.35
TOTAL	\$ 692,626,530	892	10,940	100.00 %

*Data not shown due to the possibility of identifying data of a specific employer

Source: Rhode Island Department of Labor and Training.

Data compiled May 2024 (Annual 2023 Data)

Naval Presence

The U.S. Navy remains the most significant public sector employer on Aquidneck Island and still contributes significant employment opportunities in the area. The 1995 and 2005 Base Realignment and Closure Commission's (BRAC) recommendations firmly established Naval Station Newport as the nation's leading naval educational center, with a net gain of 500 positions as a result of the 2005 BRAC. The Naval Education and Training Center (NETC) currently contain twelve formal schools, including the Naval War College and the Naval Justice School, and host a variety of other training and planning activities and groups. The 2005 BRAC maintained 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.

Income Levels

The following table represents the per capita and median family income according to the U.S. Census Bureau 2018-2022 American Community Survey (ACS).

	<u>Per Capita</u>	<u>Median Family</u>
Middletown	\$ 52,689	\$ 118,382
Rhode Island	44,538	105,989
<u>United States</u>	41,804	92,148

Source: American Community Survey 2018-2022

Housing

The total number of housing units in the Town of Middletown according to the 2018-2022 ACS is 8,005. This represents a decrease of 329 units from the 2017-2021 ACS data. Of the 8,005 units, 1,028 were vacant, showing a decrease of 46 vacant units from the 2017-2021 ACS data. The median selling price of an existing home was \$700,000 compared to \$427,000 statewide in 2023.

Building Permits

Building permits issued by the Town's Building Inspector for the calendar years indicated and declared value of construction are as follows:

<u>Residential Dwelling Units</u>		
<u>Fiscal Year</u>	<u>Number</u>	<u>Amount</u>
2014	17	\$ 5,065,706
2015	21	10,981,796
2016	20	6,223,312
2017	30	5,948,406
2018	32	6,392,420
2019	42	8,323,180
2020	15	7,858,400
2021	10	9,085,000
2022	19	11,976,860
2023	5	2,850,195

ECONOMIC DEVELOPMENT

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

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

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

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

The Town had a 2020 U.S. Census Bureau population of 17,075, which is a 5.7% increase over 2010. 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. The expansion to serve Fall River and New Bedford, MA is expected to be complete by Summer 2024. Middletown is also served with scheduled bus service by the Rhode Island Public Transit Authority (RIPTA) and its statewide system, as well as Peter Pan Bus Lines, which provides service to Providence, Boston and New York City. Freight transportation is provided by local and long-distance trucking firms. Railroad freight service is available on the mainland. The nearby ports of Providence and Davisville provide the Town with excellent shipping facilities.

As of May 2024 (annualized 2023 data) Middletown had a labor force of approximately 10,940, and as of June 2024, an unemployment rate of approximately 3.7% (not seasonally adjusted). The U.S. Navy remains the most significant public-sector employer on Aquidneck Island and still contributes significant employment opportunities in the area. The 1995 and 2005 Base Realignment and Closure Commission's (BRAC) recommendations firmly established Naval Station Newport as the nation's leading naval educational center, with a net gain of 500 positions as a result of the 2005 BRAC. The Naval Education and Training Center (NETC) currently contains twelve formal schools, including the Naval War College and the Naval Justice School, and hosts a variety of other training and planning activities and groups. The 1995 BRAC also established the Naval Undersea Warfare Center (NUWC) as the Navy's main facility for development, testing and evaluation, engineering and fleet support center for submarines, autonomous underwater systems, undersea offensive and defensive weapon systems, and countermeasures associated with undersea warfare.

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

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

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

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 include those vacated by Benny's Home & Auto and a few vacant restaurants. In the past few years several additional renovations and expansions of existing commercial buildings (retail and lodging businesses) have been completed. Several other commercial and mixed-use projects are in various stages of the approval process. As the economy remains strong, it is anticipated that new office development will also continue.

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 recently completed construction. Several smaller subdivisions have also been approved recently. Over the past year, building permit activity has remained strong.

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 will greatly enhance this section of West Main Road and provide an attractive gateway to promote economic development in Middletown and the North End of Newport. A Request for Information (RFI) was recently issued seeking interest and input from potential developers for this project, and the Town has selected a developer partner to explore redevelopment options. 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 2024.

The Town continues to invest in its future, including long range planning and infrastructure improvements. In March 2015 the Town Council adopted the new Middletown Comprehensive Community Plan, which provides the vision, and goals and action steps to reach that vision over the next ten years. The Plan was approved by the state, and implementation of its recommendations continues. Improvements to town roads, and the sewer and storm water systems are ongoing in several locations. Construction of the fire station expansion and new DPW offices was completed in the past few years, and improvements to the Town's recreation fields and facilities are ongoing. On June 15, 2020 and April 4, 2022, the Town Council adopted amendments to the Future Land Use Plan.

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 or relocation of overhead utility lines within the district is also proceeding. Funding for the streetscape project will be sought through the state transportation improvement program. The utilities work, if this portion of the project proceeds, would be completed in conjunction with the streetscapes project but with funding from the Atlantic Beach Tax Increment Financing (TIF) District and other sources.

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 community continues, to learn about and work to address their concerns. A ten-year action plan was adopted in September 2021.

PROPERTY TAXES

General

Under Rhode Island law, valuations of real and personal property are assessed as of December 31 and the levy thereon may be paid in full or quarterly without penalty at the taxpayer's option. The fiscal year begins July 1 with taxes in the prior December 31 assessment payable in full on September 10 if the amount owed is \$100 or less or, if over \$100, quarterly on September 10, December 10, March 10 and June 10. No discount is allowed by the Town for advance payment of taxes. There is an 18 percent annual late payment charge on all delinquent taxes including quarterly payments. Tax sales are scheduled as needed.

Tax Limitations

Rhode Island General Laws Section 44-5-2 limits the amount by which a city or town may increase its tax levy unless it qualifies for certain exemptions relating to loss of non-property tax revenue, emergencies, payment of debt service and substantial increase in the tax base necessitating significant expenditures. For fiscal year 2013 and thereafter, the maximum amount by which a city or town can increase its tax levy is 4%.

The amount levied by a city or town may exceed the tax levy cap described above if the city or town qualifies under one or more of the following provisions: (1) the city or town forecasts or experiences a loss in total non-property tax revenues and the loss is certified by the State Department of Revenue; (2) the city or town experiences or anticipates an emergency situation, which causes or will cause the levy to exceed the tax levy cap described above; (3) the city or town forecasts or experiences debt services expenditures which exceed the prior year's debt service expenditures by an amount greater than the percentage increase as specified above and which are the result of bonded debt issued in a manner consistent with State general law or a special act; or (4) the city or town experiences substantial growth in its tax base as the result of major new construction which necessitates either significant infrastructure or school housing expenditures by the city or town or a significant increase in the need for essential municipal services.

Any levy pursuant to Section 44-5-2 in excess of the percentage increase as specified above shall be approved by the affirmative vote of at least four-fifths (4/5) of the full membership of the governing body of the city or town and, in the case of a city or town with a financial town meeting, the majority of electors present and voting at the financial town meeting.

Section 44-5-2 makes it clear that nothing contained in that Section constrains the payment of obligations as described by Section 45-12-1 of the Rhode Island General Laws, which provides that the outstanding notes, bonds and contracts of cities and towns shall be paid and be fulfilled according to their tenor, the power and obligation of each city and town to pay its general obligation bonds and notes shall be unlimited and each city and town shall levy ad valorem taxes upon all taxable property within the city or town for the payment of such bonds and notes and interest thereon, without limitation as to rate or amount, except as otherwise provided by or pursuant to law.

Analysis of Taxable Property

The following table shows an analysis of taxable real and personal property in the Town and by class compared to the State average as assessed on December 31, 2022:

% of Total Assessed Valuation			
	Town	State	
Residential	77.05 %	80.78 %	
Commercial/Industrial	20.01	15.48	
Tangible	2.94	3.74	
Motor Vehicles	0.00	0.00	
Total	100.00 %	100.00 %	

Source: RI Department of Administration

Rhode Island General Law Section 44-5-11.6 requires that each city or town conduct and implement a full revaluation of all real property every nine years, and to conduct a statistical update every third year. The Town has most recently conducted a full revaluation as of December 31, 2017, for the 2019 fiscal year. A statistical revaluation was completed as of December 31, 2020, for the 2022 fiscal year and statistical revaluation was completed as of December 31, 2023, for the 2025 fiscal year. The next full revaluation will be conducted as of December 31, 2026, for the 2028 fiscal year.

	Calendar Year Ending December 31,				
	2019 ⁽¹⁾	2020 ⁽¹⁾	2021 ⁽¹⁾	2022 ⁽¹⁾	2023 ⁽¹⁾
Assessed Valuation⁽²⁾					
Real Estate	\$ 3,091,400,467	\$ 3,112,452,765	\$ 3,571,237,300	\$ 3,594,306,500	\$ 5,363,580,200
Motor Vehicle	136,113,957	132,489,168	133,367,603	172,142,467	-
Tangible Personal Property	98,797,285	105,537,203	108,108,104	110,876,762	125,345,767
Total Assessed Valuation	\$ 3,326,311,709	\$ 3,350,479,136	\$ 3,812,713,007	\$ 3,877,325,729	\$ 5,488,925,967
Less Exemptions	121,632,747	129,217,126	155,281,222	180,932,812	173,981,137
Net Real and Tangible Personal Property	\$ 3,204,678,962	\$ 3,221,262,010	\$ 3,657,431,785	\$ 3,696,392,917	\$ 5,314,944,830

(1) Assessed Valuation for calendar year end reflects the following fiscal year end.

(2) Information supplied from Tax Assessor's statement of valuation and locally assessed property taxes as submitted to R.I. Dept of Revenue.

Motor Vehicle Tax Exemption

By action of the State legislature, the motor vehicle tax was eliminated effective July 1, 2022.

Schedule of Property Tax Levy and Collections

	2020*	2021*	2022*	2023*	2024*
Tax Rate (Residential)	\$13.76	\$12.02	\$12.02	\$12.59	\$8.67
Tax Rate (Commercial)	18.21	17.23	12.91	18.70	13.01
Tax Rate (Residential, Non-Resident Rate)	-	-	17.23	13.53	11.27
Tax Levy	47,319,721	47,539,664	48,588,266	49,197,108	50,097,767
Net Abatements/Adjustments	1,922	(188,945)	(188,945)	5,883	(17,219)
Collectable Tax	\$ 47,321,643	\$ 47,350,719	\$ 48,399,321	\$ 49,202,991	\$ 50,080,548
Collections:					
In Current Year	\$ 46,251,398	\$ 46,727,983	\$ 47,400,122	\$ 48,755,603	\$ 49,338,578
In Prior Years	681,889	1,011,873	692,669	783,521	441,125
Total Collected	\$ 46,933,287	\$ 47,739,856	\$ 48,092,791	\$ 49,539,124	\$ 49,779,703
Current Year Collection Rate	97.74%	98.68%	98.45%	99.09%	98.52%
Overall Collection Rate	99.18%	100.82%	99.89%	100.68%	99.40%

*Tax bill year reflects tax rate, levy, and collection record for following fiscal year end.

Principal Taxpayers

The following table sets forth the principal taxpayers of the Town and the assessed valuation of property held by such taxpayer as of December 31, 2023.

Taxpayer	Nature of Business	Assessed Valuation
OX Bow Associates	Apartments	\$ 43,787,400
Rhode Island Energy	Utility	35,094,520
Middletown Associates	Apartments	29,418,700
Newport Landings LLC	Apartments	26,115,800
Wave Pond Hotel LLC	Hospitality	25,345,408
SMG Northgate LLC & BF		
Northgate LLC	Apartments	24,533,300
Seaview Inn LLC	Hospitality	22,254,000
Brookwood Properties Subsidiary LLC	Office	22,204,700
Middletown Plaza LLC	Retail	20,206,500
Middletown Self-Storage LLC	Self- Storage	18,123,220

The Town's top ten principal taxpayers represent approximately 5% of the Town's total assessed valuation.

TOWN FINANCES

Basis of Accounting

Governmental fund types, expendable trust and agency funds are accounted for using the modified accrual basis method of accounting. Under this method, revenues are recognized when they become both “measurable” and “available” to finance current period expenditures. Property taxes, interest and penalties are recognized as revenue when collected. Uncollected property taxes are fully reserved as deferred revenue. Expenditures are recorded when liabilities are incurred. Following are the Town’s General Fund Balance Sheet and General Fund Statement of Revenues and Expenditures for the past five fiscal years.

TOWN OF MIDDLETOWN, RHODE ISLAND

Balance Sheet - General Fund
For the Fiscal Years Ended June 30,

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Assets:					
Cash & Cash Equivalents	\$ 13,830,875	\$ 10,702,550	\$ 13,436,246	\$ 14,293,160	\$ 16,850,827
Investments	2,341,354	2,380,596	2,150,931	2,183,009	2,419,403
Accounts Receivable, less allowance for doubtful accounts					
Property Taxes	765,044	1,144,703	700,053	815,366	478,569
Federal & State Government	706,664	590,766	704,690	889,099	1,302,439
Other	355,241	340,462	381,183	379,935	398,073
Prepaid Expenses	38,648	16,272	-	575,623	-
Due From Other Funds	480,076	1,100,484	1,371,182	3,011,995	2,027,799
Total Assets	<u>\$ 18,517,902</u>	<u>\$ 16,275,833</u>	<u>\$ 18,744,285</u>	<u>\$ 22,148,187</u>	<u>\$ 23,477,110</u>
Liabilities & Fund Balances					
Liabilities:					
Accounts Payable & Accrued Expenses	\$ 491,853	\$ 621,863	\$ 1,096,595	\$ 892,387	\$ 2,493,417
Accrued Payroll	373,812	493,758	533,128	553,471	246,680
Accrued Compensated Absences	3,050	3,111	2,098	4,146	32,642
Due to Other Funds	4,065,336	911,983	1,196,589	3,446,020	2,123,549
Due to External Parties	315,931	232,980	452,801	420,631	683,812
Total Liabilities	<u>\$ 5,249,982</u>	<u>\$ 2,263,695</u>	<u>\$ 3,281,211</u>	<u>\$ 5,316,655</u>	<u>\$ 5,580,100</u>
Deferred inflow of resources					
Unearned Revenue	\$ 679,184	\$ 1,156,450	\$ 711,859	\$ 881,154	\$ 793,840
Total Deferred Inflows of Resources	<u>\$ 679,184</u>	<u>\$ 1,156,450</u>	<u>\$ 711,859</u>	<u>\$ 881,154</u>	<u>\$ 793,840</u>
Fund Balances:					
Nonspendable	\$ -	\$ -	\$ -	\$ 575,623	\$ -
Prepaid Items	38,648	16,272	-	-	-
Restricted	775	-	3,028	-	2,650
Committed	4,510,303	4,652,448	5,118,146	5,766,916	4,283,666
Assigned	780,150	679,142	1,054,700	938,519	4,284,261
Unassigned	7,258,860	7,507,826	8,575,341	8,669,320	8,532,593
Total Fund Balances	<u>\$ 12,588,736</u>	<u>\$ 12,855,688</u>	<u>\$ 14,751,215</u>	<u>\$ 15,950,378</u>	<u>\$ 17,103,170</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 18,517,902</u>	<u>\$ 16,275,833</u>	<u>\$ 18,744,285</u>	<u>\$ 22,148,187</u>	<u>\$ 23,477,110</u>

TOWN OF MIDDLETOWN, RHODE ISLAND
Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund
For the Fiscal Years Ended June 30,

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
REVENUES					
Taxes	\$ 47,553,282	\$ 47,256,956	\$ 48,041,250	\$ 48,673,470	\$ 49,571,571
Intergovernmental	3,306,893	3,060,540	3,759,689	4,522,833	7,590,451
Licenses, Permits & Fees	2,440,050	2,202,429	2,967,553	3,067,060	3,120,995
Interest & Investment	41,668	36,618	13,766	2,097	212,755
Other Revenues	1,096,519	1,037,785	1,045,333	1,095,811	1,082,548
TOTAL REVENUES	<u>\$ 54,438,412</u>	<u>\$ 53,594,328</u>	<u>\$ 55,827,591</u>	<u>\$ 57,361,271</u>	<u>\$ 61,578,320</u>
EXPENDITURES					
Current:					
General Government	\$ 2,977,614	\$ 3,089,072	\$ 3,237,259	\$ 3,341,029	\$ 3,420,688
Public Safety	9,626,656	9,806,342	10,826,864	10,972,543	11,834,570
Public Works	2,273,186	1,698,003	1,918,151	2,059,675	3,085,294
Planning & Inspection	620,276	664,931	498,109	511,107	775,132
Library	826,676	746,175	835,178	855,136	904,230
Community Services	392,015	412,563	458,249	596,335	699,392
Other Expenditures	5,610,682	5,129,584	4,906,917	4,429,358	4,348,985
Grants	214,678	210,813	324,669	529,369	588,147
Capital Outlay	1,176,739	1,370,612	755,367	1,426,830	2,411,117
Debt Service:					
Principal	2,612,886	2,700,169	5,451,887	3,026,871	2,452,658
Interest	1,001,430	1,000,857	947,425	829,652	791,154
TOTAL EXPENDITURES	<u>\$ 27,332,838</u>	<u>\$ 26,829,121</u>	<u>\$ 30,160,075</u>	<u>\$ 28,577,905</u>	<u>\$ 31,311,367</u>
Excess (deficiency) of Revenues Over Expenditures	\$ 27,105,574	\$ 26,765,207	\$ 25,667,516	\$ 28,783,366	\$ 30,266,953
Other Financing Sources (uses):					
Capital Lease Proceeds	\$ -	\$ -	\$ -	\$ 300,000	\$ -
Bond Proceeds	-	-	2,621,607	-	-
Bond Issuance Expenses	-	-	(99,733)	-	-
Transfers From Other Funds	1,714,482	1,385,087	1,105,749	1,729,889	2,657,527
Transfers To Other Funds	(26,698,301)	(27,883,342)	(27,399,613)	(29,614,092)	(31,771,688)
Total Other Financing Sources (uses):	<u>\$ (24,983,819)</u>	<u>\$ (26,498,255)</u>	<u>\$ (23,771,990)</u>	<u>\$ (27,584,203)</u>	<u>\$ (29,114,161)</u>
Excess (deficiency) of Revenues & Other Financing Sources Over Expenditures & Other Financing Uses	\$ 2,121,755	\$ 266,952	\$ 1,895,526	\$ 1,199,163	\$ 1,152,792
Fund Balance - Beginning of Year	<u>\$ 10,466,981</u>	<u>\$ 12,588,706</u>	<u>\$ 12,855,689</u>	<u>\$ 14,751,215</u>	<u>\$ 15,950,378</u>
Fund Balance - End of Year	<u>\$ 12,588,736</u>	<u>\$ 12,855,658</u>	<u>\$ 14,751,215</u>	<u>\$ 15,950,378</u>	<u>\$ 17,103,170</u>

Budgetary Procedures

The Town Charter provides that the Town Administrator must submit to the Town Council not later than ninety days prior to the start of the next fiscal year, a proposed budget of receipts and expenditures and an explanatory budget message.

To develop the proposed annual operating budget, the Town Administrator obtains from each department of the Town except the School Department, an itemized estimate of anticipated revenues and expenditures. This budgetary data is compiled by the Finance Director and submitted to the Town Administrator for additional formulation before presentation to the Town Council.

For School Department operations, the Town Charter provides that the School Committee shall submit its proposed budget to the Town Administrator not later than one hundred days prior to the start of the next fiscal year. 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 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 that the Council approves. The School Committee shall not have the authority to obligate the Town financially beyond the total budgetary amount voted by the Council.

In accordance with the Town Charter, upon receipt of the consolidated Town and School Committee Budget from the Town Administrator, the Council gives two preliminary readings. Coincident with such consideration it is required to set dates for two successive public hearings regarding the budget, one hearing to follow the first reading, and one to follow the second reading. Notice of the time and place of said hearings must be posted in three or more public places in the Town and advertised in at least one newspaper of local circulation at least five days in advance of each hearing. The Council must take final action on the consolidated budget following the second hearing and before the start of the next fiscal year, which shall begin the first day of July unless and until changed by ordinance. 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 either part of the consolidated budget as presented by the Town Administrator, only if it makes provisions for increasing anticipated revenue to match increases in expenditures in the budget. In the event that the annual budget has not been finally enacted by the Town Council at the start of the fiscal year for whatever reason, the Town Council may authorize expenditures by Town Departments and agencies not to exceed the rate of expenditures for the comparable month of the preceding year. Such authorization shall be valid for no more than thirty days without renewal by the Council. The Council may negotiate loans in anticipation of tax revenues payable in no more than twelve months' time in order to provide funds to cover such expenditures.

During the fiscal year, all purchases made and contracts executed by the Town must be pursuant to a written requisition from the head of the office, department, or agency whose appropriation will be charged. Purchase orders are then issued by the Director of Finance if funds are available and approved by the Town Administrator.

If it is indicated that actual revenue receipts will not equal the original budget estimates upon which the appropriations were based, the Town Administrator recommends to the Town Council such reductions or suspensions in the appropriations for all departments, except the School Department, as will prevent the occurrence of a deficit.

Budgets

The following table sets forth a summary of the Town's budgets, including the School Department:

	<u>2023</u>	<u>2024</u>	<u>2025</u>
	<u>Budget</u>	<u>Budget</u>	<u>Budget</u>
Revenues:			
Property Taxes	\$ 49,561,803	\$ 52,430,797	\$ 57,088,976
State Aid & Grants			
State Aid	14,683,416	14,204,736	16,399,159
Local Revenues	4,699,410	4,935,625	5,637,158
Other Income	11,269,832	11,455,470	11,621,746
Bond & Lease Proceeds	-	-	-
Total Revenues	<u>\$ 80,214,461</u>	<u>\$ 83,026,628</u>	<u>\$ 90,747,039</u>
Expenditures:			
General Government	\$ 15,345,094	\$ 15,797,521	\$ 15,606,239
Education	44,996,226	46,124,543	50,754,843
Debt Service	3,602,469	4,856,142	7,291,512
Public Safety	13,074,331	13,403,409	13,899,730
Public Works	3,936,391	3,985,503	3,204,715
Total Expenditures	<u>\$ 80,954,511</u>	<u>\$ 84,167,118</u>	<u>\$ 90,757,039</u>
Use of Fund Balance	\$ (740,050)	\$ (1,140,490)	\$ (10,000)

Capital Improvement Program

Annually, a capital improvement program is presented as part of the budget. This program represents a planning document and is not an approved financing plan. The following is a summary of the capital improvement proposals to be funded for fiscal year 2024 through 2028. These proposals are still subject to Town Council and citizen review.

CAPITAL IMPROVEMENT PROGRAM

FY 2024 – FY 2028

Department	2024	2025	2026	2027	2028	Total
School Department	\$ 3,577,997	\$40,139,298	\$61,184,092	\$49,090,114	\$33,240,568	\$187,232,069
Information Services	719,892	276,000	116,000	102,000	123,000	1,336,892
Building Official	—	33,000	33,000	—	—	66,000
Planning	470,095	150,000	1,000,000	—	—	1,620,095
Police Dept.	50,000	735,584	199,243	159,008	206,762	1,350,597
Fire Dept.	278,140	904,600	1,436,000	381,000	144,000	3,143,740
Public Works/Sewer//Stormwater	1,686,000	28,337,002	3,649,000	3,019,000	3,851,000	40,542,002
Library	—	100,000	24,000,000	—	—	24,100,000
Senior Center	—	—	—	—	—	—
Parks & Recreation	343,428	615,061	2,561,351	25,000	130,000	3,674,840
Historic Properties	—	—	—	—	—	—
State-TIP	1	3,600,001	100,001	2	2	3,700,007
TOTAL	\$ 7,125,553	\$74,890,546	\$94,278,687	\$52,776,124	\$37,695,332	\$266,766,242

The Town has established a Capital Improvement Program Special Revenue Fund and the first \$1.5 million in tax revenues collected each year are deposited for the purpose of funding capital improvements.

Reporting Requirements of Municipalities and School Districts

In June 2003, the Rhode Island General Assembly passed new financial reporting requirements for municipalities in order to ensure that municipalities and school districts monitor their financial operations on an ongoing basis and to prevent potential budget deficits (Rhode Island General Laws § 45-12-22.1 et seq. (the “Financial Reporting Act”)).

Reporting

- The chief financial officer of the municipality must submit monthly reports to the municipality’s chief executive officer, each member of the city or town council, and school district committee certifying the status of the municipal budget, including the school department budget or regional school budget.
- The chief financial officer of the municipality must also submit half-yearly and two quarterly reports to the State Division of Municipal Finance, the Commissioner of Education, and the Auditor General certifying the status of the municipal budget. The chief financial officer of the school department or school district shall certify the status of the school district’s budget and shall assist in the preparation of these reports.
- If any reports project a year-end deficit, the chief financial officer of the municipality must submit a corrective action plan, providing for the avoidance of a year-end deficit, to the State Division of Municipal Finance, the Commissioner of Education, and the Auditor General on or before the last day of the month succeeding the close of the fiscal quarter.

- If, at the end of the fiscal year, the chief financial officer determines that it is likely that the city or town's general fund or combined general fund and unrestricted school special revenue fund will incur a deficit, the municipality must immediately develop a plan to eliminate the accumulated year-end deficit by annual appropriation over no more than five (5) years, in equal or diminishing amounts. This plan must be submitted to the State Auditor General for approval.

Restrictions and Requirements

- Except as provided in Chapter 45-9 of the Rhode Island General Laws, no municipality can sell long-term bonds in order to fund a deficit without prior approval by the Rhode Island Auditor General and the Director of the Rhode Island Department of Revenue.
- No municipality can incur expenditures or obligate the municipality to expend unbudgeted amounts in excess of \$100,000 without first notifying the city or town council of the proposed expenditure and identifying the source of funding. Any such expenditure must be included in the chief financial officer's monthly report.
- No school committee or school department can incur accumulated unbudgeted expenditures in excess of \$100,000 without notifying the chief financial officer of the municipality of the proposed expenditure and identifying the source of funding. Any such expenditure must be included in the chief financial officer's monthly report.
- School committees, boards or regional school districts that are independent government entities within a municipality must cooperate in providing to the chief financial officer all information needed to formulate his or her reports and the deficit elimination plan.

Remedies

- If a municipality does not comply with the requirements of the Financial Reporting Act, the State Auditor General or State Division of Municipal Finance, through the Director of Revenue, may elect any or all of the following remedies:
 - Petition the Superior Court for mandatory injunctive relief seeking compliance with the provisions of the Financial Reporting Act;
 - In the event a municipality fails to provide a year-end deficit elimination plan, implement a financial review commission pursuant to Rhode Island General Laws Section 45-9-3; or withhold State aid.
- If a school committee or board fails to cooperate with the municipality or provide all information requested by the chief financial officer needed to formulate a plan:
 - The Auditor General or the Director of Administration may petition the Superior Court to order the school committee or board to cooperate; and
 - The Director of Administration may also direct the Rhode Island Controller and General Treasurer to withhold State Aid from a school committee until the school committee or board cooperates in the formulation of the plan.

The Town has not been advised by the Auditor General or State's Director of Revenue (the "Director of Revenue") that it is not presently in compliance with the Financial Reporting Act.

State Oversight

On June 11, 2010, the Rhode Island General Assembly enacted "An Act Relating to Cities and Towns-Providing Financial Stability" the purpose of which is to provide a mechanism for the State to work with cities and

towns undergoing financial distress that threatens the fiscal well-being, public safety and welfare of such cities and towns, or welfare of other cities and towns or the State in order to preserve the safety and welfare of the citizens of the State and their property and the access of the State and its municipalities to capital markets.

The Financial Stability Act prohibits municipalities from filing for judicial receivership and clarifies that the Superior Court has no jurisdiction to hear such matters.

The Financial Stability Act gives the State, acting primarily through the Department of Revenue, the power to exercise varying levels of support and control depending on the circumstances. It creates three levels of State oversight and control: Level I–Fiscal Overseer, Level II–Budget Commission, and Level III – Receiver. The State Director of Revenue, in consultation with the Auditor General, may skip fiscal overseer and budget commission by appointing a receiver in a fiscal emergency.

Fiscal Overseer (Level I)

A fiscal overseer may be appointed by (1) request of the municipality, which request is approved by the State’s Division of Municipal Finance and the Auditor General; or (2) the State Director of Revenue, if (i) the Director of Revenue, in consultation with the Auditor General, finds that any two or more of the following events have occurred; or

(i) the Director of Revenue finds, in his or her sole discretion, that any two of the following events have occurred which are of such a magnitude that they threaten the fiscal well-being of the city or town, or diminish the city’s or town’s ability to provide for the public safety or welfare of its citizens:

- 1 The city or town projects a deficit in the municipal budget in the current fiscal year and again in the upcoming fiscal year
- 2 The city or town has not filed its audits with the auditor general by the deadlines required by law for two (2) successive fiscal years (not including extensions authorized by the Auditor General)
- 3 The city or town has been downgraded by one of the nationally recognized statistical rating organizations
- 4 The city or town otherwise unable to obtain access to credit markets on reasonable terms
- 5 The city or town does not promptly respond to requests made by the Director of Revenue, or the Auditor General, or the chairpersons of the house or senate finance committees for financial information

The Director of Revenue may also appoint a fiscal overseer for failure to comply with the financial reporting and action plan requirements relating to budget deficits. A fiscal overseer acts in an advisory capacity to municipal officials, approves budgets and reports to State officials regarding progress.

Budget Commission (Level II)

A budget commission may be established by request of a municipality or without such a request, if the fiscal overseer reports to the State Director of Revenue that the city or town is unable to present a balanced municipal budget, faces a fiscal crisis that poses an imminent danger to the safety of the citizens of the city or town or their property, will not achieve fiscal stability without the assistance of a budget commission, the tax levy should not be approved, or otherwise determines that a budget commission should be established. A budget commission is composed of five (5) members: three (3) designees of the Director of Revenue, the elected chief executive officer of the city, and the president of the city or town council (or in cities or towns in which the elected chief executive officer is the president of the city or town council, then the appointed city or town manager). A budget commission has more significant powers over financial matters, including but not limited to the power to:

- 6 Amend, formulate and execute annual and supplemental municipal budgets and capital budgets;
- 7 Reorganize, consolidate or abolish municipal departments, commissions, authorities, boards, offices or functions;
- 8 Issue bonds, notes or certificates of indebtedness to fund a deficit of the city or town, to fund cash flow and to finance capital projects.

Receiver (Level III)

The State Director of Revenue may appoint a receiver if the budget commission recommends appointment of a receiver after concluding that its powers are insufficient to restore fiscal stability to the city or town. A receiver may exercise any function or power of any municipal officer, employee, board or commission and has the power to file on behalf of a city or town for bankruptcy in federal bankruptcy court.

The Town is not, nor has it ever been, subject to State oversight.

State Aid

State School Operations Aid

Pursuant to Rhode Island General Laws Sections 16-7-15 to 16-7-34 et seq., as amended, the State provides school operations assistance aid (also known as “Basic Education Aid”) to each municipality and school district in the State, subject to annual appropriation by the General Assembly. The General Assembly substantially changed the funding formula for school operations beginning in fiscal year 2012. The statutes provide for reimbursement of school expenditures based on a formula which adjusts the reimbursement ratio based on the relative equalized valuation of property and median family income relative to the State as a whole. There are no assurances, however, that the General Assembly will continue this program or appropriate sufficient funds for its implementation. Basic Education Aid is subject to pro-rata reduction in accordance with State law. Under this program, the Town’s School Department received \$8,463,302 in the fiscal year ended June 30, 2023, which represents 18.54% of the total school expenditures for that year of \$45,657,910. The Town budgeted \$8,463,302 of state aid for the fiscal year ending June 30, 2024. The legislation authorizing school operation aid is subject to further change.

In 2012, the General Assembly amended the General Laws to provide that Basic Education Aid may be intercepted to pay debt service on bonds issued by the Rhode Island Health and Educational Building Corporation (“RIHEBC”) for the benefit of a municipality in the event the municipality fails to make timely payments of debt service on school construction bonds issued for the municipality through RIHEBC.

State School Construction Aid

Pursuant to Rhode Island General Laws Sections 16-7-35 to 16-7-47, as amended, the State provides construction aid to Rhode Island municipalities for the cost of building or renovating public schools. All buildings constructed or renovated since July 1, 1949 are eligible for assistance of a minimum of 40% (for school housing projects completed after June 30, 2010 that received approval from the State Board of Regents for Elementary and Secondary Education (now the Board of Education) prior to June 30, 2012) or 35% (for school housing projects that received approval from the Board of Education after June 30, 2012) of the full cost of such buildings. Such assistance level may be further increased by a formula which takes into account the equalized assessed valuation and debt service burden of the particular municipality. State aid reimbursement for school construction projects is based on the share ratio established for that year by the State Department of Education. The Town’s reimbursement rate for projects completed in fiscal year 2025 is 35%. This ratio can vary from year to year.

For projects approved by the voters after June 30, 2003, the cost of interest on any bond will be reimbursed as an eligible project cost only if the bonds for these projects are issued through RIHEBC. School construction aid attributable to projects financed through RIHEBC bonds is paid by the State directly to the RIHEBC trustee for such RIHEBC bonds and is not directly available to the Town for other purposes. Furthermore, if the Town defaults in making any payment due to the RIHEBC trustee in support of any RIHEBC bond, any State aid in respect of other school housing projects may be redirected by the State to the trustee for the RIHEBC bond. School housing costs subject to State aid reimbursement shall not include bond issuance costs incurred by the municipality, demolition costs for buildings, facilities, or sites deemed surplus by the school committee and costs for furniture, fixtures and equipment except in the case of a project to construct a new school or school addition that is supported by a general obligation or lease revenue bond. The legislation authorizing State school construction aid is subject to future change and all State aid is subject to annual appropriation by the General Assembly. The Town previously issued bonds through RIHEBC in 2017 to finance capital improvements to various public school facilities located in the Town. For the fiscal year ended June 30, 2023, the Town received \$625,529 in school construction aid and budgeted \$586,737 for the fiscal year ending June 30, 2024.

The proceeds of the Series 2024 F Bonds will be used to finance the construction of a new middle and high school at the multipurpose fields on Aquidneck Avenue for grades 6-12, make renovations to the current Middletown High School for grades 2-5, school administration and school facilities department, and finance renovations to the current Forest Avenue Elementary School for grades PK-1.

INDEBTEDNESS OF THE TOWN

There are three statutory mechanisms for municipalities in Rhode Island to obtain legal authority to issue general obligation debt: 1) Section 45-12-2 of the General Laws (the “3% Debt Limit Statute”), 2) special acts of the General Assembly, and 3) ministerial approval by the State’s Auditor General. The Town Council may authorize borrowing under the Rhode Island General Laws; however, with certain exceptions set forth in State Law, the Town Charter requires that bond issues in excess of \$100,000 must be approved by the voters at referendum. The exceptions are refunding bonds (Section 45-12-5.2 of the General Laws) and bonds for judgements (Section 45-12-4.4 of the General Laws).

The 3% Debt Limit Statute was enacted in 1896 as a limitation on the amount of debt municipalities could incur. The 3% Debt Limit Statute provides that except as explained below, municipalities may not, without special statutory authorization, or ministerial approval by the Auditor General of the State (described below), incur any debt, which would increase its aggregate indebtedness not otherwise excepted by law to an amount greater than 3% of the full assessed value of the taxable property within the municipality. Deducted from the computation of aggregated indebtedness is the amount of any borrowing in anticipation of taxes authorized by law and the amount of any fund held on account to pay such indebtedness maintained by the Town. In computing the value of taxable property, motor vehicles and trailers are valued at full value without regard to assessed value reductions provided for in other sections of the general laws.

The assessed value of the Town’s properties at December 31, 2022 was \$3,696,392,917, limiting the amount of non-excepted general obligation bonds outstanding to \$110,891,788. At June 30, 2024, bonds outstanding totaled \$26,023,000, of which \$950,000 is subject to the 3% debt limit and \$25,073,000 is outstanding pursuant to special bond acts and are not subject to the 3% debt limit. Total bonds outstanding of \$20,813,000 represent 0.704% of assessed property value.

In July 2007, the Rhode Island State Legislature enacted legislation effective January 1, 2008 allowing for ministerial approval by the State’s Auditor General of debt outside of the 3% debt limit for communities with an “A” rating or better, if the community also satisfies certain requirements. The Town has no debt outstanding under the ministerial approval process.

In addition to debt authorized pursuant to the 3% Debt Limit Statute, ministerial approved debt and debt authorized by special act of the General Assembly, Rhode Island General Laws Section 45-12-11 authorizes the State Director of Revenue, upon petition by a city or town, to authorize such city or town to incur indebtedness in excess of the 3% debt limit whenever the State Director of Revenue shall determine that the sums appropriated by the municipality or its funds available are insufficient to pay the necessary expenses of the city or town. The Town has not requested the State Director of Revenue to authorize indebtedness of the Town under Section 45-12-11.

Under Rhode Island General Laws Section 45-12-4.4 a city or town may authorize the issuance of bonds, notes, or other evidences of indebtedness without voter approval to pay the uninsured portion of any court judgment or settlement, except any court judgment or settlement arising out of any pension obligation of a city or town; provided however, that the outstanding principal amount, in aggregate, shall not exceed five percent (5%) of the total amount of the city or town’s most recently adopted municipal budget. As of June 30, 2024, the Town had \$950,000 in bonds outstanding issued pursuant to Rhode Island General Laws Section 45-12-4.4. The settlement is related to a Consent Decree and Order between the Town and Environment Rhode Island entered on March 24, 2010. The complaint alleged the Town’s sanitary sewer and storm-water discharge systems had operated in violated on the requirements of the Clean Water Act since 2003. The Town engaged an engineering firm to evaluate alternatives to address the sanitary sewer overflows and storm-water discharges, and issue reports, which were completed in October 2011. See “LITIGATION” herein.

Outstanding Debt

As of June 30, for the years indicated, the outstanding long-term general obligation and revenue indebtedness of the Town is as follows:

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
General Obligation Debt					
Town & School Bonds	\$ 29,821,000	\$ 26,879,000	\$ 24,162,000	\$ 21,942,000	\$ 24,998,000
Open Space RIIB Bonds	<u>200,000</u>	<u>150,000</u>	<u>100,000</u>	<u>50,000</u>	<u>-</u>
	\$ 30,021,000	\$ 27,029,000	\$ 24,262,000	\$ 21,992,000	\$ 24,998,000
Business-Type Activities					
General Obligation Sewer Bonds	\$ 2,836,257	\$ 2,356,440	\$ 1,875,000	\$ 1,450,000	\$ 1,025,000
Revenue Sewer Bonds	<u>5,183,000</u>	<u>4,440,000</u>	<u>3,697,000</u>	<u>4,045,000</u>	<u>3,412,000</u>
	\$ 8,019,257	\$ 6,796,440	\$ 5,572,000	\$ 5,495,000	\$ 4,437,000
Total General Obligation Bond Debt	<u>\$ 32,857,257</u>	<u>\$ 29,385,440</u>	<u>\$ 26,137,000</u>	<u>\$ 23,442,000</u>	<u>\$ 26,023,000</u>
Total Revenue Bond Debt	<u>\$ 5,183,000</u>	<u>\$ 4,440,000</u>	<u>\$ 3,697,000</u>	<u>\$ 4,045,000</u>	<u>\$ 3,412,000</u>

Source: Town of Middletown Audited Financial Statements

Actual General Obligation Bond Debt Service Requirements

The following tables set forth a schedule of debt service requirements for bonds payable and loans payable of the Town for the years ending 2025 through 2044.

Governmental Activities			
<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 2,355,000	\$ 934,571	\$ 3,289,571
2026	2,343,000	879,801	3,222,801
2027	2,356,000	797,411	3,153,411
2028	2,100,000	697,692	2,797,692
2029	1,854,000	612,371	2,466,371
2030	1,702,000	534,948	2,236,948
2031	1,596,000	462,772	2,058,772
2032	1,418,000	394,838	1,812,838
2033	1,451,000	344,570	1,795,570
2034	1,489,000	292,240	1,781,240
2035	1,172,000	233,253	1,405,253
2036	1,221,000	186,841	1,407,841
2037	1,265,000	143,642	1,408,642
2038	626,000	98,765	724,765
2039	310,000	82,000	392,000
2040	320,000	69,600	389,600
2041	335,000	56,800	391,800
2042	350,000	43,400	393,400
2043	360,000	29,400	389,400
2044	<u>375,000</u>	<u>15,000</u>	<u>390,000</u>
Total	<u>\$ 24,998,000</u>	<u>\$ 6,909,915</u>	<u>\$ 31,907,915</u>

Bonds and Loans Payable Issued Through Public Sale

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 2,000,000	\$ 816,297	\$ 2,816,297
2026	1,980,000	769,289	2,749,289
2027	1,985,000	695,089	2,680,089
2028	1,720,000	603,939	2,323,939
2029	1,465,000	527,533	1,992,533
2030	1,305,000	459,483	1,764,483
2031	1,325,000	397,208	1,722,208
2032	1,140,000	336,783	1,476,783
2033	1,165,000	294,483	1,459,483
2034	1,195,000	250,520	1,445,520
2035	870,000	200,220	1,070,220
2036	910,000	162,820	1,072,820
2037	945,000	128,960	1,073,960
2038	295,000	93,800	388,800
2039	310,000	82,000	392,000
2040	320,000	69,600	389,600
2041	335,000	56,800	391,800
2042	350,000	43,400	393,400
2043	360,000	29,400	389,400
2044	375,000	15,000	390,000
Total	<u>\$ 20,350,000</u>	<u>\$ 6,032,624</u>	<u>\$ 26,382,624</u>

Bonds and Loans Payable Issued Through Direct Borrowings

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 355,000	\$ 118,274	\$ 473,274
2026	363,000	110,512	473,512
2027	371,000	102,322	473,322
2028	380,000	93,754	473,754
2029	389,000	84,839	473,839
2030	397,000	75,465	472,465
2031	271,000	65,565	336,565
2032	278,000	58,056	336,056
2033	286,000	50,087	336,087
2034	294,000	41,720	335,720
2035	302,000	33,033	335,033
2036	311,000	24,021	335,021
2037	320,000	14,682	334,682
2038	331,000	4,965	335,965
Total	<u>\$ 4,648,000</u>	<u>\$ 877,295</u>	<u>\$ 5,525,295</u>

Capital Lease Obligations

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 60,000	\$ -	\$ 60,000
2026	60,000	-	60,000
Total	<u>\$ 120,000</u>	<u>\$ -</u>	<u>\$ 120,000</u>

Business-type Activities			
Fiscal Year Ending	Principal	Interest	Total
2025	\$ 1,059,000	\$ 93,183	\$ 1,152,183
2026	935,000	73,195	1,008,195
2027	937,000	54,039	991,039
2028	628,000	37,705	665,705
2029	46,000	30,341	76,341
2030	48,000	28,936	76,936
2031	49,000	27,437	76,437
2032	51,000	25,852	76,852
2033	52,000	24,193	76,193
2034	54,000	22,430	76,430
2035	56,000	20,574	76,574
2036	58,000	18,624	76,624
2037	60,000	16,556	76,556
2038	62,000	14,373	76,373
2039	64,000	12,075	76,075
2040	66,000	9,686	75,686
2041	69,000	7,082	76,082
2042	71,000	4,275	75,275
2043	72,000	1,429	73,429
Total	\$ 4,437,000	\$ 521,985	\$ 4,958,985

Debt Ratios and Debt Per Capita

	Fiscal Year Ending June 30,				
	2020	2021	2022	2023	2024
General Obligation Debt	\$ 32,857,257	\$ 29,385,440	\$ 26,137,000	\$ 23,442,000	\$ 26,023,000
Population	17,075	17,075	17,075	17,075	17,075
General Obligation Debt per Capita	\$ 1,924	\$ 1,721	\$ 1,531	\$ 1,373	\$ 1,524
Net Assessed Valuations	\$ 3,204,678,961	\$ 3,204,678,962	\$ 3,221,262,010	\$ 3,657,431,785	\$ 3,696,392,917
Ratio of Assessment	100%	100%	100%	100%	100%
Estimated Full Market Value (EFMV)	\$ 3,204,678,961	\$ 3,204,678,962	\$ 3,221,262,010	\$ 3,657,431,785	\$ 3,696,392,917
Ratio of General Obligation Debt to EFMV	1.025%	0.917%	0.811%	0.641%	0.704%

Authorized but Unissued Debt

The Town has the following authorized but unissued general obligation debt:

Authorization	Purpose	Authorized	Issued	This Issue of Bonds	Remaining Authority After Issuance of the Bonds
Ch. 424/488 of RI Public Laws of 2006	Open Space	\$ 2,000,000	\$ 2,000,000	\$ -	\$ -
Ch. 341/402 of RI Public Laws of 2008	Open Space	2,000,000	510,000	-	1,490,000
Ch. 425/463 of RI Public Laws of 2012	Fire & DPW Facility	7,500,000	7,245,000	-	255,000
Ch. 51/54 of RI Local Acts of 2020	Open Space	5,000,000	4,435,000	-	565,000
Ch. 23/24 of RI Local Acts of 2023	Public Schools	190,000,000	-	84,640,000	105,360,000
		\$ 206,500,000	\$ 14,190,000	\$ 84,640,000	\$ 107,670,000

Tax Anticipation Notes

Under State law, the Town may borrow in anticipation of the receipt of the proceeds of the property tax due in such fiscal year. Tax anticipation notes must be payable not later than one year from their date, but notes issued for less than one year may be renewed provided such renewal notes are payable within one year of the date of the original notes.

The Town has not issued Tax Anticipation Notes for over twenty years and does not expect to borrow in anticipation of taxes in the near future.

Overlapping Debt

The Town does not have any overlapping entities (other than the State) with power to incur debt. The Town does not have a contingent liability to assume the debt of the State or any such entity.

Contractual Obligations

The Town is engaged in two long-term contracts: wastewater treatment and recycling/solid waste disposal. The wastewater treatment contract is with the City of Newport and obligates the Town to pay a portion of the debt service associated with the Water Pollution Control Plant (19.6%), installation of a new 36" Long Wharf Force Main (25%) and the Washington Street Combined Sewer Overflow facility (17.9%). The Town is also obligated to pay a proportionate share of the operations and maintenance costs for the Water Pollution Control Plant (19.6%), Long Wharf Pump Station (17.9%) and the Washington Street Combined Sewer Overflow (17.9%). Annually, the Town is liable for 19.6% of the costs to treat annual sewage flow in excess of the 2.1 million gallon per day contractual limit. As of June 30, 2023, the Town is paying approximately \$1,390,000 annually under the wastewater contract and approximately \$73,740 per month under a residential refuse and recycling contract that expires on June 30, 2025.

LITIGATION

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

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

In regard to the sanitary sewer system, the projects evaluated were: (1) increase storage capacity; (2) reroute wastewater flow; and (3) implement measures to reduce inflow and infiltration into the Town's sewer system. The final report issued in October 2011 recommended implementing measures to reduce inflow and infiltration as the most feasible alternative. A long-term program is currently underway. Program recommendations are included in the Town's Capital Improvement Program, and priority mitigation measures have either been constructed/completed or are in the process of being constructed/completed. The cost of implementing the most feasible alternative was estimated at approximately \$8.4 million as of June 30, 2011. This estimate has since been revised, with the balance of this cost remaining at June 30, 2015 estimated at \$2.1 million, which has been recorded as a long-term liability in the government-wide and proprietary fund financial statements. As of June 30, 2023, the balance of the long-term liability is \$0.

TOWN OF MIDDLETOWN, RHODE ISLAND

By: /s/ Marc Tanguay
Finance Director

Dated: August 19, 2024

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APPENDIX B

AUDITED FINANCIAL STATEMENTS OF THE BORROWER

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TOWN OF MIDDLETOWN, RHODE ISLAND

ANNUAL FINANCIAL STATEMENTS

Year Ended June 30, 2023



Shawn J. Brown, CPA, CFE

Town Administrator

Marc W. Tanguay, CPA

Finance Director

Town of Middletown, Rhode Island

June 30, 2023

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Town of Middletown, Rhode Island

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HAGUE, SAHADY & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditors' Report

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

Opinions

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 (the "Town") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town of Middletown's basic financial statements as listed in the table of contents.

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, as of June 30, 2023, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standard applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Middletown, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of the Matter

As discussed in the Notes of the financial statements, during fiscal year 2023 the Town adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 96 "Subscription-Based Information Technology Arrangements (SBITA)". Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Middletown's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Town of Middletown's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Middletown's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, OPEB related disclosures, Pension related disclosures, and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Middletown's basic financial statements. The combining and individual nonmajor fund financial statements, the Tax Collector's Report and the Annual Supplemental Transparency Report (MPT2) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, the Tax Collector's Report and the Annual Supplemental Transparency Report (MPT2) 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 December 29, 2023, 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, Sahady & Co., CPA's, P.C.

Hague, Sahady & Co., CPA's, P.C.

Fall River, Massachusetts

December 29, 2023

Town of Middletown, Rhode Island
Management Discussion and Analysis
For the Year Ended June 30, 2023

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, 2023 (FY2023).

Financial Highlights

The assets and deferred outflows of the Town government-wide exceeded its liabilities and deferred inflows as of June 30, 2023 by \$62,196,848 (*net position*). Net position includes \$65,130,819 of net investment in capital assets; \$2,153,754 of restricted net position; and \$(5,087,725) of unrestricted net position. Total assets were \$140,297,542; total deferred outflows were \$17,626,916; total liabilities were \$80,026,922 and total deferred inflows were \$15,700,688 at June 30, 2023. Total net position increased by \$10,877,794 in the current fiscal year.

As of June 30, 2023, the Town's governmental funds reported combined ending fund balances of \$21,604,165, an increase of \$2,358,927 in comparison with the prior year. The favorable fiscal year results in the General fund were due to the favorable results in the School Department and Other Governmental Funds that resulted in the net increase in fund balance. See page 10 for additional discussion regarding changes in the fund balance of the General Fund, School Department Special Revenue Fund, and Other Governmental Funds.

As of June 30, 2023, the unassigned fund balance for the General Fund was \$8,532,593, or 12.7% of total budgeted 2023 General Fund expenditures and other financing uses, totaling \$67,377,378. This portion is unassigned and available for spending at the Town's discretion.

The Town's long-term obligations decreased by 3,475,460 or 10.3% during the current fiscal year. The factors causing this decrease were principal payments of \$3,619,658, a reduction of claims and judgments of \$2,970, a reduction of \$117,432 of deferred bond issuance premiums, and an decrease in accrued compensated absences of \$138,168. The Town however took on new debt during the fiscal year to offset some of those retirements of debt.

Effective for fiscal year 2023, the Town adopted the provisions of Statement No. 96 of the Governmental Accounting Standards Board "Subscription-Based Information Technology Arrangements" (SBITA). The objective of GASB 96 is to improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. This statement also will enhance the relevance and reliability of a government's financial statements by requiring a government to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement.

Town of Middletown, Rhode Island
Management Discussion and Analysis
For the Year Ended June 30, 2023

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

The government-wide financial statements can be found on pages 19-22 of this report. These are prepared using the economic resources measurement focus and the accrual basis of accounting. They take into account all revenues recognized and expenses incurred even if the cash has not been received or paid.

Town of Middletown, Rhode Island

Management Discussion and Analysis

For the Year Ended June 30, 2023

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 ninety-seven 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 and School Department. Data for the other governmental funds are combined into a single, aggregated presentation.

The Town adopts an annual appropriated budget for its General Fund and School Department. Budgetary comparison statements have been provided for the General Fund and the School Department to demonstrate compliance with this budget. These comparison statements can be found on pages 116-121 of this report.

The basic governmental fund financial statements can be found on pages 23 and 24 of this report.

Proprietary funds. Proprietary funds are used to account for business-like activities provided to the general public (enterprise funds) or within the government (internal service funds). These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. Two of the Town's enterprise funds, Sewer Fund and Parks and Recreation Fund, are major funds; Refuse and Recycle Fund is a non-major fund however, management has elected to present them as major. The Town has no internal service funds. The basic proprietary fund financial statements can be found on pages 27-30 of this report.

Town of Middletown, Rhode Island

Management Discussion and Analysis

For the Year Ended June 30, 2023

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 Custodial 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 31-32 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 33-115 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* which presents schedules relating to the Town's pension and other 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 116-140 of this report. The Supplementary Information including the tax collector's annual report and the combining non-major funds can be found on pages 149-179. The Annual Supplemental Transparency Report (MTP2) and the notes there to are found on pages 182-189.

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 \$62,196,848 at June 30, 2023.

Net investment in capital assets comprises \$65,130,819 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, 2023

Town of Middletown's Net Position

	Governmental Activities		Business Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$39,144,156	\$36,227,679	\$ 7,881,355	\$ 8,518,095	\$47,025,511	\$ 44,745,774
Capital assets	65,653,593	66,191,862	27,840,639	25,089,059	93,494,232	91,280,921
Total assets	104,797,749	102,419,541	35,721,994	33,607,154	140,519,743	136,026,695
Deferred outflows	17,537,652	22,398,177	89,264	54,320	17,626,916	22,452,497
Long-term liabilities	26,506,847	29,248,705	3,537,328	4,619,893	30,044,175	33,868,598
Other liabilities	45,892,427	41,638,142	4,312,521	1,954,193	50,204,948	43,592,335
Total liabilities	72,399,274	70,886,847	7,849,849	6,574,086	80,249,123	77,460,933
Deferred inflows	15,630,274	29,586,847	70,414	112,358	15,700,688	29,699,205
Net position:						
Net investment in capital assets	42,035,523	40,000,297	23,095,296	20,268,889	65,130,819	60,269,186
Restricted	2,153,754	2,586,816	—	—	2,153,754	2,586,816
Unrestricted	(9,883,424)	(18,243,089)	4,795,699	6,706,141	(5,087,725)	(11,536,948)
Total Net Position	\$34,305,853	\$24,344,024	\$27,890,995	\$26,975,030	\$62,196,848	\$ 51,319,054

A portion of the Town's net position, totaling \$2,153,754 or 3.5% represents resources that are subject to external restrictions on how they may be used. *Unrestricted net position*, totaling \$(5,087,725), includes the results of GASB 68 and GASB 75.

At June 30, 2023, 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 \$9,961,829 from the previous year, principally due to capital assets purchased from current year resources of \$3,701,580, net revenue received to pay principal on long-term debt of \$2,452,658, revenues received that do not provide current financial resources of 2,429,437 certain accruals not requiring the use of current resources of \$622,468, governmental activities revenue received in excess of expenditures of \$9,961,829 offset by depreciation and amortization expense in the amount of \$4,239,849, a net reduction in pension and other post employment expense of \$(2,437,064) due to GASB 68 and GASB 75, capitalization of deferred outflows on advanced refunding of \$129,554 and bond premiums of \$27,116, and School Department School Capital Projects Fund and Other Governmental Funds revenues in excess of expenditures of \$1,206,135.

Business-type activities. Business-type activities increased the Town's net position by \$915,965, primarily due to Sewer fund revenue used to fund debt service costs in the amount of \$821,119, the Parks and Recreation fund revenue exceeded expenditures by \$219,345, and the Refuse & Recycling fund expenditures exceeded revenue by \$124,499.

Town of Middletown, Rhode Island
Management Discussion and Analysis
For the Year Ended June 30, 2023

Town of Middletown's Changes in Net Position

	Governmental Activities		Business Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program revenues:						
Charges for services	\$ 6,725,298	\$ 7,517,471	\$ 9,771,703	\$ 9,489,317	\$16,497,001	\$17,006,788
Operating grants and contributions	18,501,174	15,525,594	44,500	44,500	18,545,674	15,570,094
Capital grants and contributions	1,408,392	—	—	—	1,408,392	—
General revenues:						
Property taxes	49,475,977	48,757,177	—	—	49,475,977	48,757,177
Grants and contributions not restricted to specific programs	4,788,515	3,371,764			4,788,515	3,371,764
Other	230,402	352,027	99,973	2,524	330,375	354,551
Total revenues	<u>81,129,758</u>	<u>75,524,033</u>	<u>9,916,176</u>	<u>9,536,341</u>	<u>91,045,934</u>	<u>85,060,374</u>
Expenses:						
General government	3,538,054	3,872,426	—	—	3,538,054	3,872,426
Public safety	15,119,071	14,165,956	—	—	15,119,071	14,165,956
Public works/sanitation	4,380,036	3,340,551	—	—	4,380,036	3,340,551
Planning/inspection	710,905	466,025	—	—	710,905	466,025
Library	981,451	879,087	—	—	981,451	879,087
Education	44,627,628	41,208,085	—	—	44,627,628	41,208,085
Community services	807,695	913,105	—	—	807,695	913,105
Interest on long-term debt	682,390	715,876	—	—	682,390	715,876
Refuse and recycle	—	—	1,269,818	1,085,495	1,269,818	1,085,495
Parks and recreation	—	—	2,481,056	1,939,113	2,481,056	1,939,113
Sewer	—	—	5,570,036	4,713,522	5,570,036	4,713,522
Stormwater	—	—	—	—	—	—
Total expenses	<u>70,847,230</u>	<u>65,561,111</u>	<u>9,320,910</u>	<u>7,738,130</u>	<u>80,168,140</u>	<u>73,299,241</u>
Increase (decrease) in net position before transfers	10,282,528	9,962,922	595,266	1,798,211	10,877,794	11,761,133
Payment to refunding bond escrow agent	—	—	—	—	—	—
Transfers out to other funds, net	(320,699)	—	—	—	(320,699)	—
Transfers in from other funds, net	—	—	320,699	—	320,699	—
Increase (decrease) in net position	9,961,829	9,962,922	915,965	1,798,211	10,877,794	11,761,133
Net position - beginning	24,344,024	14,381,101	26,975,030	25,176,819	51,319,054	39,557,920
Net position - ending	<u>\$34,305,853</u>	<u>\$24,344,024</u>	<u>\$27,890,995</u>	<u>\$26,975,030</u>	<u>\$62,196,848</u>	<u>\$51,319,054</u>

Town of Middletown, Rhode Island
Management Discussion and Analysis
For the Year Ended June 30, 2023

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, 2023, the Town's governmental funds reported combined ending fund balances of \$21,604,165. Of this amount, \$8,419,348 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 \$141,530; 2) other purposes in the amount of \$58,608; 3) various commitments for West Main Road development, and capital improvements in the amount of 4,283,666 being committed and \$2,650 being restricted and for grants 4) other assigned purposes in the amount of \$4,284,261. See page 23. A total of \$1,140,490 of the Governmental unassigned fund balance as of June 30, 2023 is budgeted to be used in FY2024.

The General Fund is the chief operating fund of the Town. At June 30, 2023, unassigned fund balance of the General Fund was \$8,532,593, while total fund balance was \$17,103,170. 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 13.5% of total General Fund expenditures and other financing uses of \$63,083,055, while total fund balance represents 27.1% of that same amount.

During FY2023, the fund balance of the Town's General Fund increased by \$1,152,792, principally due the collection of current property taxes in excess of budget in the amount of \$250,838 as well as \$518,302 of licenses and fees collected.

The School Department, a special revenue fund of the Town, had a total fund balance of \$889,021 which all is considered to be committed and assigned as of June 30, 2023. The committed fund balance represents 2.2% of total School Department expenditures of \$40,656,042. The School Department's fund balance increased by \$659,799 during the fiscal year ended June 30, 2023.

The Other Governmental Funds had a total fund balance of \$3,611,764, which represents a \$546,336 increase in fund balance during the fiscal year ended June 30, 2023. The increase in fund balance is primarily due to the increase in the Capital Improvement Impact Fund in the amount of \$25,196; increase in the Public Private Venture special revenue fund in the amount of \$504,542, decrease in the John F. Kennedy building fund in the amount of \$30,331; decrease in the Town's Capital Projects Fund in the amount of \$9,649; decrease in Restricted School Funds in the amount of \$164,198; decrease in School's Capital Improvement Fund in the amount of \$7,862; increase in the School's Lunch Fund in the amount of \$105,778; and increase in Athletics and Summer Program funds in the amount of \$113,341.

Town of Middletown, Rhode Island
Management Discussion and Analysis
For the Year Ended June 30, 2023

Governmental Funds (continued)

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, 2023 amounted to \$19,792,106, of which \$1,925,540 is unrestricted. Parks and Recreation Fund net position amounted to \$7,356,039, of which \$2,127,309 is unrestricted. Refuse and Recycling Fund net position amounted to \$742,850, all of which is unrestricted. The total growth in net position for each of the three funds was \$821,119, \$219,345, and \$(124,499), 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 FY2023 revenues totaled and increase of approximately \$2,852,803. This is primarily due to increase in federal and state grants in aid for the Town successfully acquiring grant funding related to public safety for the implementation of body worn cameras as well as site acquisition for land related to affordable housing. The remaining increases in revenue can be attributed to an increase in fines and fees, investment income, intragovernmental support, increase in reappropriation of fund balance, and transfers in from other funds. See page 115. The major items contributing to the increase in expenditures that match the increase of revenues are as follows:

- \$127,455 increase for software fees, internet connectivity, and telephone costs
- \$43,970 increase for legal services
- \$121,291 increase to fund repairs and maintenance to Fire Department Vehicles
- \$160,538 increase funded from the CDBG grant to upgrade the HVAC at the Senior Center
- \$592,956 increase for approved American Rescue Plan projects
- \$534,084 increase for the development of the School Construction Plan
- \$493,401 increase for capital improvements for town hall, public safety, and community outreach
- \$563,400 decrease for capital improvements for public safety and public works

Actual expenditures were below budgeted expenditures by \$2,205,091 as a net result of \$141,559 reduced public safety expenditures; \$218,466 of reduced general government expenditure; \$318,097 of reduced public works expenditure, \$61,778 of reduced planning expenditures, \$682,861 of reduced community services, \$25,664 of increased library expenditures, \$8,620 of reduced other expenditures, \$97,167 of reduced grant expenditures, \$343,550 of reduced capital expenditures and reduced debt service of \$358,657.

Town of Middletown, Rhode Island

Management Discussion and Analysis

For the Year Ended June 30, 2023

School Department Special Revenue Fund Budgetary Highlights

The school department operating fund ended the year with \$659,799 in expenditures lower than revenues received. The school department's budget contained a use of fund balance in the amount of \$484,781 from their capital account and grants that were received. The approved fund balance was designated for one-time expenditures. This planned and approved use of fund balance offsets the reported excess expenditures. Total revenues received were lower than projected in the amount of \$259,114. These included anticipated grant revenues, summer school, summer camp. Transfers from other funds were lower than projected in the amount of \$478,240.

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, 2023 amounts to \$93,329,693 (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, motor vehicles, leased equipment and leased motor vehicles. The total of the Town's investment in capital assets for the current fiscal year increased by \$4,536,349 or 5.0%, of which \$538,269 decreased for governmental activities and \$5,074,618 increased for business-type activities.

Major capital asset events during FY2023 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

Purchase of:

- Public Safety, Community Outreach, and Planning and Inspection vehicles
- Land
- Body-worn cameras

Upgrades to:

- Network infrastructure equipment Town-wide, including wireless network components

Town of Middletown, Rhode Island
Management Discussion and Analysis
For the Year Ended June 30, 2023

Capital Asset and Debt Administration (continued)

Capital assets (continued)

Town of Middletown's Capital Assets (net of depreciation)						
	Governmental Activities		Business Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$10,505,809	\$ 9,142,536	\$ 3,167,391	\$ 3,167,391	\$13,673,200	\$ 12,309,927
Buildings and improvements	24,139,671	25,509,376	223,918	182,533	24,363,589	25,691,909
Land improvements	3,695,561	3,993,052	1,685,418	1,824,361	5,380,979	5,817,413
Furniture and equipment	2,487,000	2,227,089	904,804	296,135	3,391,804	2,523,224
Infrastructure	14,328,018	15,131,621	17,896,965	15,999,010	32,224,983	31,130,631
Construction in progress	8,501,705	8,489,817	3,663,850	3,603,988	12,165,555	12,093,805
Library books	15,000	27,000	—	—	15,000	27,000
Motor vehicles	1,454,744	1,671,371	5,304	15,640	1,460,048	1,687,011
Amortized assets	526,085	488,227	128,448	—	654,533	488,227
Total	65,653,593	66,680,089	27,676,100	25,089,059	93,329,693	91,771,169

The Town's active construction projects as of June 30, 2023 include road reconstruction, drainage and sanitary upgrades in designated areas. Remaining commitments at June 30, 2023 total approximately \$827,000. 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. Additional information on the Town's capital assets can be found in Notes 5 and 12 on page 53 and 111, respectively, of this report.

Long-term debt

At June 30, 2023, the Town had total bonded debt outstanding of \$21,942,000 entirely backed by the full faith and credit of the Town with the exception of \$3,902,148 that is held by the State of Rhode Island. In addition, the Town has \$5,859,820 outstanding loans payable to the Rhode Island Infrastructure Bank and Rhode Island Clean Water Finance Agency and capital leases in the amount of \$305,569. 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, Rhode Island
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For the Year Ended June 30, 2023

Capital Asset and Debt Administration (continued)

Long-term debt (continued)

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

	Governmental Activities		Business Type Activities		Total	
	2023	2022	2023	2022	2023	2022
General obligation bonds	\$21,942,000	\$24,162,000	\$ —	\$ —	\$ 21,942,000	\$ 24,162,000
Loans payable	364,820	100,000	5,495,000	5,572,000	5,859,820	5,672,000
Capital Leases	305,569	488,227	—	—	305,569	488,227
Total	<u>\$22,612,389</u>	<u>\$24,750,227</u>	<u>\$5,495,000</u>	<u>\$5,572,000</u>	<u>\$ 28,107,389</u>	<u>\$ 30,322,227</u>

Rhode Island General Law caps the amount of each municipality's general obligation bonds that may be outstanding to 3% of its assessed property values. Exceptions apply to bonds approved pursuant to special acts or financed from non-tax revenues; additional special exemptions are granted for other purposes as well. The assessed value of the Town's properties at December 31, 2022 was \$3,629,998,464, limiting the amount of non-excepted general obligation bonds outstanding to \$108,899,954. At June 30, 2023 bonds outstanding totaled \$21,942,000, of which \$1,900,000 were issued subject to the 3% debt limit and \$20,042,000 were issued pursuant to special bond acts and are not subject to the 3% debt limit. Total bonds outstanding of \$21,942,000 represent 0.60% of assessed property value.

Additional information on the Town's long-term debt can be found in Note 6 on pages 56-63 of this report.

Town of Middletown, Rhode Island
Management Discussion and Analysis
For the Year Ended June 30, 2023

Economic Factors

Prior to the COVID-19 pandemic and associated business restrictions the Town enjoyed a favorable economic environment and local indicators pointed to relative stability. Impact of the pandemic and resulting restrictions on operations of local hospitality, restaurant and retail businesses was significant. Following the pandemic there has been strong recovery of these sectors. During the past year economic indicators demonstrate a return to near pre-pandemic levels of activity.

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 2020 U.S. Census Bureau population of 17,075. 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, Rhode Island T.F. Green International Airport (PVD), 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

Town of Middletown, Rhode Island

Management Discussion and Analysis

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Authority (RIPTA) and its statewide system, as well as Peter Pan Bus Lines, which provides service to Providence, Boston and New York City. Freight transportation is provided by local and long-distance trucking firms. Railroad freight service is available on the mainland. The nearby ports of Providence and Davisville provide the Town with access to excellent shipping facilities.

In 2019, Middletown had an annual average labor force of approximately 7,908 and an unemployment rate of approximately 3.1%. At the height of the COVID-19 pandemic, the June 2020 labor force was estimated at 6,968, and the unemployment rate was 11.2%. As of June 2023, the labor force has rebounded to 8,103, with the unemployment rate at 2.3% (not seasonally adjusted). The U.S. Navy remains the most significant public-sector employer on Aquidneck Island and still contributes significant employment opportunities in the area. The 1995 and 2005 Base Realignment and Closure Commission's (BRAC) recommendations firmly established Naval Station Newport as the nation's leading naval educational center, with a net gain of 500 positions as a result of the 2005 BRAC. The Naval Education and Training Center (NETC) currently contains twelve formal schools, including the Naval War College and the Naval Justice School, and hosts a variety of other training and planning activities and groups. The 1995 BRAC also established the Naval Undersea Warfare Center (NUWC) as the Navy's main facility for development, testing and evaluation, engineering and fleet support center for submarines, autonomous underwater systems, undersea offensive and defensive weapon systems, and countermeasures associated with undersea warfare.

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

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

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

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, Christmas Tree Shops, 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 small commercial projects elsewhere in town are also in various stages of development.

Town of Middletown, Rhode Island

Management Discussion and Analysis

For the Year Ended June 30, 2023

Residential permitting activity is strong. In the past few years a 12-lot high-end residential subdivision was approved, as well two condominium developments totaling 50+ units. Demand for these units has been strong. The need for workforce and other affordable housing opportunities is recognized. Several mixed-use and multi-family projects are currently in the development review and permitting pipeline, including affordable housing developments on town-owned properties. 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 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, hotel, municipal, and 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 2024.

The Town continues to invest in its future, including long range planning and infrastructure improvements. In March 2015 the Town Council adopted the latest Middletown Comprehensive Community Plan, which provides the vision, and goals and action steps to reach that vision. While implementation of the recommendations of that plan continue, the Town is now embarking on an effort to draft the next comprehensive plan, which will be adopted in 2025. 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 within the district is also proceeding. Funding for the streetscape project will be sought through the state transportation improvement program. Funding from the Atlantic Beach Tax Increment Financing (TIF) District and other sources would also be used to implement these improvements.

The Town is working with regional partners on economic development initiatives, including efforts to provide affordable fiber optic broadband service to Aquidneck Island, and continued participation in the regional economic development office, Connect Greater Newport, which serves as a one stop shop and

Town of Middletown, Rhode Island

Management Discussion and Analysis

For the Year Ended June 30, 2023

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 community continues in order to learn about and work to address their concerns.

Requests for Information

This financial report is designed to provide a general overview of the Town of Middletown's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, 350 East Main Road, Middletown, RI 02842.

Town of Middletown, Rhode Island

Statement of Net Position

June 30, 2023

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and cash equivalents	\$ 24,576,806	\$ 7,528,288	\$ 32,105,094
Investments	2,419,403	—	2,419,403
Accounts receivable, less allowance for doubtful accounts of \$441,800			
Property taxes	478,569	—	478,569
Federal and state government	2,911,194	—	2,911,194
Assessments and user fees	—	194,855	194,855
Loans	—	—	—
Other	1,394,730	—	1,394,730
Internal balances	63,989	(63,989)	—
Pensions	7,300,465	—	7,300,465
Noncurrent assessments and user fees	—	164,539	164,539
Capital assets not being depreciated	19,007,514	6,831,242	25,838,756
Capital assets being depreciated, net	46,646,079	20,844,858	67,490,937
	<u>104,797,749</u>	<u>35,499,793</u>	<u>140,297,542</u>
DEFERRED OUTFLOWS:			
Pensions	14,085,633	89,264	14,174,897
OPEB	3,322,465	—	3,322,465
Advance refundings	129,554	—	129,554
	<u>17,537,652</u>	<u>89,264</u>	<u>17,626,916</u>

The accompanying notes are an integral part of this statement

Town of Middletown, Rhode Island

Statement of Net Position

June 30, 2023

	Governmental Activities	Business-Type Activities	Total
LIABILITIES:			
Accounts payable and accrued expenses	6,097,554	3,867,972	9,965,526
Unearned revenue	3,136,175	—	3,136,175
Payables to external parties	683,812	—	683,812
Pensions	33,256,528	222,348	33,478,876
OPEB	2,718,358	—	2,718,358
Due within one year	2,852,193	1,058,000	3,910,193
Due in more than one year	23,654,654	2,479,328	26,133,982
	<u>72,399,274</u>	<u>7,627,648</u>	<u>80,026,922</u>
DEFERRED INFLOWS:			
Pensions	9,262,898	70,414	9,333,312
OPEB	6,367,376	—	6,367,376
	<u>15,630,274</u>	<u>70,414</u>	<u>15,700,688</u>
NET POSITION:			
Net investment in capital assets	42,035,523	23,095,296	65,130,819
Restricted for:			
Prepaid items	—	—	—
Perpetual care	141,530	—	141,530
Principal of endowments	60,102	—	60,102
Public safety	31,093	—	31,093
Public works	3,591	—	3,591
Community services	6,070	—	6,070
Education	1,466,040	—	1,466,040
School construction	442,468	—	442,468
Grants	2,860	—	2,860
Unrestricted	(9,883,424)	4,795,699	(5,087,725)
	<u>\$ 34,305,853</u>	<u>\$ 27,890,995</u>	<u>\$ 62,196,848</u>
Total net position	<u>\$ 34,305,853</u>	<u>\$ 27,890,995</u>	<u>\$ 62,196,848</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, 2023

		Net (Expenses) Revenues and					
		Program Revenues			Changes in Net Assets		
		Charges	Operating	Capital			
Functions/Programs	Expenses	for	Grants and	Grants and	Governmental	Business-Type	
		Services	Contributions	Contributions	Activities	Activities	Total
Governmental activities:							
General government	\$ 3,538,054	\$ 1,005,324	\$ 639,529	\$ 1,013,054	\$ (880,147)	\$ —	\$ (880,147)
Public safety	15,119,071	3,153,996	569,094	234,800	(11,161,181)	—	(11,161,181)
Public works and sanitation	4,380,036	3,701	—	—	(4,376,335)	—	(4,376,335)
Planning and inspection	710,905	1,277,599	—	—	566,694	—	566,694
Library	981,451	5,511	205,607	—	(770,333)	—	(770,333)
Education	44,627,628	1,259,292	17,023,285	—	(26,345,051)	—	(26,345,051)
Community services	807,695	19,875	63,659	160,538	(563,623)	—	(563,623)
Interest on long-term debt	682,390	—	—	—	(682,390)	—	(682,390)
Total governmental activities	70,847,230	6,725,298	18,501,174	1,408,392	(44,212,366)	—	(44,212,366)
Business-Type activities:							
Sewer	5,570,036	6,285,939	44,500	—	—	760,403	760,403
Parks and recreation	2,481,056	2,351,672	—	—	—	(129,384)	(129,384)
Refuse and recycle	1,269,818	1,134,092	—	—	—	(135,726)	(135,726)
Total business-type activities	9,320,910	9,771,703	44,500	—	—	495,293	495,293
Total	\$80,168,140	\$ 16,497,001	\$ 18,545,674	\$ 1,408,392	\$ (44,212,366)	\$ 495,293	\$ (43,717,073)

The accompanying notes are an integral part of this statement

Town of Middletown, Rhode Island

Statement of Activities

For the Year Ended June 30, 2023

	Governmental Activities	Business-Type Activities	Total
General revenues:			
Property taxes	\$ 49,475,977	\$ —	\$ 49,475,977
Grants and contributions not restricted to specific programs	4,788,515	—	4,788,515
Investment earnings	220,764	99,973	320,737
Miscellaneous	9,638	—	9,638
Transfers	(320,699)	320,699	—
 Total general revenues and transfers	 54,174,195	 420,672	 54,594,867
 Change in net position	 9,961,829	 915,965	 10,877,794
 Net position, beginning of year:	 24,344,024	 26,975,030	 51,319,054
 Net position, end of year	 \$ 34,305,853	 \$ 27,890,995	 \$ 62,196,849

The accompanying notes are an integral part of this statement

Town of Middletown, Rhode Island
Governmental Funds
Balance Sheet
June 30, 2023

	General Fund	School Department	American Rescue Plan Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 16,850,827	\$ 2,125,772	\$ 4,054,894	\$ 1,545,313	\$ 24,576,806
Investments	2,419,403	—	—	—	2,419,403
Accounts receivable, less allowance for doubtful accounts of \$441,800					
Property taxes	478,569	—	—	—	478,569
Federal and state government	1,302,439	24,691	—	1,584,064	2,911,194
Other	398,073	816,826	—	178,831	1,393,730
Prepaid expenses	—	—	—	—	—
Due from other funds	2,027,799	142,533	—	1,974,418	4,144,750
Due from external parties	—	—	—	—	—
Total assets	<u>23,477,110</u>	<u>3,109,822</u>	<u>4,054,894</u>	<u>5,282,626</u>	<u>35,924,452</u>
Liabilities:					
Accounts payable and accrued expenses	2,493,417	1,873,978	—	1,167,280	5,534,675
Accrued payroll	246,680	43,746	—	—	290,426
Accrued compensated absences	32,642	—	—	—	32,642
Due to other funds	2,123,549	303,077	1,158,412	495,723	4,080,761
Due to external parties	683,812	—	—	—	683,812
Total liabilities	<u>5,580,100</u>	<u>2,220,801</u>	<u>1,158,412</u>	<u>1,663,003</u>	<u>10,622,316</u>
Deferred inflows of resources:					
Unearned revenue	<u>793,840</u>	<u>—</u>	<u>2,896,272</u>	<u>7,859</u>	<u>3,697,971</u>
Total deferred inflows of resources	<u>793,840</u>	<u>—</u>	<u>2,896,272</u>	<u>7,859</u>	<u>3,697,971</u>
Fund balances:					
Nonspendable	—	—	—	200,138	200,138
Restricted	2,650	—	210	1,956,756	1,959,616
Committed	4,283,666	229,222	—	—	4,512,888
Assigned	4,284,261	659,799	—	1,568,115	6,512,175
Unassigned	<u>8,532,593</u>	<u>—</u>	<u>—</u>	<u>(113,245)</u>	<u>8,419,348</u>
Total fund balances	<u>17,103,170</u>	<u>889,021</u>	<u>210</u>	<u>3,611,764</u>	<u>21,604,165</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 23,477,110</u>	<u>\$ 3,109,822</u>	<u>\$ 4,054,894</u>	<u>\$ 5,282,626</u>	<u>\$ 35,924,452</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, 2023

Total fund balances for governmental funds		\$ 21,604,165
Assets used in governmental activities which are not financial resources and therefore are not reported in the funds:		
Capital assets, net	65,653,593	
Pension asset	<u>7,300,465</u>	72,954,058
Deferred outflows:		
Pensions	14,085,633	
OPEB	3,322,465	
Advanced refundings	<u>129,554</u>	17,537,652
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.		561,796
Liabilities not due and payable in the current period which therefore are not reported in the funds:		
Pension liability	(33,256,528)	
OPEB liability	(2,718,358)	
Bonds payable	(22,815,968)	
Loans payable	(364,820)	
Capital leases	(305,569)	
Claims and judgments	(309,476)	
Unearned revenue	—	
Compensated absences payable	(2,711,014)	
Accrued interest	<u>(239,811)</u>	<u>(62,721,544)</u>
Deferred inflows:		
Pensions	(9,262,898)	
OPEB	<u>(6,367,376)</u>	<u>(15,630,274)</u>
Net position of governmental activities		<u><u>\$ 34,305,853</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, 2023

	General Fund	School Department	American Rescue Plan Fund'	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 49,571,571	\$ —	\$ —	\$ —	\$ 49,571,571
Intergovernmental	7,590,451	9,883,188	1,560,324	5,599,372	24,633,335
Licenses, permits and fees	3,120,995	37,077	—	510,544	3,668,616
Interest and investment income	212,755	8,009	74,316	4,993	300,073
State contribution to teachers' pension plan	—	1,718,975	—	—	1,718,975
Other revenues	1,082,548	255,549	—	317,686	1,655,783
Total revenues	61,578,320	11,902,798	1,634,640	6,432,595	81,548,353
Expenditures:					
General government	3,420,688	—	—	—	3,420,688
Public safety	11,834,570	—	—	—	11,834,570
Public works	3,085,294	—	—	90,051	3,175,345
Planning and inspection	775,132	—	—	—	775,132
Library	904,230	—	—	—	904,230
Education	—	40,627,869	—	5,545,298	46,173,167
Community services	699,392	—	—	90,424	789,816
Other expenditures	4,348,985	—	—	—	4,348,985
Grants	588,147	—	—	—	588,147
Capital outlay	2,411,117	28,173	—	1,175,545	3,614,835
Debt service:					
Principal	2,452,658	—	—	—	2,452,658
Interest	791,154	—	—	—	791,154
Total expenditures	31,311,367	40,656,042	—	6,901,318	78,868,727
Excess (deficiency) of revenues over expenditures	30,266,953	(28,753,244)	1,634,640	(468,723)	2,679,626
Other financing sources (uses):					
Capital lease proceeds	—	—	—	—	—
Transfers from other funds	2,657,527	29,466,290	—	1,984,699	34,108,516
Transfers to other funds	(31,771,688)	(53,247)	(1,634,640)	(969,640)	(34,429,215)
Total other financing sources (uses)	(29,114,161)	29,413,043	(1,634,640)	1,015,059	(320,699)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	1,152,792	659,799	—	546,336	2,358,927
Fund balances, beginning of year, restated	15,950,378	229,222	210	3,065,428	19,245,238
Fund balances, end of year	\$ 17,103,170	\$ 889,021	\$ 210	\$ 3,611,764	\$ 21,604,165

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, 2023

Net change in fund balances for governmental funds		\$ 2,358,927
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.		
Capital outlays, including amounts charged to current expenditures	3,701,580	
Depreciation expense	<u>(4,239,849)</u>	(538,269)
Governmental funds report bond issuance costs as expenditures; however, in the statement of activities these costs are allocated over the life of the related debt and reported as amortization expense.		
		—
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		(103,775)
Change in pension asset is recorded in the statement of activities, but not in the governmental funds		(2,533,212)
Operating accruals	(103,775)	
Change in pension liability is recorded in the statement of activities, but not in the governmental funds		(5,415,608)
Change in pension deferred inflows/outflows is recorded in the statement of activities, but not in the governmental funds		9,510,142
Change in OPEB liability is recorded in the statement of activities, but not in the governmental funds		4,337,412
Change in OPEB deferred inflows/outflows is recorded in the statement of activities, but not in the governmental funds		(386,978)
Principal repayment on long-term debt	2,452,658	
Payment to refunding bond escrow agent	—	
Bond proceeds	—	
Loan proceeds	(314,820)	
Issuance of capital lease	—	
Amortization of:		
Deferred outflows on advance refunding	(27,116)	
Bond premiums	<u>117,432</u>	2,228,154
Some expenditures not requiring the use of current financial resources in governmental funds are recorded in the statement of activities:		
Claims and judgments	2,970	
Unearned revenue	345,450	
Accrued compensated absences	<u>138,168</u>	486,588
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>18,448</u>
Change in net position of governmental activities		<u><u>\$ 9,961,829</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, 2023

	Sewer Fund	Parks and Recreation Fund	Refuse and Recycle Fund	Total
ASSETS:				
Current assets:				
Cash and cash equivalents	\$ 4,215,327	\$ 2,545,804	\$ 767,157	\$ 7,528,288
Accounts receivable, assessments and user fees	108,328	7,132	79,395	194,855
Due from other funds	73,859	84,353	—	158,212
Total current assets	4,397,514	2,637,289	846,552	7,881,355
Noncurrent assets:				
Assessments and user fees receivable, less current portion	164,539	—	—	164,539
Capital assets not being depreciated	2,295,476	4,535,766	—	6,831,242
Capital assets being depreciated, net	18,187,947	2,656,911	—	20,844,858
Total assets	25,045,476	9,829,966	846,552	35,721,994
DEFERRED OUTFLOWS:				
Pension	89,264	—	—	89,264
Total deferred outflows	89,264	—	—	89,264
LIABILITIES:				
Current liabilities:				
Accounts payable and accrued expenses	1,231,253	2,362,753	92,061	3,686,067
Due to other funds	220,515	—	1,686	222,201
Accrued payroll	10,142	75,713	702	86,557
Accrued compensated absences	50,634	35,461	9,253	95,348
Current portion of loans payable	1,058,000	—	—	1,058,000
Total current liabilities	2,570,544	2,473,927	103,702	5,148,173
Noncurrent liabilities:				
Pension	222,348	—	—	222,348
Noncurrent liabilities, loans payable, net of current portion	2,479,328	—	—	2,479,328
Total noncurrent liabilities:	2,701,676	—	—	2,701,676
Total liabilities	5,272,220	2,473,927	103,702	7,849,849
DEFERRED INFLOWS:				
Pension	70,414	—	—	70,414
Total deferred inflows	70,414	—	—	70,414
NET POSITION:				
Net investment in capital assets	17,866,566	5,228,730	—	23,095,296
Unrestricted	1,925,540	2,127,309	742,850	4,795,699
Total net position	\$ 19,792,106	\$ 7,356,039	\$ 742,850	\$ 27,890,995

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, 2023

	Sewer Fund	Parks and Recreation Fund	Refuse and Recycle Fund	Total
Operating revenues:				
Assessments and user fees	\$ 6,285,939	\$ —	\$ 472,296	\$ 6,758,235
Beach admittance and rental fees		2,115,410	—	2,115,410
Campground admittance and rental fees		179,840	—	179,840
Other revenues	—	56,422	661,796	718,218
Total operating revenues	6,285,939	2,351,672	1,134,092	9,771,703
Operating expenses:				
Salaries and benefits	676,874	—	65,299	742,173
Materials and supplies	35,502	—	111,479	146,981
Professional services	546,004	—	3,720	549,724
Repairs and maintenance	1,844,367	—	6,480	1,850,847
Utilities	178,096	—	497	178,593
Sewage disposal	1,466,028	—	—	1,466,028
Refuse disposal	—	—	1,082,343	1,082,343
Beaches	—	780,051	—	780,051
Lifeguards	—	476,270	—	476,270
Harbormaster	—	70,192	—	70,192
Security	—	101,108	—	101,108
Campground	—	59,693	—	59,693
Parks and recreation	—	543,196	—	543,196
Civic appropriations	—	102,500	—	102,500
Miscellaneous	4,748	113,261	—	118,009
Depreciation	674,317	234,785	—	909,102
Total operating expenses	5,425,936	2,481,056	1,269,818	9,176,810
Operating income (loss)	860,003	(129,384)	(135,726)	594,893
Nonoperating revenues (expenses):				
Interest revenue	60,716	28,030	11,227	99,973
Grant revenue	44,500	—	—	44,500
Interest expense	(144,100)	—	—	(144,100)
Total nonoperating revenues (expenses)	(38,884)	28,030	11,227	373
Income (loss) before transfers	821,119	(101,354)	(124,499)	595,266
Transfers from other funds	—	320,699	—	320,699
Change in net position	821,119	219,345	(124,499)	915,965
Net position, beginning of year	18,970,987	7,136,694	867,349	26,975,030
Net position, end of year	\$ 19,792,106	\$ 7,356,039	\$ 742,850	\$ 27,890,995

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, 2023

	Sewer Fund	Parks and Recreation Fund	Refuse and Recycle Fund	Total
Cash flows from operating activities:				
Cash received from customers	\$ 6,493,281	\$ 2,295,506	\$ 464,814	\$ 9,253,601
Cash received from other sources	16,186	56,422	661,796	734,404
Cash paid to employees	(696,579)	(1,353,966)	(66,635)	(2,117,180)
Cash paid to suppliers	(4,206,459)	(551,810)	(1,194,999)	(5,953,268)
Cash paid to claimants	—	—	—	—
Cash paid to civic groups	—	(102,500)	—	(102,500)
Net cash provided by (used in) operating activities	1,606,429	343,652	(135,024)	1,815,057
Cash flows from noncapital financing activities:				
Interfund balances	2,863,748	(111,480)	1,318	2,753,586
Environmental remediation	—	—	—	—
Debt service reserve and closing costs	—	—	—	—
Pensions	—	—	—	—
Operating transfer from other funds	—	—	—	—
Net cash provided by (used in) noncapital financing activities	2,863,748	(111,480)	1,318	2,753,586
Cash flows from capital and related financing activities:				
Capital contributions	230	—	—	230
Acquisition and construction of fixed assets	(740,557)	(784,667)	—	(1,525,224)
Interfund balances	—	320,699	—	320,699
Principal paid on bonds and notes	(1,038,065)	—	—	(1,038,065)
Interest paid on bonds and notes	(150,540)	—	—	(150,540)
Net cash used in capital and related financing activities	(1,928,932)	(463,968)	—	(2,392,900)
Cash provided by investing activities:				
Interest received	60,716	28,030	11,227	99,973
Net cash provided by investing activities	60,716	28,030	11,227	99,973
Net increase (decrease) in cash and cash equivalents	2,601,961	(203,766)	(122,479)	2,275,716
Cash and cash equivalents, beginning of year	1,613,366	2,749,570	889,636	5,252,572
Cash and cash equivalents, end of year	\$ 4,215,327	\$ 2,545,804	\$ 767,157	\$ 7,528,288

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, 2023

	<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)	\$ 860,003	\$ (129,384)	\$ (135,726)	\$ 594,893
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	674,317	234,785	—	909,102
Changes in assets and liabilities:				
Increase in:				
Accounts receivable	223,528	256		223,784
Accounts payable and accrued expenses	—	318,288	9,520	327,808
Accrued compensated absences	6,785	—		6,785
Net pension liability	61,663	—	—	61,663
Deferred inflows, pension	—	—	—	—
Decrease in:				
Accounts receivable	—	—	(7,482)	(7,482)
Deferred outflows, pension	(34,944)	—	—	(34,944)
Accounts payable and accrued expenses	(131,714)	—	—	(131,714)
Accrued payroll	(11,265)	(79,821)	(1,161)	(92,247)
Accrued compensated absences	—	(472)	(175)	(647)
Net pension liability	—	—	—	—
Net cash provided by (used in) operating activities	<u>\$ 1,606,429</u>	<u>\$ 343,652</u>	<u>\$ (135,024)</u>	<u>\$ 1,815,057</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, 2023

	Employee Benefit Trust Funds	Private Purpose Trust Funds	Custodial Funds
ASSETS:			
Cash and cash equivalents	\$ —	\$ 71,033	\$ —
Investments:			
Mutual funds	66,520,617	150,963	—
Group annuity	5,836,507	—	—
Money market funds	2,300,386	—	—
Due from External Parties	205,691	—	477,209
Total assets	<u>\$ 74,863,201</u>	<u>\$ 221,996</u>	<u>\$ 477,209</u>
LIABILITIES:			
Accounts payable	\$ 61,560	\$ —	\$ —
Deposits held in custody for others	—	—	477,209
Total liabilities	<u>61,560</u>	<u>20,100</u>	<u>477,209</u>
NET POSITION:			
Restricted for pension benefits	50,898,912	—	—
Restricted for OPEB benefits	23,902,729	—	—
Restricted for private purposes	—	201,896	—
Total net position	<u>74,801,641</u>	<u>201,896</u>	<u>—</u>
Total liabilities and net position	<u>\$ 74,863,201</u>	<u>\$ 221,996</u>	<u>\$ 477,209</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, 2023

	Employee Benefit Trust Funds	Private Purpose Trust Funds	Custodial Funds
Additions to net position:			
Contributions:			
Employer	\$ 3,762,086	\$ —	\$ —
Plan members	80,214	—	—
Other revenue	—	29,809	—
	<u>3,842,300</u>	<u>29,809</u>	<u>—</u>
Investment income, net:			
Interest income	2,721,266	26	—
Net appreciation in fair value of investments	<u>3,366,541</u>	<u>—</u>	<u>—</u>
	<u>6,087,807</u>	<u>26</u>	<u>—</u>
Total additions	<u>9,930,107</u>	<u>29,835</u>	<u>—</u>
Deductions from net position:			
Benefits	6,593,314	—	—
Investment expenses	294,539	—	—
Scholarships	<u>—</u>	<u>34,352</u>	<u>—</u>
Total deductions	<u>6,887,853</u>	<u>34,352</u>	<u>—</u>
Change in net position	3,042,254	(4,517)	—
Net position, beginning of year	<u>71,759,387</u>	<u>206,413</u>	<u>—</u>
Net position, end of year	<u>\$ 74,801,641</u>	<u>\$ 201,896</u>	<u>\$ —</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, 2023

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, 2023

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 Recycle 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, 2023

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, 2023

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 also considered a non-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 three 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, 2023

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.

Custodial:

Custodial funds are established when the Town holds assets in custody for others in an Custodial 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

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2023

1. Summary of significant accounting policies (continued):

Measurement focus and basis of accounting(continued):

position by the government that is applicable to a future reporting period. It has a negative effect on net position, similar to liabilities.

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, 2023

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,

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2023

1. Summary of significant accounting policies (continued):

Capital assets (continued):

except for donated capital assets, which are recorded at their estimated fair value at the date of donation.

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

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

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.

Leases:

A lease is a contract that conveys the control of the right to use another entity's nonfinancial asset (the underlying asset) for a period of time in an exchange like transaction. The Town had contracts in which it is a lessee and lessor. Lessors recognize a lease receivable and a deferred inflow of resources. Lessees recognize an intangible right to use asset and a lease liability. These transactions are measure at the present value of payments expected to be made during the lease term using the discount rate of the lease. If the lease discount rate cannot be readily determined from the lease, the Town uses its incremental borrowing rate.

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2023

1. Summary of significant accounting policies (continued):

Leases (continued):

A right to use asset with a lease term greater than one year and deemed material are recorded as intangible assets. Right to use lease assets are amortized over the contract term of the lease. Leases that do not meet these criteria are recognized as current period revenues and expenses.

Subscription-based information technology arrangements (SBITA):

A SBITA is defined as a contract that conveys control of the right to use another party's information technology software, alone or in conjunction with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction.

The subscription term includes the period in which the municipality has a noncancellable right to use the IT asset. The subscription also includes the periods covered by an option to extend or to terminate the contract. The Town would recognize a right-to-use subscription based asset as an intangible asset with a corresponding subscription based liability. The liability should be initially measured at the present value of the payments expected to be made during the term. Future payments should be discounted using the interest rate the Software vendor charges or the government's incremental borrowing rate.

A right to use SBITA asset with a term greater than one year and an initial present value over \$40,000 are recorded as intangible assets. Right to use SBITA assets are amortized over the contract term of the lease or probability of contract renewal. Items that do not meet these criteria are recognized as current period revenues and expenses.

Bond issuance costs:

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

Compensated absences:

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

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

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2023

1. Summary of significant accounting policies (continued):

Long-term obligations:

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

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

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

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

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2023

1. Summary of significant accounting policies (continued):

Governmental fund financial statements (continued):

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, 2023

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.

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, 2023

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, 2023, the Town of Middletown has adopted the following new accounting standards issued by GASB:

Statement No. 91, "Conduit Debt Obligations". The primary objectives of GASB Statement No. 91 are to provide a single method to report conduit debt obligation and to eliminate diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations and related note disclosures. **There was no financial impact for the fiscal year 2023.**

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). **There was no financial impact for the fiscal year 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. **There was a financial impact for the fiscal year 2023.**

Statement No. 97, "Certain Component Unit Criteria, and Accounting and Financial Reporting for internal Revenue Code Section 457 Deferred Compensation Plans - an Amendment of GFASB 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 postemployment 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 (3) enhance the relevance, consistency, and comparability of the accounting and financial

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2023

1. Summary of significant accounting policies (continued):

Recently issued accounting pronouncements (continued):

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. **There was no financial impact for the fiscal year 2023.**

Recently issued accounting pronouncements not yet effective:

GASB Statement No. 99, *Omnibus 2022*, the requirements of this Statement are effective as follows: The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pleading governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. The requirements relate to leases, PPS, and SBITAs are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. ***The impact of this standard will be evaluated by the Town of Middletown, Rhode Island's management for fiscal year ending June 30, 2023.***

GASB Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*, This Statement defines *accounting changes* as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting— understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements. ***The impact of this standard will be evaluated by the Town of Middletown, Rhode Island's management for fiscal year ending June 30, 2023.***

GASB Statement No. 101, *Compensated Absences*, This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2023

1. Summary of significant accounting policies (continued):

Recently issued accounting pronouncements not yet effective (continued):

postemployment benefits should not be included in a liability for compensated absences. ***The impact of this standard will be evaluated by the Town of Middletown, Rhode Island's management for fiscal year ending June 30, 2023.***

2. Fund balances:

At June 30, 2023, the Town is able to report positive net position in all categories for its business type activities. For its governmental activities, the Town reports a negative unrestricted fund balance at June 30, 2023, 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, 2023, the carrying amount of the Town's deposits, including \$682,888 of cash equivalents, was \$32,176,127 and the bank balance was \$32,294,333. Of the bank balance, \$359,352 was uninsured and uncollateralized; \$31,869,265 was insured and collateralized.

At June 30, 2023, deposits are categorized as follows:

	Insured/ collateralized in Town's name	Total bank balance	Carrying amount
Deposits:			
Demand deposits	\$ 31,619,265	\$ 31,611,445	\$ 31,493,239
Money market	250,000	682,888	682,888
	<u>\$ 31,869,265</u>	<u>\$ 32,294,333</u>	<u>\$ 32,176,127</u>

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

	Carrying amount	Maturities	Rating
Certificates of deposit (governmental funds)	\$2,419,403	09/22/23 to 04/01/24	Not rated
Mutual funds (fiduciary funds)	150,963	Not applicable	Not rated
	<u>\$2,570,366</u>		

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2023

3. Deposits and investments (continued):

Cash and cash equivalents (continued):

The fair value of the Town's pension investment account (Managed Funds) as of June 30, 2023 was \$50,729,679. As of September 30, 2023 the fair value was \$42,844,297, which represents a 15.54% decrease in value since June 30, 2023. The fair value of the Town's OPEB investment account (Managed Funds) as of June 30, 2023 was \$23,927,831. As of September 30, 2023 the fair value was \$23,429,515, which represents a 2.08% decrease in value since June 30, 2023. 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, 2023

3. Deposits and 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, 2023, the following pension investments represent 5% or more of the Town Plan's net assets:

Vanguard Bd Index FD Inc	\$	8,761,835
Schwab US Broad Market ETF		6,656,375
AB Large Cap Growth Fd I		4,851,901
Robeco All Cap Value Instl		4,803,054
Baird Aggregate Bond Inst		3,249,104
Fidelity Total Bond Fund		2,764,104

As of June 30, 2023, the following OPEB investments represent 5% or more of the Town OPEB Plan's net assets:

Schwab US Broad Market ETF	\$	5,366,202
Baird Aggregate Bond Inst		2,724,577
AB Large Cap Growth Fd I		2,345,115
Robeco All Cap Value Instl		2,238,502
Ishares Core MSCI Total Intl		1,886,428
Fidelity Total Bond Fund		1,713,218
Fidelity Invt MMKT Govt Port		1,310,784
Dodge & Cox Fds		1,221,139

Custodial credit risk:

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

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2023

3. Deposits and investments:

Investments (continued):

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

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

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

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

	Level 1	Level 2	Level 3	Total
Equity Mutual Funds	\$ 44,176,643	\$ —	\$ —	\$ 44,176,643
Fixed Income Mutual Funds	22,343,974	—	—	22,343,974
Investment Contract	5,836,507	—	—	5,836,507
Certificates of Deposits	2,438,228	—	—	2,438,228
Money Market	2,300,386	—	—	2,300,386
Other Mutual Funds	132,138	—	—	132,138
Total Investments by fair value level	<u>\$ 77,227,876</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 77,227,876</u>

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2023

4. Interfund transactions:

Interfund receivables and payables June 30, 2023 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Due to/from:		
Governmental funds:		
General Fund	Governmental funds:	
	Non-major funds	\$ 1,502,520
	Town Capital Projects Fund	—
	Parks and Recreation Fund	—
	Refuse and Recycling Fund	1,686
	School Department	—
	Sewer Fund	220,515
		<u>1,724,721</u>
School Department	Custodial Funds	—
	General Fund	514,188
		<u>514,188</u>
Non-major governmental funds	Governmental funds, General Fund	1,221,931
	School Department	—
		<u>1,221,931</u>
Enterprise funds:		
Parks and Recreation Fund	Governmental funds, General Fund	84,353
Sewer Fund	Governmental funds, Non-major funds	73,859
Refuse and Recycle Fund	Sewer Fund	—
		<u>158,212</u>
		<u><u>\$3,619,052</u></u>

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2023

4. Interfund transactions:

Operating transfers between funds for the year ended June 30, 2023 were as follows:

Transfer to Fund	Transfer from Fund	Amount
<hr/>		
Governmental funds:		
General Fund	Governmental funds: Non-major funds	\$ 2,657,527
School Department	Governmental funds, General Fund	31,353,481
Non-major Governmental Funds	Governmental funds, General Fund	97,507
Enterprise funds:		
Parks & Recreation Fund	Governmental funds, General Fund	320,699
		\$ <u><u>34,429,215</u></u>

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2023

5. Capital assets:

Capital asset activity for the year ended June 30, 2023 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 9,142,536	\$ 1,363,273	\$ —	\$ 10,505,809
Construction in progress:				
Infrastructure	8,489,817	11,888	—	8,501,705
Total capital assets not being depreciated	<u>17,632,353</u>	<u>1,375,161</u>	<u>—</u>	<u>19,007,514</u>
Capital assets being depreciated:				
Infrastructure	37,952,171	—	—	37,952,171
Land improvements	8,086,067	71,563	—	8,157,630
Buildings and improvements	48,324,031	174,873	—	48,498,904
Furniture and equipment	13,001,098	1,369,463	—	14,370,561
Library books	1,687,972	—	—	1,687,972
Motor vehicles	7,651,132	403,724	(132,830)	7,922,026
Total capital assets being depreciated	<u>116,702,471</u>	<u>2,019,623</u>	<u>(132,830)</u>	<u>118,589,264</u>
Amortized assets				
Intangible Right to Use				
Leased Equipment	796,394	—	—	796,394
Leased Motor Vehicles	391,306	—	—	391,306
SBITA Software	—	306,796	—	306,796
Total amortized assets	<u>1,187,700</u>	<u>306,796</u>	<u>—</u>	<u>1,494,496</u>
Less accumulated depreciation for:				
Infrastructure	(22,820,550)	(803,603)	—	(23,624,153)
Land improvements	(4,093,015)	(369,054)	—	(4,462,069)
Buildings and improvements	(22,814,655)	(1,544,578)	—	(24,359,233)
Furniture and equipment	(11,031,042)	(852,519)	—	(11,883,561)
Library books	(1,660,972)	(12,000)	—	(1,672,972)
Motor vehicles	(6,210,955)	(389,157)	132,830	(6,467,282)
Total accumulated depreciation	<u>(68,631,189)</u>	<u>(3,970,911)</u>	<u>132,830</u>	<u>(72,469,270)</u>
Accumulated Amortization				
Leased Equipment	(308,167)	(182,658)	—	(490,825)
Leased Motor Vehicles	(391,306)	—	—	(391,306)
SBITA Software	—	(86,280)	—	(86,280)
	<u>(699,473)</u>	<u>(268,938)</u>	<u>—</u>	<u>(968,411)</u>
Total capital assets being depreciated and amortized, net	<u>48,559,509</u>	<u>(1,913,430)</u>	<u>—</u>	<u>46,646,079</u>
Governmental activity capital assets, net	<u>\$ 66,191,862</u>	<u>\$ (538,269)</u>	<u>\$ —</u>	<u>\$ 65,653,593</u>

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2023

5. Capital assets (continued):

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 3,167,391	\$ —	\$ —	\$ 3,167,391
Construction in progress	3,603,988	2,547,440	(2,487,578)	3,663,850
Total capital assets not being depreciated	<u>6,771,379</u>	<u>2,547,440</u>	<u>(2,487,578)</u>	<u>6,831,241</u>
Capital assets being depreciated:				
Land improvements	3,209,722	—	—	3,209,722
Buildings and improvements	456,943	56,761	—	513,704
Equipment	3,948,226	720,977	—	4,669,203
Sewer lines and pumps	23,547,365	2,487,278	—	26,034,643
Vehicles	181,342	—	—	181,342
Total capital assets being depreciated	<u>31,343,598</u>	<u>3,265,016</u>	<u>—</u>	<u>34,608,614</u>
Amortized Asset				
Intangible Right to Use				
SBITA Software	<u>—</u>	<u>171,264</u>	<u>—</u>	<u>171,264</u>
Less accumulated depreciation for:				
Land improvements	(1,385,361)	(138,943)	—	(1,524,304)
Buildings and improvements	(274,410)	(15,376)	—	(289,786)
Equipment	(3,652,091)	(112,308)	—	(3,764,399)
Sewer lines and pumps	(7,548,355)	(589,323)	—	(8,137,678)
Vehicles	<u>(165,702)</u>	<u>(10,336)</u>	<u>—</u>	<u>(176,038)</u>
Total accumulated depreciation	<u>(13,025,919)</u>	<u>(866,286)</u>	<u>—</u>	<u>(13,892,205)</u>
Less accumulated amortization for:				
SBITA Software	<u>—</u>	<u>(42,816)</u>	<u>—</u>	<u>(42,816)</u>
Total capital assets being depreciated and amortized, net	<u>18,317,679</u>	<u>2,527,178</u>	<u>—</u>	<u>20,844,857</u>
Business type activity capital assets, net	<u>\$25,089,058</u>	<u>\$ 5,074,618</u>	<u>\$(2,487,578)</u>	<u>\$27,676,100</u>

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2023

5. Capital assets (continued):

Depreciation and amortization was charged to functions as follows:

Governmental activities:

General government	266,605
Public safety	926,306
Public works and sanitation	1,032,364
Planning and inspection	3,002
Library	72,227
Education	1,759,003
Community services	47,512
	<u>\$ 4,107,019</u>

Business-type activities:

Sewer fund	674,317
Parks and recreation fund	234,785
	<u>\$ 909,102</u>

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2023

6. Long-term obligations:

Changes in long-term obligations during the year ended June 30, 2023 were as follows:

	Balance at June 30, 2022	Additions	Retirements	Balance at June 30, 2023	Due within one year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$24,162,000	\$ —	\$ 2,220,000	\$21,942,000	\$ 2,154,000
Deferred premiums	991,400	—	117,432	873,968	112,192
Total bonds payable	25,153,400	—	2,337,432	22,815,968	2,266,192
Loan payable	100,000	314,820	50,000	364,820	364,820
Capital leases	488,227	—	182,658	305,569	185,569
Subscription-Based Information Technology Arrangements	—	306,796	86,280	220,516	86,280
Claims and judgments	312,446	—	2,970	309,476	2,970
Unearned revenue, grants	345,450	—	345,450	—	—
Accrued compensated absences	2,849,182		138,168	2,711,014	32,642
	<u>\$29,248,705</u>	<u>\$ 621,616</u>	<u>\$ 3,142,958</u>	<u>\$26,727,363</u>	<u>\$ 2,938,473</u>
Business-type activities:					
Loans payable	\$ 5,572,000	\$ 1,090,000	\$ 1,167,000	\$ 5,495,000	\$ 1,058,000
Subscription-Based Information Technology Arrangements	—	171,264	42,816	128,448	45,855
Less undrawn loan proceeds held by the State*	(952,108)	(1,005,564)	—	(1,957,672)	—
	4,619,892	255,700	1,209,816	3,665,776	1,103,855
	<u>\$ 4,619,892</u>	<u>\$ 255,700</u>	<u>\$ 1,209,816</u>	<u>\$ 3,665,776</u>	<u>\$ 1,103,855</u>

*Amount unspent as of June 30, 2023

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2023

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, 2023 are as follows:

Purpose	Amount of original issue	Date of issue	Interest rate	Date of maturity	Balance June 30, 2022	New issues	Retired	Balance June 30, 2023
General obligation bonds:								
<i>Issued Through Public Sale:</i>								
Town General Bond 14	10,120,000	2/12/14	.47%-4.00%	02/01/34	5,660,000	—	555,000	5,105,000
Town Refunding Bond 2016	6,300,000	6/23/16	2.00-4.00%	04/01/28	3,265,000	—	625,000	2,640,000
Public School Rev Bond 2017D (RIHEBC)	9,750,000	5/16/17	2.00-4.00%	04/01/37	7,840,000	—	410,000	7,430,000
Town Refunding bond 2021	2,255,000	6/29/21	4.00%	06/30/31	1,995,000	—	225,000	1,770,000
Total general obligation bonds issued through public sale	28,425,000				18,760,000	—	1,815,000	16,945,000
<i>Issued Through Direct Borrowings:</i>								
2018 Open Space Bond (2008)	300,000	3/21/18	3.839%	02/01/23	64,000	—	64,000	—
2018 Road & Bridge (RIIB)	5,000,000	6/20/18	.10-2.50%	09/01/37	4,345,000	—	226,000	4,119,000
2020 Open Space (2006)	1,225,000	6/3/20	2.133%	06/30/30	993,000	—	115,000	878,000
Total general obligation bonds issued through direct borrowings	6,525,000				5,402,000	—	405,000	4,997,000
Total general obligation bonds	34,950,000				24,162,000	—	2,220,000	21,942,000
<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	100,000	—	50,000	50,000
Rhode Island Housing and Mortgage	314,820	4/18/23	4.54%	04/18/24	—	314,820	—	314,820
Total loans payable issued through direct borrowings	1,314,820				100,000	314,820	50,000	364,820
Total	<u>\$ 36,264,820</u>				<u>\$24,262,000</u>	<u>\$314,820</u>	<u>\$ 2,270,000</u>	<u>\$ 22,306,820</u>

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2023

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, 2022 was \$3,629,998,464 limiting the amount of non-excepted general obligation bonds outstanding to \$108,899,954. At June 30, 2023, bonds outstanding totaled \$21,942,000, of which \$1,900,000 were issued subject to the 3% debt limit and \$20,042,000 were issued pursuant to special bond acts and are not subject to the 3% debt limit. Total bonds outstanding of \$21,942,000 represent 0.6% of assessed property value.

On June 29, 2021, the Town issued \$2,255,000 in general obligation bonds with an average interest rate of 4.0% to advance refund \$2,500,000 of outstanding various purpose general obligation and judgement bonds. The net proceeds of \$2,609,817 (after payment of \$11,789 in underwriting fees), plus an additional \$366,606 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 \$245,000. This difference is being charged to operations through the year 2031 using the effective interest method and is reflected in the statement of net position as a deferred outflow. At June 30, 2023, the balance of the defeased debt totaled \$1,770,000.

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.

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2023

6. Long-term obligations (continued):

General obligation bonds and loan payable (continued):

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

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

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

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$301,285. This difference is being charged to operations through the year 2028 using the effective interest method and is reflected in the statement of net position as a deferred outflow. At June 30, 2023, the balance of the defeased debt totaled \$2,640,000.

As of June 30, 2023, previously authorized, but unissued, general obligation bonds amount to \$7,770,000.

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, 2023

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, 2022	New issues	Retired	Balance, June 30, 2023
Enterprise Fund, Sewer:								
<i>Issued through Direct Borrowings:</i>								
RI Infrastructure Bank	2,500,000	12/30/04	1.30%	9/1/24	375,000	—	125,000	250,000
RI Infrastructure Bank	6,000,000	12/15/05	1.34%	9/1/26	1,500,000	—	300,000	1,200,000
RI Infrastructure Bank	2,750,000	12/21/06	1.29%-1.43%	9/1/27	818,000	—	138,000	680,000
RI Infrastructure Bank	1,500,000	6/28/12	.22%-1.83%	9/1/22	149,000	—	149,000	—
RI Infrastructure Bank	4,550,000	4/25/18	.39%-1.83%	9/1/27	2,730,000	—	455,000	2,275,000
RI Infrastructure Bank	1,090,000	6/13/23	2.94%-3.67%	9/1/42	—	1,090,000	—	1,090,000
	<u>\$18,390,000</u>				5,572,000	1,090,000	1,167,000	5,495,000
Less undrawn loan proceed held by the State					(952,108)	(1,005,564)	—	(1,957,672)
					4,619,892	84,436	1,167,000	3,537,328
Less current portion					(1,167,000)			(1,058,000)
					<u>\$ 3,452,892</u>			<u>\$ 2,479,329</u>

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2023

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, 2023 of \$5,890 is reported within the governmental activities, interest on long-term debt on the statement of activities.

On March 1, 2021, the Town entered into a lease purchase agreement in the amount of \$496,394 with an interest rate of 2.37%. The lease funded the purchase of Chromebooks for the School Department.

On November 30, 2021, the Town entered into a lease purchase agreement in the amount of \$300,000 with an interest rate of 0.0%. The lease funded the purchase of IT Infrastructure.

Purpose	Authorized and issued	Date of issue	Interest rate	Date of maturity	Balance, June 30, 2022	New issues	Maturities	Balance, June 30, 2023
Chromebooks-School Department	496,394	3/1/21	2.37 %	3/1/2024	248,227	—	122,658	125,569
IT Infrastructure	<u>\$ 300,000</u>	11/30/21	0 %	6/30/2026	<u>\$ 240,000</u>	<u>\$ —</u>	<u>\$ 60,000</u>	<u>\$ 180,000</u>
	<u>\$ 796,394</u>				<u>\$ 488,227</u>	<u>\$ —</u>	<u>\$ 182,658</u>	<u>\$ 305,569</u>

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2023

6. Long-term obligations (continued):

At June 30, 2023, scheduled annual debt service requirements for the bonds payable, loans payable and capital leases are as follows:

Year ending June 30,	Principal	Interest	Total
Governmental activities:			
<i>Total - Bonds and loans payable:</i>			
2024	\$ 2,518,820	\$ 816,220	\$ 3,335,040
2025	2,165,000	733,338	2,898,338
2026	2,173,000	657,851	2,830,851
2027	2,181,000	583,961	2,764,961
2028	1,915,000	492,992	2,407,992
2029-2033	6,946,000	1,474,749	8,420,749
2034-2038	4,408,000	368,641	4,776,641
	<u>\$ 22,306,820</u>	<u>\$ 5,127,752</u>	<u>\$ 27,434,572</u>

Bonds and loans payable issued through public sale:

2024	\$ 1,805,000	\$ 678,114	\$ 2,483,114
2025	1,810,000	615,064	2,425,064
2026	1,810,000	547,339	2,357,339
2027	1,810,000	481,639	2,291,639
2028	1,535,000	399,239	1,934,239
2029-2033	5,325,000	1,140,738	6,465,738
2034-2038	2,850,000	250,220	3,100,220
	<u>\$ 16,945,000</u>	<u>\$ 4,112,351</u>	<u>\$ 21,057,351</u>

Bonds and loans payable issued through direct borrowings:

2024	\$ 713,820	\$ 138,106	\$ 851,926
2025	355,000	118,274	473,274
2026	363,000	110,512	473,512
2027	371,000	102,322	473,322
2028	380,000	93,754	473,754
2029-2033	1,621,000	334,011	1,955,011
2034-2038	1,558,000	118,421	1,676,421
	<u>\$ 5,361,820</u>	<u>\$ 1,015,400</u>	<u>\$ 6,377,220</u>

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2023

6. Long-term obligations (continued):

Capital lease obligations:

2024	\$	185,569	\$	2,979	\$	188,548
2025		60,000		—		60,000
2026		60,000		—		60,000
	\$	<u>305,569</u>	\$	<u>2,979</u>	\$	<u>308,548</u>

Subscription Based Information Technology Arrangements:

2024	\$	86,280	\$	5,244	\$	91,524
2025		86,280		2,779		89,059
2026		47,956		770		48,726
	\$	<u>220,516</u>	\$	<u>8,793</u>	\$	<u>229,309</u>

Business-type activities:

Loans payable issued through direct borrowing:

2024	\$	1,058,000	\$	96,916	\$	1,154,916
2025		1,059,000		93,183		1,152,183
2026		935,000		73,195		1,008,195
2027		937,000		54,039		991,039
2028		628,000		37,705		665,705
2029-2033		246,000		136,759		382,759
2034-2038		290,000		92,557		382,557
2039-2043		342,000		34,547		376,547
	\$	<u>5,495,000</u>	\$	<u>618,901</u>	\$	<u>6,113,901</u>

Subscription Based Information Technology Arrangements:

2024	\$	42,816	\$	3,039	\$	45,855
2025		42,816		1,829		44,645
2026		42,816		582		43,398
	\$	<u>128,448</u>	\$	<u>5,450</u>	\$	<u>133,898</u>

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2023

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, 2023

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 non-service-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, 2023

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, 2023

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 2023, 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 11.12% and 15.04% of annual covered payroll for the fiscal year ended June 30, 2022 for the state and the town, respectively.

The Town contributed a total of \$2,634,660, \$2,681,418, and \$2,819,054 for the fiscal years ended June 30, 2023, 2022 and 2021, 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 \$21,990, \$26,642 and \$25,765 to the TSB Plan for the fiscal years ended June 30, 2023, 2022, and 2021, 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, 2023

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, 2023, the Town reported a liability of \$26,646,226 for its proportionate share of the net pension liability that reflected an increase in the Town's proportional share from .987% to .988% 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	\$26,646,226
State's proportionate share of the net pension liability associated with the Town	<u>19,706,756</u>
Total net pension liability	<u><u>\$46,352,982</u></u>

The net pension liability was measured as of June 30, 2022, 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, 2021 rolled forward to June 30, 2022. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers and the state, actuarially determined. At June 30, 2022 the Town's proportion was .99%.

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2023

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, 2023 the Town ERS Plan recognized gross pension expense of \$2,623,341 and revenue of \$1,214,243 for support provided by the State. At June 30, 2023, 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	\$ 394,660	\$ 518,270
Changes of assumptions	537,418	399,498
Net difference between projected and actual earnings on pension plan investments	—	557,542
Changes in proportion and differences between System contributions and proportionate share contributions	101,850	696,375
Contributions subsequent to the measurement date	2,634,660	—
	<u>\$ 3,668,588</u>	<u>\$ 2,171,685</u>
Net amount of deferred outflows and (inflows) excluding Town contributions subsequent to measurement date		<u>\$ (1,137,757)</u>

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2023

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):

\$2,634,660 reported as deferred outflows of resources related to pensions resulting from the Town ERS contributions in fiscal year June 30, 2022 subsequent to the measurement date will be recognized as a reduction of the net pension liability for the fiscal year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred (inflows) of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2024	\$	(311,083)
2025	\$	(564,800)
2026	\$	(943,181)
2027	\$	719,493
2028	\$	(41,558)
Thereafter	\$	3,372
		<u><u>\$ (1,137,757)</u></u>

TSB

At June 30, 2023, the Town reported an asset of \$6,197,006 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, 2022, 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, 2021, rolled forward to 2022. The Town's proportion of the net pension asset was based on its share of contributions to the TSB for fiscal year 2022 relative to the total contributions of all participating employers for that fiscal year. At June 30, 2022, the Town's proportion was 3.526%.

For the year ended June 30, 2023 the Town's TSB Plan recognized pension expense of \$(630,580) – an increase in the net pension asset. At June 30, 2023 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, 2023

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):

<u>Description of Outflows/Inflows</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 152,287	\$ 798,074
Changes of assumptions	150,581	207,565
Net difference between projected and actual earnings on pension plan investments	—	143,327
Changes in proportion and differences between System contributions and proportionate share contributions	135,106	82,001
Contributions subsequent to the measurement date	21,990	—
	<u>\$ 459,964</u>	<u>\$ 1,230,967</u>
Net amount of deferred outflows and (inflows) excluding Town contributions subsequent to measurement date		<u>\$ (792,993)</u>

The deferred outflows of resources related to pensions resulting from the Town's TSB contributions in the amount of \$21,990 in fiscal year 2023 subsequent to the measurement date will be recognized as an addition to the net pension asset for the fiscal year ended June 30, 2023. 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, 2023

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:		
2024	\$	(171,347)
2025		(252,960)
2026		(341,987)
2027		135,009
2028		(93,222)
Thereafter		(68,486)
	\$	<u>(792,993)</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 PUB (10) Tables for Healthy and Disabled Retirees, projected with Scale Ultimate MP16.

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, 2021 valuation and the calculation of the total pension liability at June 30, 2022 were consistent with the results of an actuarial experience study performed as of June 30, 2019 for the six year period ended June 30, 2019 as approved by the System's Board on May 22, 2020.

Town of Middletown, Rhode Island
Notes to Financial Statements
For the Year Ended June 30, 2023

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 40 sources. The June 30, 2022 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	24.30 %	5.52 %
International Developed Equity	11.10 %	6.04 %
Emerging Markets Equity	4.60 %	7.83 %
Private Growth		
Private Equity	12.50 %	9.42 %
Non-Core RE	2.50 %	4.80 %
Income		
Equity Option	2.00 %	5.25 %
EMD (50/50 Blend)	2.00 %	1.82 %
Liquid Credit	2.80 %	2.95 %
Private Credit	3.20 %	2.95 %
Collateralized Loan Obligations (CLO)	2.00 %	2.95 %
Crisis Protection Class		
Treasury Duration	5.00 %	(0.44)%
Systematic Trend	5.00 %	3.33 %
Inflation Protection		
Core Real Estate	4.00 %	4.80 %
Private Infrastructure	4.00 %	5.65 %
Volatility Protection		
IG Corp Credit	3.25 %	1.18 %
Securitized Credit	3.25 %	1.18 %
Absolute Return	6.50 %	3.33 %
Cash	2.00 %	(0.44)%

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, 2023

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	\$ 33,429,881	\$ 26,646,226	\$ 20,482,513
Net pension asset (TSB)	\$ (5,439,998)	\$ (6,197,006)	\$ (6,884,793)

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, 2023

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 \$383,721 for the fiscal year ended June 30, 2023.

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, 2023

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, 2023

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, 2023

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, 2023

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, 2023

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.

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 \$27,184 for 2020, \$27,608 for 2021, and \$27,901 for 2022.

Employees covered by benefit terms:

At the June 30, 2022 valuation date, the following employees were covered by the benefit terms:

	MERS General	MERS Police/Fire
Retirees and Beneficiaries	73	2
Inactive, Non-retired Members	73	12
Active Members	97	75
Total	243	89

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2023

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 \$580,636 in the year ended June 30, 2022 which was approximately 11% of annual covered payroll. For employees covered under the police/fire unit, the Town contributed \$488,493 in the year ended June 30, 2022 which was 10% of annual covered payroll.

Net Pension Liability (Asset):

The total pension liability was determined by actuarial valuations performed as of June 30, 2021 and rolled forward to June 30, 2022, 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, 2023

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, 2022 measurement date (June 30, 2021 valuation rolled forward to June 30, 2022)	
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 - 3.25% to 7.25%; Police & Fire Employees - 4.00% to 14.00%
Mortality	Mortality – variants of the PUB (10) Tables for Healthy and Disabled Retirees, projected with Scale Ultimate MP16.
Cost of Living Adjustments	A 2.1% COLA is assumed for all MERS units with the COLA Provision.

The actuarial assumptions used in the June 30, 2021 valuation rolled forward to June 30, 2022 and the calculation of the total pension liability at June 30, 2022 were consistent with the results of an actuarial experience study performed as of June 30, 2019 as approved by the System's Board on May 22, 2020.

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 40 sources. The June 30, 2022 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, 2023

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	24.30 %	5.52 %
International Developed Equity	11.10 %	6.04 %
Emerging Markets Equity	4.60 %	7.83 %
Private Growth		
Private Equity	12.50 %	9.42 %
Non-Core RE	2.50 %	4.80 %
Income		
Equity Options	2.00 %	5.25 %
EMD (50/50 Blend)	2.00 %	1.82 %
Liquid Credit	3.00 %	2.95 %
Private Credit	3.00 %	2.95 %
Collateralized Loan Obligations (CLO)	2.00 %	2.95 %
Crisis Protection Class		
Treasury Duration	5.00 %	(0.44)%
Systematic Trend	5.00 %	3.33 %
Inflation Protection		
Core Real Estate	4.00 %	4.80 %
Private Infrastructure	4.00 %	5.65 %
Volatility Protection		
IG Corp Credit	3.25 %	1.18 %
Securitized Credit	3.25 %	1.18 %
Absolute Return	6.50 %	3.33 %
Cash	2.00 %	(0.44)%

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2023

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, 2023

7. Pension plans (continued):

Municipal Plan (continued)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
MERS General Unit			
Balance as of June 30, 2021	\$ 25,597,166	\$ 25,179,470	\$ 417,696
Changes for the year:			
Service cost	391,637	—	391,637
Interest on total pension liability	1,761,115	—	1,761,115
Differences between expected and actual experience	(25,458)	—	(25,458)
Changes in assumptions	—	—	—
Contributions - employer	—	580,636	(580,636)
Contributions - employee	—	147,208	(147,208)
Net investment income	—	(670,432)	670,432
Benefit payments, including employee refunds	(1,268,402)	(1,268,402)	—
Administrative expense	—	(22,855)	22,855
Other changes	—	(2,552)	2,552
Net changes	<u>858,892</u>	<u>(1,236,397)</u>	<u>2,095,289</u>
Balance as of June 30, 2022	<u>\$ 26,456,058</u>	<u>\$ 23,943,073</u>	<u>\$ 2,512,985</u>
MERS Police/Fire Units			
Balance as of June 30, 2021	\$ 11,900,141	\$ 14,884,913	\$ (2,984,772)
Changes for the year:			
Service cost	969,847	—	969,847
Interest on total pension liability	864,822	—	864,822
Differences between expected and actual experience	600,674	—	600,674
Changes in assumptions	—	—	—
Contributions - employer	—	488,493	(488,493)
Contributions - employee	—	510,349	(510,349)
Net investment income	—	(430,601)	430,601
Benefit payments, including employee refunds	(60,938)	(60,938)	—
Administrative expense	—	(14,679)	14,679
Other changes	—	468	(468)
Net changes	<u>2,374,405</u>	<u>493,092</u>	<u>1,881,313</u>
Balance as of June 30, 2022	<u>\$ 14,274,546</u>	<u>\$ 15,378,005</u>	<u>\$ (1,103,459)</u>

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2023

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	\$5,012,752	\$2,512,985	\$241,946
Net pension asset - MERS Police/Fire	\$188,197	\$(1,103,459)	\$(2,276,337)

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, 2023 the employer recognized pension expense of (\$166,854) for the MERS General unit and \$88,221 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	\$ 32,823	\$ 66,010
Difference between expected and actual experience	—	767,675
Net difference between projected and actual earnings on pension plan investments	—	215,973
Contributions subsequent to the measurement date	287,951	—
	<u>\$ 320,774</u>	<u>\$ 1,049,658</u>
Net amount of deferred outflows and (inflows) excluding contributions subsequent to measurement date		<u>\$ (1,016,835)</u>

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2023

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:

2024	\$	(524,672)
2025		(532,357)
2026		(439,078)
2027		479,272
2028		—
Thereafter		—
	\$	<u><u>(1,016,835)</u></u>

MERS Police / Fire Unit:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 289,324	\$ 147,824
Difference between expected and actual experience	928,488	1,475,933
Net difference between projected and actual earnings on pension plan investments	—	128,508
Contributions subsequent to the measurement date	417,628	
	<u>\$ 1,635,440</u>	<u>\$ 1,752,265</u>
Net amount of deferred outflows and (inflows) excluding contributions subsequent to measurement date		<u><u>\$ (534,453)</u></u>

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2023

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:

2024	\$	(154,545)
2025		(156,995)
2026		(219,418)
2027		276,263
2028		(24,711)
Thereafter		(255,047)
	\$	<u>(534,453)</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, 2023

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 \$23,020 for the fiscal year ended June 30, 2023.

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, 2023

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, 2023, pension plan membership consisted of the following:

<u>Membership Status</u>	<u>Count</u>
Inactive plan members or beneficiaries currently receiving benefits	124
Inactive plan members entitled to but not yet receiving benefits	4
Active plan members	4
	<u>132</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, 2023

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, 2023

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, 2023, the Town contributed \$141,005 to the Plan.

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2023

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, 2023, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 7.70%. 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, 2023

7. Pension plans (continued):

Town Plan (continued):

Net pension liability

The components of the net pension liability at June 30, 2022 were as follows:

Total pension liability	\$	55,218,578
Plan fiduciary net position		<u>(50,898,912)</u>
Town's net pension liability	\$	<u>\$4,319,666</u>
Plan fiduciary net position as a percentage of the total pension liability		<u>92.18 %</u>

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

For the year ended June 30, 2023, the Town recognized pension expense of \$1,886,901. At June 30, 2023, the Town reported deferred outflows of resources of \$111,780 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.

Town Private Plan	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual earnings	\$ 8,090,131	\$ 3,128,737
Total	<u>\$ 8,090,131</u>	<u>\$ 3,128,737</u>

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2023

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
2024	\$ 1,528,751
2025	962,010
2026	2,489,213
2027	(18,580)
Thereafter	\$ —
Total	<u>\$ 4,961,394</u>

Actuarial Assumptions:

The June 30, 2023 total pension liability was determined by using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Assumptions	
Inflation	3.00%
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 3.00% and a real rate of return of 4.50%. 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. For the July 1, 2023 valuation, this rate is 5.20%.

Census data was collected as of June 30, 2021 and projected to June 30, 2022 according to the valuation's demographic assumptions.

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2023

7. Pension plans (continued):

Town Plan (continued):

Actuarial Assumptions (continued):

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-2021. Separate annuitant and non-annuitant rate tables were used. Pension plans (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, 2023 measurement, this rate is 5.20%.

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. A total of 1,000 stochastic forecast paths were generated, and the simulated geometric mean portfolio return (based on the plan's current asset allocation) over 30 years was computed on each path. The valuation interest rate is based on the average return computed on these 1,000 paths, rounded to the nearest half percent.

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.

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2023

7. Pension plans (continued):

Town Plan (continued):

Actuarial Assumptions (continued):

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>100.00%</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 3.00% per year.

Municipal bond rate

4.13%. 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, 2023

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

Retiree census data was supplied by the employer and John Hancock. All other employee data used in these calculations was supplied by the employer.

The experience study performed in 2020 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 7.30%. This is based on the expected return of 7.50% for the nonguaranteed portion and 5.20% for the guaranteed portion. The projection of cash flows used to determine the discount rate assumed that 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 4.13% would have been used in the development of the blended GASB discount rate after that point. The 4.13% 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, 2023

7. Pension plans (continued):

Town Plan (continued):

Net Pension Liability (Asset):

Changes in the Net Pension Liability (Asset)

		Increase (Decrease)	
Town Plan	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances as of June 30, 2020	\$ 56,286,388	\$ 51,929,716	\$ 4,356,672
Changes for the Year			
Service cost	20,711		20,711
Interest on the total pension liability	3,891,104		3,891,104
Difference between expected and actual experience	111,780		111,780
Changes in assumptions	(167,379)		-167,379
Employer contributions		141,005	-141,005
Employee contributions		20,877	-20,877
Net investment income		3,809,406	-3,809,406
Benefit payments, including employee refunds	(4,924,026)	(4,924,026)	0
Administrative expense		(78,066)	78,066
Net changes	(1,067,810)	(1,030,804)	215,888
Balances as of June 30, 2021	\$ 55,218,578	\$ 50,898,912	\$ 4,319,666

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 7.30%, 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 (6.30%) or one percentage-point higher (8.30%) than the current rate:

	1% Decrease (6.30%)	Current Discount Rate (7.30%)	1% Increase (8.30%)
Net pension liability	\$9,353,938	\$4,319,666	\$16,610

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, 2023

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 \$1,427,286, and the plan members and the Town each contributed \$85,637 during the fiscal year ended June 30, 2023.

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2023

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	\$ —	\$ 6,197,006	\$ —	\$ 1,103,459	\$ —	\$ 7,300,465
Deferred Outflows of Resources - Pension	3,668,588	459,964	\$ 320,774	1,635,440	8,090,131	14,174,897
Deferred Inflows of Resources - Pension	2,171,685	1,230,967	1,049,658	1,752,265	3,128,737	9,333,312
Net Pension Liability	26,646,226	—	2,512,985	—	4,319,666	33,478,877
Pension Expense	1,409,098	(630,580)	(166,854)	88,221	1,886,901	2,586,786
	<u>\$ 33,895,597</u>	<u>\$ 7,257,357</u>	<u>\$ 3,716,563</u>	<u>\$ 4,579,385</u>	<u>\$ 17,425,435</u>	<u>\$ 66,874,337</u>

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2023

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, 2023 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, 2023.

Benefits and employee contributions:

The Trust paid 100% of the amount for medical and dental costs incurred by eligible retirees, which totaled \$1,992,356 for the year ended June 30, 2023.

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, 2023, the membership census utilized for actuarial valuation purposes is as follows:

Active employees	354
Retirees and beneficiaries	<u>142</u>
Total	<u><u>496</u></u>

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2023

8. Other postemployment benefits (continued):

Net OPEB Liability:

The Town's net OPEB liability was measured as of June 30, 2022, 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)	\$ 26,621,087
Fiduciary Net Position	23,902,729
Net OPEB Liability (NOL)	<u>\$ 2,718,358</u>
Funded ratio (Fiduciary Net Position / NOL)	89.79 %
Covered payroll (active plan members)	\$ 28,226,771
NOL as a percentage of covered payroll	9.63 %

Changes in Net OPEB Liability:

	Total OPEB Liability	Increase (Decrease) Plan Fiduciary Net Position	Net OPEB Liability
Balance as of June 30, 2022	\$ 26,885,440	\$ 19,829,670	\$ 7,055,770
Service cost	451,263	—	451,263
Interest on total pension liability	1,976,890	—	1,976,890
Changes of benefit terms	(23,647)		(23,647)
Differences between expected and actual experience	(676,503)	—	(676,503)
Changes in assumptions	—	—	—
Contributions - employer	—	3,973,647	(3,973,647)
Contributions - employee	—	29,840	(29,840)
Net investment income	—	2,081,928	(2,081,928)
Benefit payments, including employee refunds	(1,992,356)	(1,992,356)	—
Administrative expense	—	(20,000)	20,000
Net changes	<u>(264,353)</u>	<u>4,073,059</u>	<u>(4,337,412)</u>
Balance as of June 30, 2023	<u>\$ 26,621,087</u>	<u>\$ 23,902,729</u>	<u>\$ 2,718,358</u>

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2023

8. Other postemployment benefits (continued):

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

For the year ended June 30, 2023 the Town recognized OPEB expense of \$23,213. At June 30, 2023 the Town deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual investment earnings	\$ 1,516,468	\$ —
Changes in assumptions	\$ 21,831	\$ 3,129,596
Difference between expected and actual experience	—	1,453,614
	<u>\$ 1,538,299</u>	<u>\$ 4,583,210</u>
Net amount of deferred outflows and (inflows)		<u>\$ (3,044,911)</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:		
2024	\$	(865,785)
2025	\$	(560,996)
2026		336,677
2027		(675,895)
2028		(571,618)
2029		(707,294)
Thereafter		—
	<u>\$</u>	<u>(3,044,911)</u>

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2023

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	\$ 5,576,930	\$ 2,718,358	\$ 294,908	

The following presents the net OPEB liability of the Town if it were calculated 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	\$ (155,270)	\$ 2,718,358	\$ 6,208,374	

Rate of Return:

For the year ended June 30, 2023, the annual money-weighted rate of return on investment, net of investment expense was 9.97%. 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, 2023

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, 2023

Actuarial cost method: Entry age normal, level percent of salary, service costs are attributed through all assumed ages of exit from active service.

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 3.0% annually as of June 30, 2023 and for future periods

Inflation 3.0% as of June 30, 2023 and for future periods

Funding Method: In the past, Middletown has made contributions based on the ADC, contributing at least the ADC in recent years. The ADC is equal to the sum of the normal cost plus an amortization of the Unfunded Actuarial Accrued Liability (UAAL). The amortization period used in calculating the ADC was established effective July 1, 2007, reflecting a 30-year period and an amortization payment that increases by 3.0% per year, consistent with the 3.0% payroll growth rate. As of July 1, 2023, there are 14 years remaining in the amortization period, which was reflected in the ADC calculated for fiscal year ending June 30, 2024. Unless otherwise specified, the funding valuation relies upon the same assumptions as are used in the GASB 74 & 75 valuations.

Asset valuation method: Market value

Health Care Cost Trend Rates: Medical pre-Medicare rate of 7.50% decreasing to a rate of 4.50% after ten years; and post-Medicare rate of 6.00% decreasing to a rate of 4.50% after ten years.

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2023

8. Other postemployment benefits (continued):

Investment Policy:

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>

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	\$ —	\$ —	\$ —
Investments:			
Mutual funds	43,903,570	22,617,047	66,520,617
Group annuity	5,836,507	—	5,836,507
Money market funds	989,602	1,310,784	2,300,386
U.S. Treasury Obligations	—	—	—
Receivables	—	—	—
Pension	—	—	—
Due from other funds	—	—	—
Due from External Parties	205,691	—	205,691
Total Assets	<u>\$ 50,935,370</u>	<u>\$ 23,927,831</u>	<u>\$ 74,863,201</u>
Liabilities			
Accounts payable	\$ 36,458	\$ 25,102	\$ 61,560
Total liabilities	<u>36,458</u>	<u>25,102</u>	<u>61,560</u>
Net Position			
Restricted for benefits	50,898,912	23,902,729	74,801,641
Total net position	<u>50,898,912</u>	<u>23,902,729</u>	<u>74,801,641</u>
Total liabilities and net position	<u>\$ 50,935,370</u>	<u>\$ 23,927,831</u>	<u>\$ 74,863,201</u>

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2023

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

	Pension Trust Fund	Other Post- Employment Benefits Trust Fund	Total
Additions to net position:			
Contributions:			
Employer	\$ 111,508	\$ 3,650,578	\$ 3,762,086
Plan members	50,374	29,840	80,214
	<u>161,881</u>	<u>3,680,419</u>	<u>3,842,300</u>
Investment income, net:			
Interest income	1,953,639	767,627	2,721,266
Net appreciation in fair value of investments	<u>1,964,763</u>	<u>1,401,778</u>	<u>3,366,541</u>
	<u>3,918,402</u>	<u>2,169,405</u>	<u>6,087,807</u>
Total additions	<u>4,080,283</u>	<u>5,849,824</u>	<u>9,930,107</u>
Deductions from net position:			
Benefits	4,924,026	1,669,288	6,593,314
Investment expenses	<u>187,062</u>	<u>107,477</u>	<u>294,539</u>
Total deductions	<u>5,111,088</u>	<u>1,776,765</u>	<u>6,887,853</u>
Change in net position	(1,030,805)	4,073,059	3,042,254
Net position, beginning of year	<u>51,929,717</u>	<u>19,829,670</u>	<u>71,759,387</u>
Net position, end of year	<u><u>\$ 50,898,912</u></u>	<u><u>\$ 23,902,729</u></u>	<u><u>\$ 74,801,641</u></u>

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2023

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, 2023.

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, 2023

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, 2021, the balance of the long-term liability is \$0.

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 \$5,141,711 for the year ended June 30, 2023.

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, 2023

12. Commitments and subsequent events:

Construction commitments:

The Town has active construction projects as of June 30, 2023, including road reconstruction, drainage and sanitary upgrades in designated areas of the Town. At June 30, 2023, the Town's commitments with contractors are as follows:

Project	Spent to Date	Remaining Commitments
Red Road Phase II: East Coast Construction	2,321,224	329,568
Upper Easton's Point Sewer Lining: National Water Main Cleaning Co	4,613,667	28,265
Town Line Sewers: C B Utility Inc	2,110,370	296,791
Paradise Avenue Pump Station: C B Utility Inc	573,413	172,314
	<u>\$ 9,618,674</u>	<u>\$ 826,938</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, 2023

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 June 30, 2023. 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 June 30, 2023 was \$3,883,842. The towns have no equity interest in the net assets of NCRSEP at June 30, June 30, 2023.

At June 30, 2023, a total of \$356,319 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. In January 2023, the board of Superintendents voted unanimously to recommend to their respective school committees to dissolve from the NCRSEP effective June 30, 2023. The region will continue their dissolution in fiscal year 2024.

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2023

14. Detailed governmental fund balance

	Major Funds			Other Governmental Funds		
	General Fund	School Department	American Rescue Plan	Special Revenue	Permanent Trust	Total
Fund Balances:						
Nonspendable:						
Prepaid items	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Long-term loans receivable	—	—	—	—	—	—
Perpetual care	—	—	—	—	141,530	141,530
Principal of endowments	—	—	—	—	58,608	58,608
Other receivable	—	—	—	—	—	—
Restricted for:						
Education purposes	—	—	—	1,466,040	1,494	1,467,534
Public safety	—	—	—	31,093	—	31,093
Public works	—	—	—	—	3,591	3,591
Community services	—	—	—	—	6,070	6,070
Education construction projects	—	—	—	448,468	—	448,468
Grants	2,650	—	—	—	—	2,650
American Rescue Plan	—	—	210	—	—	210
Committed to:						
West Main Road development	410,011	—	—	—	—	410,011
Special education	—	229,222	—	—	—	229,222
Capital improvements	3,873,655	—	—	—	—	3,873,655
Assigned to:						
General government	—	—	—	252,729	—	252,729
Public safety	—	—	—	1,213,939	—	1,213,939
Library	—	—	—	101,447	—	101,447
Education	—	659,799	—	—	—	659,799
Encumbrances	4,284,261	—	—	—	—	4,284,261
Unassigned	8,532,593	—	—	(113,245)	—	8,419,348
Total	\$17,103,170	\$ 889,021	\$ 210	\$3,400,472	\$ 211,293	\$21,604,165

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2023

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, 2023:

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, 2023, the Town did not abate any property taxes under the jobs creation.

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, 2023, the Town did not abate any property taxes under the renovation of existing facilities / construction of new facilities..

16. Subsequent Events:

The Middletown School Department informed the Town of Middletown of a structural deficit. In accordance with Rhode Island General Law §45-12-22.2, Town and School Department administration have developed a corrective action plan to address the deficit and continue to work with state officials and the Office of the Auditor General to implement a corrective action plan. During fiscal year 2023, the deficit was resolved and no corrective action plan was necessary.

Town of Middletown, Rhode Island

Notes to Financial Statements

For the Year Ended June 30, 2023

17. Fund Balance Reclassification and Prior Period Adjustment:

The following reclassification were made to beginning fund balances in the Governmental Fund financial statements to reclassify funds based on the major/non-major fund determination:

	Town Special Revenue Non-Major Governmental ARPA		Town Special Revenue Major Governmental ARPA	
Beginning balance, July 1, 2022	\$	210	\$	—
To record the fund as a Major Fund		(210)		210
Beginning balance, July 1, 2022	\$	—	\$	210

Town of Middletown, Rhode Island
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Taxes	\$ 49,561,803	\$ 49,561,803	\$ 49,812,641	\$ 250,838
Intergovernmental	6,373,748	7,874,316	7,588,951	(285,365)
Licenses, permits and fees	2,484,210	2,602,693	3,120,995	518,302
Interest and investment	5,500	214,361	212,755	(1,606)
Other revenues	169,534	171,267	224,609	53,342
Total revenues	58,594,795	60,424,440	60,959,951	535,511
Expenditures:				
Current:				
General government	3,406,971	3,639,176	3,420,710	218,466
Public safety	11,854,838	11,976,129	11,834,570	141,559
Public works and sanitation	3,403,391	3,403,391	3,085,294	318,097
Planning and inspection	836,910	836,910	775,132	61,778
Library	878,566	878,566	904,230	(25,664)
Community services	1,382,253	1,382,253	699,392	682,861
Other expenditures	5,101,115	4,601,115	4,592,495	8,620
Grants	683,795	683,795	586,628	97,167
Capital outlay	1,382,400	2,754,667	2,411,117	343,550
Debt service	3,602,469	3,602,469	3,243,812	358,657
Total expenditures	32,532,708	33,758,471	31,553,380	2,205,091
Excess of revenues over expenditures, budgetary basis	26,062,087	26,665,969	29,406,571	2,740,602
Other financing sources (uses):				
Transfer from other funds	5,589,730	6,078,804	5,677,031	(401,773)
Transfer to other funds	(31,991,867)	(33,618,907)	(33,123,088)	495,819
Reappropriated fund balance	340,050	874,134	—	(874,134)
Total other financing sources	(26,062,087)	(26,665,969)	(27,446,057)	(780,088)
Excess of revenues and other financing sources over expenditures and other financing uses, budgetary basis	\$ —	\$ —	\$ 1,960,514	\$ 1,960,514
Adjustment of budgetary basis to U.S. GAAP basis			(807,722)	
Excess of expenditures and other financing uses over revenues and other financing sources, U.S. GAAP basis			1,152,792	
Fund balance, beginning of year			15,950,378	
Fund balance, end of year			\$ 17,103,170	

See independent auditors' report
See notes to required supplementary information

Town of Middletown, Rhode Island
Required Supplementary Information
Budgetary Comparison Schedule - School Unrestricted Only
For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Intergovernmental	\$ 9,617,863	\$ 9,883,187	\$ 9,883,188	\$ 1
Fees for service	40,850	40,850	37,077	(3,773)
Other revenues	303,900	258,448	263,558	5,110
Total revenues	<u>9,962,613</u>	<u>10,182,485</u>	<u>10,183,823</u>	<u>1,338</u>
Expenditures:				
Current:				
Salaries	21,422,616	19,436,269	19,200,776	235,493
Employee benefits	8,159,650	7,498,255	7,124,003	374,252
Purchased services	8,782,733	12,077,796	11,580,660	497,136
Supplies and materials	1,017,551	1,047,886	945,312	102,574
Other	31,928	61,544	58,143	3,401
Capital expenditures	14,425	27,025	28,173	(1,148)
Total expenditures	<u>39,428,903</u>	<u>40,148,775</u>	<u>38,937,067</u>	<u>1,211,708</u>
Excess of expenditures over revenues, budgetary basis	<u>(29,466,290)</u>	<u>(29,966,290)</u>	<u>(28,753,244)</u>	<u>1,213,046</u>
Other financing sources (uses):				
Transfer from other funds town, net	29,466,290	29,966,290	29,466,290	(500,000)
Transfer from other funds town/ special revenue, net	—	—	(53,247)	(53,247)
Total other financing sources	<u>29,466,290</u>	<u>29,966,290</u>	<u>29,413,043</u>	<u>(553,247)</u>
Deficiency of revenues and other financing sources over expenditures, budgetary basis				
	<u>\$ —</u>	<u>\$ —</u>	\$ 659,799	<u>\$ 659,799</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>659,799</u>	
Fund balance, beginning of year			<u>229,222</u>	
Fund balance, end of year			<u>\$ 889,021</u>	

See independent auditors' report
See notes to required supplementary information

Town of Middletown, Rhode Island
Required Supplementary Information
Budgetary Comparison Schedule - All School Department Funds
For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Intergovernmental	\$ 13,794,875	\$ 14,395,382	\$ 14,085,981	\$ (309,401)
Fees for service	591,465	591,465	490,515	(100,950)
Other revenues	358,815	313,363	464,600	151,237
Total revenues	<u>14,745,155</u>	<u>15,300,210</u>	<u>15,041,096</u>	<u>(259,114)</u>
Expenditures:				
Current:				
Salaries	23,289,879	21,229,480	21,064,139	165,341
Employee benefits	8,698,978	8,105,495	7,741,698	363,797
Purchased services	10,214,510	14,540,765	14,012,913	527,852
Supplies and materials	1,508,918	1,827,376	1,493,307	334,069
Other	81,787	121,403	176,487	(55,084)
Capital expenditures	<u>1,202,154</u>	<u>1,353,802</u>	<u>1,203,718</u>	<u>150,084</u>
Total expenditures	<u>44,996,226</u>	<u>47,178,321</u>	<u>45,692,262</u>	<u>1,486,059</u>
Excess of expenditures over revenues, budgetary basis	<u>(30,251,071)</u>	<u>(31,878,111)</u>	<u>(30,651,166)</u>	<u>1,226,945</u>
Other financing sources (uses):				
Transfer from other funds town, net	29,766,290	30,266,290	29,788,050	(478,240)
Transfer from other funds town/ special revenue, net	—	1,127,040	630,070	(496,970)
Reappropriated fund balance	<u>484,781</u>	<u>484,781</u>	<u>—</u>	<u>(484,781)</u>
Total other financing sources	<u>30,251,071</u>	<u>31,878,111</u>	<u>30,418,120</u>	<u>(1,459,991)</u>
Deficiency of revenues and other financing sources over expenditures, budgetary basis				
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (233,046)</u>	<u>\$ (233,046)</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>(233,046)</u>	
Fund balance, beginning of year			<u>2,292,422</u>	
Fund balance, end of year			<u>\$ 2,059,376</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, 2023

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, 2023

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	\$ 211,115
Capital improvement program	(1,138,224)
Severance fund	17,162
Revaluation fund	30,000
Canvassing and elections	35,000
Accrued payroll	306,791
Compensated absences	(28,496)
Property Taxes - 60 Day Rule	(241,070)
Total adjustments	<u><u>\$ (807,722)</u></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, 2023

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, 2023 are as follows:

	School Department Funds
Excess (deficiency) of revenues and other sources over expenditures and other uses (Non-GAAP Budgetary basis)	\$ (233,046)
State contribution to teachers' pension plan revenue on behalf	1,718,975
State contribution to teachers' pension plan expense on behalf	(1,718,975)
Excess (deficiency) of revenues and other sources over expenditures and other uses (GAAP basis)	<u>\$ (233,046)</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	\$ 889,021
School Capital Projects Fund	—

Non-Major Funds:

Capital Improvement Fund	448,468
Special Revenue Funds	1,466,040
Scholarship Funds	191,208
Total fund balances – budgetary basis	<u>\$ 2,994,733</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

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	0.9866%	0.9870%	0.9907%	0.9898%	1.0177%	1.0142%	1.0474%	1.0273%	1.0903%
Employer's proportionate share of the net pension liability	\$ 26,646,226	\$ 23,227,238	\$ 31,653,605	\$ 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	19,706,756	17,225,079	23,519,404	23,659,278	24,118,668	24,175,899	21,401,551	19,320,855	18,197,573
Total	<u>\$ 46,352,982</u>	<u>\$ 40,452,317</u>	<u>\$ 55,173,009</u>	<u>\$ 55,242,733</u>	<u>\$ 56,452,436</u>	<u>\$ 56,164,768</u>	<u>\$ 52,651,390</u>	<u>\$ 47,602,095</u>	<u>\$ 44,734,470</u>
Employer's covered employee payroll	\$ 16,642,708	\$ 16,890,215	\$ 16,454,647	\$ 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	160.11%	137.52%	192.37%	191.89%	198.92%	195.14%	200.61%	189.47%	147.70%
Plan fiduciary net position as a percentage of the total pension liability	62.10%	66.50%	54.30%	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

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 2,656,649	\$ 2,637,087	\$ 2,721,839	\$ 2,415,589	\$ 2,470,983	\$ 2,431,962	\$ 2,371,498	\$ 2,362,604	\$ 2,238,487
Contribution in relation to the actuarially determined contribution	2,656,649	2,637,087	2,721,839	2,415,589	2,470,983	2,431,962	2,371,498	2,362,604	2,238,487
Contribution deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Covered-employee payroll	\$16,642,708	\$16,890,215	\$16,454,647	\$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	15.96%	15.61%	16.54%	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

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension asset	3.5260 %	3.4998 %	3.5853 %	3.6011 %	3.5724 %	3.5314%	3.4782%	3.6778%	3.6587%
Employer's proportionate share of the net pension asset	\$ 6,197,006	\$ 6,848,905	\$ 4,258,055	\$ 4,085,286	\$ 3,187,669	\$ 2,921,405	\$ 3,463,316	\$ 3,433,424	\$ 4,548,498
Employer's covered employee payroll	\$16,642,708	\$16,890,215	\$16,454,647	\$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	37.2 %	40.5 %	25.9 %	24.8 %	19.6 %	17.8 %	22.2 %	23.0 %	25.3 %
Plan fiduciary net position as a percentage of the total pension asset	177.7 %	185.7 %	153.1 %	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

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily determined contribution	\$21,990	\$26,642	\$22,430	\$26,738	\$26,859	\$26,580	\$20,831	\$22,340	\$22,191
Contributions in relation to the statutorily determined contribution	21,990	26,642	22,430	26,738	26,859	26,580	20,831	22,340	22,191
Contribution deficiency (excess)	—	—	—	—	—	—	—	—	—
Covered-employee payroll	\$16,642,708	\$16,890,215	\$16,454,647	\$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	0.13 %	0.16 %	0.14 %	0.16 %	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

Measurement period ending June 30,	2022	2021	2020	2019	2018	2017	2016	2015	2014
A. Total pension liability									
1. Service Cost	\$ 391,637	\$ 405,264	\$ 425,558	\$ 423,450	\$ 449,152	\$ 469,665	\$ 453,067	\$ 452,635	\$ 485,224
2. Interest on the Total Pension Liability	1,761,115	1,744,093	1,748,080	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	(25,458)	(631,631)	(834,829)	(22,750)	(215,338)	(107,419)	(336,952)	20,395	—
5. Changes of assumptions	—	—	(165,355)	—	—	1,017,603	—	—	(74,921)
6. Benefit payments, including refunds of employee contributions	(1,268,402)	(1,267,096)	(1,173,418)	(1,231,566)	(1,059,459)	(1,008,605)	(1,002,493)	(966,110)	(974,316)
7. Net change in total pension liability	858,892	250,630	36	855,238	810,638	1,978,680	670,385	1,292,154	835,443
8. Total pension liability - beginning	25,597,166	25,346,536	25,346,500	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>\$ 26,456,058</u>	<u>\$ 25,597,166</u>	<u>\$ 25,346,536</u>	<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	\$ 580,636	\$ 599,771	\$ 566,415	\$ 541,344	\$ 525,837	\$ 571,040	\$ 572,585	\$ 615,951	\$ 664,994
2. Contributions - employee	147,208	141,468	148,479	146,946	159,410	179,523	174,919	108,157	113,801
3. Net investment income	(670,432)	5,445,969	745,391	1,245,566	1,454,167	1,963,771	(13,063)	401,825	2,287,085
4. Benefit payments, including refunds of employee contributions	(1,268,402)	(1,267,096)	(1,173,418)	(1,231,566)	(1,059,459)	(1,008,605)	(1,002,493)	(966,110)	(974,316)
5. Pension Plan Administrative Expense	(22,855)	(20,750)	(20,537)	(19,465)	(19,359)	(18,553)	(8,437)	(16,119)	(14,322)
6. Other	(2,552)	(137,146)	34,646	1	(118,989)	18,936	(84,056)	(169,167)	124
7. Net change in plan fiduciary net position	(1,236,397)	4,762,216	300,976	682,826	941,607	1,706,112	(360,545)	(25,463)	2,077,366
8. Plan fiduciary net position - beginning	25,179,470	20,417,254	20,116,278	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>\$ 23,943,073</u>	<u>\$ 25,179,470</u>	<u>\$ 20,417,254</u>	<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>\$ 2,512,985</u>	<u>\$ 417,696</u>	<u>\$ 4,929,282</u>	<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	90.50%	98.37%	80.55%	79.37%	79.35%	78.09%	77.35%	81.53%	86.99%
E. Covered employee payroll	\$ 4,871,108	\$ 4,841,869	\$ 4,977,290	\$ 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	51.59%	8.63%	99.04%	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, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Actuarially determined contribution	\$ 605,069	\$ 580,636	\$ 599,771	\$ 566,415	\$ 541,344	\$ 525,837	\$ 571,040	\$ 572,585	\$ 615,952
Contributions in relation to the actuarially determined contribution	605,069	580,636	599,771	566,415	541,344	525,837	571,040	572,585	615,952
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Covered-employee payroll	\$ 4,330,821	\$ 4,871,108	\$ 4,841,869	\$ 4,977,290	\$ 5,811,934	\$ 4,996,128	\$ 5,392,247	\$ 5,286,658	\$ 5,407,822
Contributions as a percentage of covered-employee payroll	13.97%	11.92%	12.39%	11.38%	9.31%	10.52%	10.59%	10.83%	11.39%

Notes:

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

See independent auditors' report
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

Measurement period ending June 30,	2022	2021	2020	2019	2018	2017	2016	2015	2014
A. Total pension liability									
1. Service Cost	\$ 969,847	\$ 927,726	\$ 874,179	\$ 869,296	\$ 825,705	\$ 729,877	\$ 655,022	\$ 565,349	\$ 492,417
2. Interest on the Total Pension Liability	864,822	818,531	755,179	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	600,674	(1,029,165)	(500,868)	(264,800)	237,620	203,814	217,355	(76,610)	—
5. Changes of assumptions	—	—	(158,218)	—	—	510,364	—	—	(109,693)
6. Benefit payments, including refunds of employee contributions	(60,938)	(92,763)	(91,278)	(58,369)	(49,854)	(39,061)	(68,966)	(29,128)	(52,136)
7. Net change in total pension liability	2,374,405	624,329	878,994	1,217,090	1,573,090	1,861,765	1,168,608	1,090,183	566,097
8. Total pension liability - beginning	11,900,141	11,275,812	10,396,818	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>\$14,274,546</u>	<u>\$11,900,141</u>	<u>\$11,275,812</u>	<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	\$ 488,493	\$ 484,242	\$ 432,700	\$ 331,056	\$ 270,791	\$ 258,363	\$ 238,230	\$ 222,974	\$ 100,942
2. Contributions - employee	510,349	485,213	438,846	436,175	416,679	404,870	371,200	278,022	227,700
3. Net investment income	(430,601)	3,219,400	394,198	606,303	635,104	767,082	(2,004)	122,572	615,657
4. Benefit payments, including refunds of employee contributions	(60,938)	(92,763)	(91,278)	(58,369)	(49,854)	(39,061)	(68,966)	(29,128)	(52,136)
5. Pension Plan Administrative Expense	(14,679)	(12,267)	(10,861)	(9,475)	(8,455)	(7,247)	(5,390)	(4,908)	(3,855)
6. Other	468	3,478	(157,980)	(1,212)	14	66,707	9,139	18,336	557
7. Net change in plan fiduciary net position	493,092	4,087,303	1,005,625	1,304,478	1,264,279	1,450,714	542,209	607,868	888,865
8. Plan fiduciary net position - beginning	14,884,913	10,797,610	9,791,985	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>\$15,378,005</u>	<u>\$14,884,913</u>	<u>\$10,797,610</u>	<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><u>\$(1,103,459)</u></u>	<u><u>\$(2,984,772)</u></u>	<u><u>\$ 478,202</u></u>	<u><u>\$ 604,833</u></u>	<u><u>\$ 692,221</u></u>	<u><u>\$ 383,410</u></u>	<u><u>\$(27,641)</u></u>	<u><u>\$(654,040)</u></u>	<u><u>\$(1,136,355)</u></u>
D. Plan fiduciary net position as a percentage of the total pension liability	107.73%	125.08%	95.76%	94.18%	92.46%	94.96%	100.48%	114.29%	132.60%
E. Covered employee payroll	\$ 5,099,093	\$ 4,852,125	\$ 4,388,446	\$ 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	-21.64%	-61.51%	10.90%	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, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Actuarially determined contribution	\$ 417,628	\$ 488,493	\$ 484,242	\$ 432,700	\$ 331,056	\$ 270,791	\$ 258,363	\$ 238,230	\$ 222,974
Contributions in relation to the actuarially determined contribution	417,628	488,493	484,242	432,700	331,056	270,791	258,363	238,230	222,974
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Covered-employee payroll	\$ 5,354,316	\$ 5,099,093	\$ 4,852,125	\$ 4,388,446	\$ 4,361,748	\$ 4,166,021	\$ 4,036,930	\$ 3,717,494	\$ 3,440,955
Contributions as a percentage of covered-employee payroll	7.80%	9.58%	9.98%	9.86%	7.59%	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, Rhode Island
Required Supplementary Information
Notes to ERS, MERS, and TSB
For the Year Ended June 30, 2023

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, 2022 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, 2022 measurement date compared to the June 30, 2021 measurement date

June 30, 2021 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, 2021 measurement date compared to the June 30, 2020 measurement date

June 30, 2020 measurement date –

As part of the 2020 Actuarial Experience Study for the six-year period ending June 30, 2019 as approved by the System Board on May 22, 2020, certain assumptions were modified and reflected in the determination of net pension liability (asset) at the June 30, 2020 measurement date. The following summarizes the more significant changes in assumptions:

- a. Updated the underlying mortality tables from the RP-2014 set of tables to the public sector-based PUB (10) tables.
- b. Increased slightly the probabilities of turnover.
- c. Decreased slightly the probabilities of retirement.
- d. Modified slightly the probabilities of disability, including adding material incidence of disability for members in the age ranges that historically have been eligible to retire but under prospective provisions are not.

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

Town of Middletown, Rhode Island
Required Supplementary Information
Notes to ERS, MERS, and TSB
For the Year Ended June 30, 2023

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.

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, Rhode Island

Required Supplementary Information

Notes to ERS, MERS, and TSB

For the Year Ended June 30, 2023

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, Rhode Island
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, 2023	Year Ended June 30, 2022	Year Ended June 30, 2021	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	\$ 20,711	\$ 19,198	\$ 19,015	\$ 116,062	\$ 163,987	\$ 140,071	\$ 188,703	\$ 193,763	\$ 297,782	\$ 304,872
2. Interest on the Total Pension Liability	3,891,104	3,826,632	3,880,815	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	111,780	290,782	264,635	(157,525)	(648,949)	1,444,275	—	152,749	615,865	—
5. Changes of assumptions	(167,379)	(716,647)	(161,297)	1,885,166	959,070	—	—	—	199,475	—
6. Benefit payments, including refunds of employee contributions	(4,924,026)	(4,973,840)	(5,391,613)	(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	(1,067,810)	(1,553,875)	(1,388,445)	1,152,401	(141,547)	853,626	(542,536)	(312,634)	628,185	62,482
8. Total pension liability - beginning	56,286,388	57,840,263	59,228,708	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>\$ 55,218,578</u>	<u>\$ 56,286,388</u>	<u>\$ 57,840,263</u>	<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	\$ 141,005	\$ 1,006,661	\$ 247,959	\$ 214,704	\$ 1,681,525	\$ 2,403,830	\$ 2,995,805	\$ 3,684,562	\$ 3,594,123	\$ 3,678,880
2. Contributions - employee	20,877	20,459	29,725	45,532	50,622	59,952	66,002	78,302	92,124	119,499
3. Net investment income	3,809,406	(7,897,665)	11,743,730	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	(4,924,026)	(4,973,840)	(5,391,613)	(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	(78,066)	(93,936)	(81,968)	(160,181)	(147,997)	(161,654)	(144,458)	(133,879)	(162,898)	(68,915)
6. Other	—	—	—	—	—	—	—	—	—	—
7. Net change in plan fiduciary net position	(1,030,804)	(11,938,321)	6,547,833	(3,243,444)	357,435	2,306,426	3,741,187	(322,180)	427,120	6,442,487
8. Plan fiduciary net position - beginning	51,929,717	63,868,038	57,320,205	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>\$ 50,898,913</u>	<u>\$ 51,929,717</u>	<u>\$ 63,868,038</u>	<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>\$ 4,319,665</u>	<u>\$ 4,356,671</u>	<u>\$ (6,027,775)</u>	<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	92.18%	92.26%	110.42%	96.78%	104.28%	103.42%	100.93%	93.53%	93.58%	93.86%
E. Covered employee payroll	\$ 351,211	\$ 292,384	\$ 286,564	\$ 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	1229.93%	1490.05%	-2103.47%	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, Rhode Island
Required Supplementary Information
Town Pension Plan
Schedule of Town Contributions

Last 10 Years

	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Actuarially determined contribution	\$ —	\$ 872,125	\$ 86,861	\$ 86,861	\$ —	\$1,132,150	\$1,729,348	\$2,339,907	\$2,904,159	\$3,535,930
Contributions in relation to the actuarially determined contribution	141,005	1,006,661	247,959	214,704	1,681,525	2,403,830	2,995,805	3,684,562	3,594,123	3,678,880
Contribution deficiency (excess)	\$(141,005)	\$(134,536)	\$(161,098)	\$(127,843)	\$(1,681,525)	\$(1,271,680)	\$(1,266,457)	\$(1,344,655)	\$(689,964)	\$(142,950)
Covered-employee payroll	\$ 351,211	\$ 292,384	\$ 286,564	\$ 629,841	\$ 863,714	\$ 887,727	\$ 890,382	\$ 954,884	\$1,164,923	\$1,265,639
Contributions as a percentage of covered-employee payroll	40.15 %	344.29 %	86.53 %	34.09 %	194.69 %	270.78 %	336.46 %	385.86 %	308.53 %	290.67 %

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, Rhode Island
Required Supplementary Information
Town Pension Plan
Schedule of Investment Returns
Last 10 Years

	June 30, 2023	June 30, 2022	June 30, 2021	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	7.70%	(12.80)%	21.43%	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, Rhode Island
Required Supplementary Information
Notes to Town's Private Pension Plan
For the Year Ended June 30, 2023

Notes to the Schedules:

Valuation Date:

Actuarially determined contribution rates are calculated as of June 30, 2023

Methods and assumptions used to determine contribution rates:

Discount rate	7.30%
Long term rate of return on investments	7.50%
Salary increases	3.00%
Inflation	3.00%
Mortality rates:	Projected generationally from 2010 with Scale MP-2021. Separate annuitant and non-annuitant rate tables were used.

See independent auditors' report

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

	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Total OPEB liability							
Service Cost	\$ 451,263	\$ 387,782	\$ 391,768	\$ 515,325	\$ 486,018	\$ 478,012	\$ 506,972
Interest	1,976,890	1,979,152	2,056,345	2,148,492	2,093,795	2,380,004	2,296,966
Changes of benefit terms	(23,647)	—	—	(87,428)			
Differences between expected and actual experience	(676,503)	15,170	(415,551)	122,554	(312,797)	(3,021,201)	—
Changes of assumptions	—	(670,676)	(1,458,153)	(2,202,682)	68,486	(2,007,827)	—
Net benefit payments	(1,992,356)	(1,624,427)	(1,575,772)	(1,625,989)	(1,644,695)	(1,661,234)	(1,674,163)
Net change in total OPEB liability	(264,353)	87,001	(1,001,363)	(1,129,728)	690,807	(3,832,246)	1,129,775
Total OPEB liability - beginning	26,885,440	26,798,439	27,799,802	28,929,530	28,238,723	32,070,969	30,941,194
Total OPEB liability - ending	<u>\$ 26,621,087</u>	<u>\$ 26,885,440</u>	<u>\$ 26,798,439</u>	<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	\$ 3,973,647	\$ 2,656,962	\$ 4,010,476	\$ 4,418,603	\$ 3,610,377	\$ 3,550,098	\$ 2,846,481
Contributions - employee	29,840	29,265	25,674	22,383	22,283	21,358	—
Net investment income	2,081,928	(3,415,818)	4,452,204	283,629	528,666	520,405	726,504
Benefit payments	(1,992,356)	(1,624,427)	(1,575,772)	(1,625,989)	(1,644,695)	(1,661,234)	(1,674,163)
Administrative Expense	(20,000)	(20,403)	(24,830)	(18,747)	(21,995)	(28,500)	(32,580)
Net change in plan fiduciary net position	4,073,059	(2,374,421)	6,887,752	3,079,879	2,494,636	2,402,127	1,866,242
Plan fiduciary net position - beginning	19,829,670	22,204,091	15,316,339	12,236,460	9,741,824	7,339,697	5,473,455
Plan fiduciary net position - ending	<u>\$ 23,902,729</u>	<u>\$ 19,829,670</u>	<u>\$ 22,204,091</u>	<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>\$ 2,718,358</u>	<u>\$ 7,055,770</u>	<u>\$ 4,594,348</u>	<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	89.79%	73.76%	82.86%	55.10%	42.30%	34.50%	22.89%
Covered employee payroll	\$ 28,226,771	\$ 27,521,237	\$ 26,443,469	\$ 29,376,747	\$ 24,564,252	\$ 25,008,014	\$ 22,684,805
Town's net OPEB liability as a percentage of covered-employee payroll	9.63%	25.64%	17.37%	42.49%	67.96%	73.96%	109.02%

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

See independent auditors' report
See notes to required supplementary information

Town of Middletown, Rhode Island
Required Supplementary Information
Schedule of Town's Contributions

Last 10 Years

	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Actuarially determined contribution	\$ 1,155,724	\$ 869,388	\$ 1,505,947	\$ 1,971,037	\$ 2,011,938	\$ 2,415,706	\$ 2,174,483
Contributions in relation to the actuarially determined contribution	3,973,647	2,656,962	4,010,476	4,418,603	3,610,377	3,550,098	2,846,481
Contribution deficiency (excess)	<u>\$ (2,817,923)</u>	<u>\$ (1,787,574)</u>	<u>\$ (2,504,529)</u>	<u>\$ (2,447,566)</u>	<u>\$ (1,598,439)</u>	<u>\$ (1,134,392)</u>	<u>\$ (671,998)</u>
Covered-employee payroll	\$ 28,226,771	\$ 27,521,237	\$ 26,443,469	\$ 29,376,747	\$ 24,564,252	\$ 25,008,014	\$ 22,684,805
Contributions as a percentage of covered-employee payroll	14.08 %	9.65 %	15.17 %	15.04 %	14.70 %	14.20 %	12.55 %

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

See independent auditors' report
See notes to required supplementary information

Town of Middletown, Rhode Island
Required Supplementary Information
Town Other Post Employment Benefits Plan
Schedule of Town's Investment Returns

Last 10 Years

	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Annual money-weighted rate of return, net of investment expense	9.97 %	(15.00)%	26.86 %	2.09 %	4.99 %	6.52 %	12.68 %

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

See independent auditors' report
See notes to required supplementary information

Town of Middletown, Rhode Island
Required Supplementary Information
Town Other Post Employment Benefits Plan
Notes OPEB
For the Year Ended June 30, 2023

Notes to Required Supplementary Information:

Valuation Date: June 30, 2022
June 30, 2023. The Liabilities determined as of June 30, 2022
Measurement Date Valuation Date were projected to the June 30, 2023 Measurement Date on a no gain/loss basis.
Actuarial Cost Method: Entry Age Normal, Level Percent of Salary. Service Costs are attributed through all assumed ages of exit from active service
Asset-Valuation Method: Market Value

Actuarial Assumptions:

Discount rate 7.50%, net of OPEB plan investment expense
Medical inflation Pre-Medicare 7.25%-4.50%; Post-Medicare/PART B 5.75%-4.50%
L/T Expected Rate of Return 7.50% per annum, net of investment expenses and including inflation.
Salary Increases: 3.00% annually as of June 30, 2023 and for future periods
Mortality rates: Fire and Police - PubS.H-2010 Headcount Weighted Public Safety Mortality, projected with mortality improvement scale MP-2021.
Public Works, Town Hall, Clerical and Custodial - PubG.H-2010 Headcount Weighted General Mortality, projected with mortality improvement scale MP-2021.
Teachers and Administration - PubT.H-2010 Headcount Weighted Teachers Mortality, projected with mortality improvement scale MP-2021.
Mortality rates, disabled members: Fire and Police - PubS.H-2010 Headcount Weighted Safety Disabled Mortality, projected with mortality improvement scale MP-2021.
All other groups: PubT/G.H-2010 Headcount Weighted Teachers/General Disabled Mortality, projected with mortality improvement scale MP-2021.
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 2021. The mortality assumption is typically updated each time a new table or mortality improvement scale is released by the SOA. Due to excess mortality primarily driven by COVID, the SOA did not issue an MP-2022 scale.

See independent auditors' report

Town of Middletown, RI
Supplementary Information
Tax Collector Annual Report
For the Year June 30, 2023

Real estate and personal property taxes receivable							FY2023 Cash Collections Summary			
Year	Balance, July 1, 2022	Current year assessment	Addenda/ Adjustments/ Abatements	Amount to be collected	Collections	Balance, June 30, 2023	July-August 2022 Collections Subject to 60-day FY 22 Accrual	September 2022-June 2023 Collections	Total FY 23 Cash Collections	July - August 2023 (FY23) Cash Collections Subject to 60-day FY23 Accrual
2022	\$ —	\$49,197,108	\$ 5,883	\$49,202,991	\$48,755,603	\$ 447,388	\$ —	\$48,755,603	\$48,755,603	\$ 228,384
2021	747,213		(3,600)	743,613	688,351	55,262	456,572	231,779	688,351	993
2020	118,638		13	118,651	82,700	35,951	14,382	68,318	82,700	667
2019	31,613		(139)	31,474	4,831	26,643	144	4,687	4,831	241
2018	38,179		(52)	38,127	2,105	36,022	418	1,687	2,105	257
2017	39,204		(13)	39,191	1,658	37,533	—	1,658	1,658	48
2016	55,671		—	55,671	1,333	54,338	—	1,333	1,333	40
2015	31,024		—	31,024	701	30,323	50	651	701	—
2014	83,209		—	83,209	931	82,278	58	873	931	—
2013	46,375		—	46,375	829	45,546	76	753	829	—
Prior	109,753		(41,871)	67,882	82	67,800	—	82	82	—
	<u>\$1,300,879</u>	<u>\$49,197,108</u>	<u>\$ (39,779)</u>	<u>\$50,458,208</u>	<u>\$49,539,124</u>	<u>\$ 919,084</u>	<u>\$ 471,700</u>	<u>\$49,067,424</u>	<u>\$49,539,124</u>	<u>\$ 230,630</u>
Allowance for doubtful accounts	<u>(486,796)</u>					<u>(441,800)</u>				
Net Property Tax Receivable	<u>\$ 814,083</u>					<u>\$ 478,569</u>				

See independent auditors' report

Town of Middletown, RI
Supplementary Information
Tax Collector Annual Report
For the Year Ended June 30, 2023

Schedule of net assessed property value by category:

<u>Description of property</u>	<u>Valuations</u>	<u>Levy</u>
Real property	\$ 3,594,306,500	\$ 47,358,832
Motor vehicles	172,142,467	—
Tangible personal	<u>110,876,762</u>	<u>1,838,276</u>
Total	3,877,325,729	49,197,108
Exemptions	<u>180,932,812</u>	
Current year assessment	<u><u>\$ 3,696,392,917</u></u>	<u><u>\$ 49,197,108</u></u>

Reconciliation of current year
property tax revenue:

Current year collections	\$ 49,539,124
Revenue collected within 60 days subsequent to year ended June 30, 2022	<u>230,630</u>
	49,769,754
Prior year revenue received in current year	<u>(471,700)</u>
Current year real estate and personal property tax revenue	<u><u>\$ 49,298,054</u></u>

See independent auditors' report

Town of Middletown, Rhode Island
Supplementary Information
Non-Major Governmental Funds

Combined Balance Sheet

June 30, 2023

	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	\$ 7,309	\$ —	\$ —	\$ —
Accounts receivable, net						
Federal and state government	—	—	—	—	—	—
Loans receivable	—	—	—	—	—	—
Other receivable	—	—	—	—	—	—
Prepaid expenses	—	1,000	—	—	—	—
Due from other funds	—	—	—	500	36,187	1,086
Total assets	4	9,915	7,309	500	36,187	1,086
Deferred outflows of resources						
Deferred outflows	—	—	—	—	—	—
Total deferred outflows of resources	—	—	—	—	—	—
Total assets and deferred outflows of resources	\$ 4	\$ 9,915	\$ 7,309	\$ 500	\$ 36,187	\$ 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	—	—	—	—	—	—
Restricted	—	—	—	—	—	—
Committed	—	—	—	—	—	—
Assigned	4	—	7,309	500	36,187	1,086
Unassigned	—	—	—	—	—	—
Total fund balances	4	—	7,309	500	36,187	1,086
Total liabilities, deferred inflows of resources, and fund balances	\$ 4	\$ 9,915	\$ 7,309	\$ 500	\$ 36,187	\$ 1,086

See independent auditors' report

Town of Middletown, Rhode Island
Supplementary Information
Non-Major Governmental Funds
Combined Balance Sheet
June 30, 2023

	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	\$ 392,545	\$ 29,349	\$ 60,043	\$ 27,699	\$ 57,818	\$ —
Accounts receivable, net						
Federal and state government						
Loans receivable	—	—	—	—	—	—
Other receivable	—	—	—	—	—	—
Prepaid expenses	—	—	—	—	—	—
Due from other funds	—	2,060	—	—	29,224	516
Total assets	392,545	31,409	60,043	27,699	87,042	516
Deferred outflows of resources						
Deferred outflows	—	—	—	—	—	—
Total deferred outflows of resources	—	—	—	—	—	—
Total assets and deferred outflows of resources	<u>\$ 392,545</u>	<u>\$ 31,409</u>	<u>\$ 60,043</u>	<u>\$ 27,699</u>	<u>\$ 87,042</u>	<u>\$ 516</u>
Liabilities						
Accounts payable and accrued expenses	—	—	—	—	55,949	—
Due to other funds	222,531	—	4,263	13,445	—	—
Total liabilities	222,531	—	4,263	13,445	55,949	—
Deferred inflows of resources						
Unearned revenues	—	—	—	—	—	—
Total deferred inflows of resources	—	—	—	—	—	—
Fund balances:						
Nonspendable	—	—	—	—	—	—
Restricted	—	—	—	—	31,093	—
Committed	—	—	—	—	—	—
Assigned	170,014	31,409	55,780	14,254	—	516
Unassigned	—	—	—	—	—	—
Total fund balances	170,014	31,409	55,780	14,254	31,093	516
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 392,545</u>	<u>\$ 31,409</u>	<u>\$ 60,043</u>	<u>\$ 27,699</u>	<u>\$ 87,042</u>	<u>\$ 516</u>

See independent auditors' report

Town of Middletown, Rhode Island
Supplementary Information
Non-Major Governmental Funds
Combined Balance Sheet
June 30, 2023

	Special Revenue Funds - Town				
	Civilian Police Academy Fund	PPV Public Safety	JFK Building SRF	Library Community Garden Fund	Total Town Special Revenue Funds
Assets					
Cash and cash equivalents	\$ —	\$ —	\$ —	\$ 980	\$ 584,662
Accounts receivable, net					
Federal and state government	—	—	—	—	—
Loans receivable	—	—	—	—	—
Other receivable	—	117,372	—	—	117,372
Prepaid expenses	—	—	—	—	1,000
Due from other funds	1,860	879,095	245,502	15,985	1,212,015
Total assets	1,860	996,467	245,502	16,965	1,915,049
Deferred outflows of resources					
Deferred outflows	—	—	—	—	—
Total deferred outflows of resources	—	—	—	—	—
Total assets and deferred outflows of resources	\$ 1,860	\$ 996,467	\$ 245,502	\$ 16,965	\$ 1,915,049
Liabilities					
Accounts payable and accrued expenses	—	—	9,738	—	65,687
Due to other funds	—	—	—	—	242,295
Total liabilities	—	—	9,738	—	307,982
Deferred inflows of resources					
Unearned revenues	—	—	—	—	7,859
Total deferred inflows of resources	—	—	—	—	7,859
Fund balances:					
Nonspendable	—	—	—	—	—
Restricted	—	—	—	—	31,093
Committed	—	—	—	—	—
Assigned	1,860	996,467	235,764	16,965	1,568,115
Unassigned	—	—	—	—	—
Total fund balances	1,860	996,467	235,764	16,965	1,599,208
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,860	\$ 996,467	\$ 245,502	\$ 16,965	\$ 1,915,049

See independent auditors' report

Town of Middletown, Rhode Island
Supplementary Information
Non-Major Governmental Funds
Combined Balance Sheet
June 30, 2023

	Permanent Funds			
	McCartney Scholarship Fund	McKie Scholarship Fund	Bennett Welfare Fund	Freebody Welfare Fund
Assets				
Cash and cash equivalents	\$ 17,674	\$ 18,548	\$ 3,615	\$ 3,015
Accounts receivable, net				
Federal and state government	—	—	—	—
Loans receivable	—	—	—	—
Other receivable	—	—	—	—
Prepaid expenses	—	—	—	—
Due from other funds	—	—	—	—
Total assets	<u>17,674</u>	<u>18,548</u>	<u>3,615</u>	<u>3,015</u>
Deferred outflows of resources				
Deferred outflows	—	—	—	—
Total deferred outflows of resources	—	—	—	—
Total assets and deferred outflows of resources	<u>\$ 17,674</u>	<u>\$ 18,548</u>	<u>\$ 3,615</u>	<u>\$ 3,015</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	1,242	252	615	515
Committed	—	—	—	—
Assigned	—	—	—	—
Unassigned	—	—	—	—
Total fund balances	<u>17,674</u>	<u>18,548</u>	<u>3,615</u>	<u>3,015</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 17,674</u>	<u>\$ 18,548</u>	<u>\$ 3,615</u>	<u>\$ 3,015</u>

See independent auditors' report

Town of Middletown, Rhode Island
Supplementary Information
Non-Major Governmental Funds
Combined Balance Sheet
June 30, 2023

	Permanent Funds			
	Burial Fund	Summerfield Trust Fund	Middletown Main Drainage	Total Permanent Funds
Assets				
Cash and cash equivalents	\$ 146,470	\$ 2,990	\$ 18,981	\$ 211,293
Accounts receivable, net				
Federal and state government	—	—	—	—
Loans receivable	—	—	—	—
Other receivable	—	—	—	—
Prepaid expenses	—	—	—	—
Due from other funds	9,916	—	—	9,916
Total assets	<u>156,386</u>	<u>2,990</u>	<u>18,981</u>	<u>221,209</u>
Deferred outflows of resources				
Deferred outflows	—	—	—	—
Total deferred outflows of resources	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total assets and deferred outflows of resources	<u>\$ 156,386</u>	<u>\$ 2,990</u>	<u>\$ 18,981</u>	<u>\$ 221,209</u>
Liabilities				
Accounts payable and accrued expenses	9,916	—	—	9,916
Due to other funds	—	—	—	—
Total liabilities	<u>9,916</u>	<u>—</u>	<u>—</u>	<u>9,916</u>
Deferred inflows of resources				
Unearned revenues	—	—	—	—
Total deferred inflows of resources	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund balances:				
Nonspendable	141,530	2,500	15,880	200,138
Restricted	4,940	490	3,101	11,155
Committed	—	—	—	—
Assigned	—	—	—	—
Unassigned	—	—	—	—
Total fund balances	<u>146,470</u>	<u>2,990</u>	<u>18,981</u>	<u>211,293</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 156,386</u>	<u>\$ 2,990</u>	<u>\$ 18,981</u>	<u>\$ 221,209</u>

See independent auditors' report

Town of Middletown, Rhode Island
Supplementary Information
Non-Major Governmental Funds
Combined Balance Sheet
June 30, 2023

	Special Revenue Funds - School					
	IDEA Part B Allocation	IDEA Part B Preschool	Title I	Title II	Title III	Title III Competitive
Assets						
Cash and cash equivalents	\$ (268,402)	\$ (4,384)	\$ (162,265)	\$ (12,367)	\$ (42,406)	\$ (7,617)
Accounts receivable, net						
Federal and state government	295,020	4,384	216,302	15,749	50,907	8,101
Loans receivable	—	—	—	—	—	—
Other receivable	—	—	—	—	—	—
Prepaid expenses	—	—	—	—	—	—
Due from other funds	—	—	—	—	—	—
Total assets	<u>26,618</u>	<u>—</u>	<u>54,037</u>	<u>3,382</u>	<u>8,501</u>	<u>484</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>\$ 26,618</u>	<u>\$ —</u>	<u>\$ 54,037</u>	<u>\$ 3,382</u>	<u>\$ 8,501</u>	<u>\$ 484</u>
Liabilities						
Accounts payable and accrued expenses	26,618	—	54,036	3,382	7,642	484
Due to other funds	—	—	—	—	859	—
Total liabilities	<u>26,618</u>	<u>—</u>	<u>54,036</u>	<u>3,382</u>	<u>8,501</u>	<u>484</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	—	—	1	—	—	—
Committed	—	—	—	—	—	—
Assigned	—	—	—	—	—	—
Unassigned	—	—	—	—	—	—
Total fund balances	<u>—</u>	<u>—</u>	<u>1</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 26,618</u>	<u>\$ —</u>	<u>\$ 54,037</u>	<u>\$ 3,382</u>	<u>\$ 8,501</u>	<u>\$ 484</u>

See independent auditors' report

Town of Middletown, Rhode Island
Supplementary Information
Non-Major Governmental Funds
Combined Balance Sheet
June 30, 2023

	Special Revenue Funds - School					
	Title IV	Perkins Vocational	Perkins Vocational Set Aside	Perkins Special Programs	Education of Homeless 1	Education of Homeless 2
Assets						
Cash and cash equivalents	\$ —	\$ 2,087	\$ —	\$ —	\$ —	\$ (14,700)
Accounts receivable, net						
Federal and state government	—	59,071	—	400	—	41,017
Loans receivable	—	—	—	—	—	—
Other receivable	—	—	—	—	—	—
Prepaid expenses	—	—	—	—	—	—
Due from other funds	—	—	—	—	—	—
Total assets	—	61,158	—	400	—	26,317
Deferred outflows of resources						
Deferred outflows	—	—	—	—	—	—
Total deferred outflows of resources	—	—	—	—	—	—
Total assets and deferred outflows of resources	<u>\$ —</u>	<u>\$ 61,158</u>	<u>\$ —</u>	<u>\$ 400</u>	<u>\$ —</u>	<u>\$ 26,317</u>
Liabilities						
Accounts payable and accrued expenses	—	61,158	—	—	—	26,317
Due to other funds	—	—	—	400	—	—
Total liabilities	—	61,158	—	400	—	26,317
Deferred inflows of resources						
Unearned revenues	—	—	—	—	—	—
Total deferred inflows of resources	—	—	—	—	—	—
Fund balances:						
Nonspendable	—	—	—	—	—	—
Restricted	—	—	—	—	—	—
Committed	—	—	—	—	—	—
Assigned	—	—	—	—	—	—
Unassigned	—	—	—	—	—	—
Total fund balances	—	—	—	—	—	—
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ —</u>	<u>\$ 61,158</u>	<u>\$ —</u>	<u>\$ 400</u>	<u>\$ —</u>	<u>\$ 26,317</u>

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Town of Middletown, Rhode Island
Supplementary Information
Non-Major Governmental Funds
Combined Balance Sheet
June 30, 2023

	Special Revenue Funds - School					
	Rethink RI K8 AIS	US Dept. of Defense Grant MAPS	US Dept. of Defense Grant - Bio Med	ESSER II Funds	ESSER III Funds	Comprehensive Literacy Grant
Assets						
Cash and cash equivalents	\$ 21,559	\$ 46,596	\$ (34,426)	\$ (6,250)	\$ (315,628)	\$ (102,246)
Accounts receivable, net						
Federal and state government	—	—	70,725	6,250	335,299	104,081
Loans receivable	—	—	—	—	—	—
Other receivable	—	—	—	—	—	—
Prepaid expenses	—	—	—	—	—	—
Due from other funds	—	—	—	—	—	—
Total assets	21,559	46,596	36,299	—	19,671	1,835
Deferred outflows of resources						
Deferred outflows	—	—	—	—	—	—
Total deferred outflows of resources	—	—	—	—	—	—
Total assets and deferred outflows of resources	\$ 21,559	\$ 46,596	\$ 36,299	\$ —	\$ 19,671	\$ 1,835
Liabilities						
Accounts payable and accrued expenses	21,559	46,596	36,299	—	19,671	1,835
Due to other funds	—	—	—	—	—	—
Total liabilities	21,559	46,596	36,299	—	19,671	1,835
Deferred inflows of resources						
Unearned revenues	—	—	—	—	—	—
Total deferred inflows of resources	—	—	—	—	—	—
Fund balances:						
Nonspendable	—	—	—	—	—	—
Restricted	—	—	—	—	—	—
Committed	—	—	—	—	—	—
Assigned	—	—	—	—	—	—
Unassigned	—	—	—	—	—	—
Total fund balances	—	—	—	—	—	—
Total liabilities, deferred inflows of resources, and fund balances	\$ 21,559	\$ 46,596	\$ 36,299	\$ —	\$ 19,671	\$ 1,835

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	Special Revenue Funds - School					
	CRF-Sub Teacher Pool & Recruitment	ARP Homeless Children & Youth	ARP IDEA B	ARP IDEA B Preschool	ARP Municipal Grant	American ARP ELC Epi & Lab Capacity
Assets						
Cash and cash equivalents	\$ 110	\$ —	\$ (15,056)	\$ (2,581)	\$ (395,293)	\$ (57,786)
Accounts receivable, net						
Federal and state government	—	—	28,011	2,581	—	72,150
Loans receivable	—	—	—	—	—	—
Other receivable	—	—	—	—	—	—
Prepaid expenses	—	—	—	—	—	—
Due from other funds	—	—	—	—	425,097	—
Total assets	<u>110</u>	<u>—</u>	<u>12,955</u>	<u>—</u>	<u>29,804</u>	<u>14,364</u>
Deferred outflows of resources						
Deferred outflows	—	—	—	—	—	—
Total deferred outflows of resources	—	—	—	—	—	—
Total assets and deferred outflows of resources	<u>\$ 110</u>	<u>\$ —</u>	<u>\$ 12,955</u>	<u>\$ —</u>	<u>\$ 29,804</u>	<u>\$ 14,364</u>
Liabilities						
Accounts payable and accrued expenses	—	—	12,955	—	29,804	14,364
Due to other funds	—	—	—	—	—	—
Total liabilities	<u>—</u>	<u>—</u>	<u>12,955</u>	<u>—</u>	<u>29,804</u>	<u>14,364</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	110	—	—	—	—	—
Committed	—	—	—	—	—	—
Assigned	—	—	—	—	—	—
Unassigned	—	—	—	—	—	—
Total fund balances	<u>110</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 110</u>	<u>\$ —</u>	<u>\$ 12,955</u>	<u>\$ —</u>	<u>\$ 29,804</u>	<u>\$ 14,364</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					
	Education and Innovation (CS4RI)	Healthier Challenge Grant	Early Childhood	Literacy	Student Equity	CS4RI
Assets						
Cash and cash equivalents	\$ —	\$ 1,530	\$ —	\$ —	\$ —	31
Accounts receivable, net						
Federal and state government	9,389	—	—	—	—	—
Loans receivable	—	—	—	—	—	—
Other receivable	—	—	—	—	—	—
Prepaid expenses	—	—	—	—	—	—
Due from other funds	—	—	—	—	—	—
Total assets	9,389	1,530	—	—	—	31
Deferred outflows of resources						
Deferred outflows	—	—	—	—	—	—
Total deferred outflows of resources	—	—	—	—	—	—
Total assets and deferred outflows of resources	\$ 9,389	\$ 1,530	\$ —	\$ —	\$ —	\$ 31
Liabilities						
Accounts payable and accrued expenses	9,389	—	—	—	—	—
Due to other funds	—	—	—	—	—	—
Total liabilities	9,389	—	—	—	—	—
Deferred inflows of resources						
Unearned revenues	—	—	—	—	—	—
Total deferred inflows of resources	—	—	—	—	—	—
Fund balances:						
Nonspendable	—	—	—	—	—	—
Restricted	—	1,530	—	—	—	31
Committed	—	—	—	—	—	—
Assigned	—	—	—	—	—	—
Unassigned	—	—	—	—	—	—
Total fund balances	—	1,530	—	—	—	31
Total liabilities, deferred inflows of resources, and fund balances	\$ 9,389	\$ 1,530	\$ —	\$ —	\$ —	\$ 31

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	Special Revenue Funds - School					
	CTE Categorical Aid	CTE Categorical Aid-2	English Learner Categorical	RIDE Open Science Field Test Grant	Tech Assistance on Necessity of School Constr	SBA Capital Fund
Assets						
Cash and cash equivalents	\$ 18,919	\$ 99,165	\$ —	\$ (1,905)	\$ —	\$ —
Accounts receivable, net						
Federal and state government	—	—	12,500	2,029	—	214,674
Loans receivable	—	—	—	—	—	—
Other receivable	—	—	—	—	—	—
Prepaid expenses	—	—	—	—	—	—
Due from other funds	—	—	—	—	—	—
Total assets	<u>18,919</u>	<u>99,165</u>	<u>12,500</u>	<u>124</u>	<u>—</u>	<u>214,674</u>
Deferred outflows of resources						
Deferred outflows	—	—	—	—	—	—
Total deferred outflows of resources	—	—	—	—	—	—
Total assets and deferred outflows of resources	<u>\$ 18,919</u>	<u>\$ 99,165</u>	<u>\$ 12,500</u>	<u>\$ 124</u>	<u>\$ —</u>	<u>\$ 214,674</u>
Liabilities						
Accounts payable and accrued expenses	11,894	1,112	12,500	—	—	214,674
Due to other funds	—	—	—	—	—	—
Total liabilities	<u>11,894</u>	<u>1,112</u>	<u>12,500</u>	<u>—</u>	<u>—</u>	<u>214,674</u>
Deferred inflows of resources						
Unearned revenues	—	—	—	—	—	—
Total deferred inflows of resources	—	—	—	—	—	—
Fund balances:						
Nonspendable	—	—	—	—	—	—
Restricted	7,025	98,053	—	124	—	—
Committed	—	—	—	—	—	—
Assigned	—	—	—	—	—	—
Unassigned	—	—	—	—	—	—
Total fund balances	<u>7,025</u>	<u>98,053</u>	<u>—</u>	<u>124</u>	<u>—</u>	<u>—</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 18,919</u>	<u>\$ 99,165</u>	<u>\$ 12,500</u>	<u>\$ 124</u>	<u>\$ —</u>	<u>\$ 214,674</u>

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Town of Middletown, Rhode Island
Supplementary Information
Non-Major Governmental Funds
Combined Balance Sheet
June 30, 2023

	Special Revenue Funds - School					
	Feinstein Foundation Grant	EBCAP 1	EBCAP 2 VB	EBCAP 3 Civic	Rhode Island Foundation	Van Beuren Charitable Foundation
Assets						
Cash and cash equivalents	\$ 139,833	\$ —	\$ —	\$ —	\$ 6,122	\$ —
Accounts receivable, net						
Federal and state government	—	—	—	—	—	—
Loans receivable	—	—	—	—	—	—
Other receivable	—	968	—	—	—	—
Prepaid expenses	—	—	—	—	—	—
Due from other funds	—	—	—	—	—	—
Total assets	<u>139,833</u>	<u>968</u>	<u>—</u>	<u>—</u>	<u>6,122</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>\$ 139,833</u>	<u>\$ 968</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 6,122</u>	<u>\$ —</u>
Liabilities						
Accounts payable and accrued expenses	9,015	968	—	—	—	8,331
Due to other funds	—	—	—	—	—	—
Total liabilities	<u>9,015</u>	<u>968</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>8,331</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	130,818	—	—	—	6,122	—
Committed	—	—	—	—	—	—
Assigned	—	—	—	—	—	—
Unassigned	—	—	—	—	—	(8,331)
Total fund balances	<u>130,818</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>6,122</u>	<u>(8,331)</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 139,833</u>	<u>\$ 968</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 6,122</u>	<u>\$ —</u>

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Town of Middletown, Rhode Island
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Combined Balance Sheet
June 30, 2023

	Special Revenue Funds - School					
	Target Private Donations	Office Max	Interlock Risk Management	Scholarship America	RI Art Association	PTO/PTG Donations
Assets						
Cash and cash equivalents	\$ 195	\$ 100	\$ —	\$ 472	\$ 132	\$ 306
Accounts receivable, net						
Federal and state government	—	—	—	—	—	—
Loans receivable	—	—	—	—	—	—
Other receivable	—	—	—	—	—	1,385
Prepaid expenses	—	—	—	—	—	—
Due from other funds	—	—	—	—	—	—
Total assets	<u>195</u>	<u>100</u>	<u>—</u>	<u>472</u>	<u>132</u>	<u>1,691</u>
Deferred outflows of resources						
Deferred outflows	—	—	—	—	—	—
Total deferred outflows of resources	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total assets and deferred outflows of resources	<u>\$ 195</u>	<u>\$ 100</u>	<u>\$ —</u>	<u>\$ 472</u>	<u>\$ 132</u>	<u>\$ 1,691</u>
Liabilities						
Accounts payable and accrued expenses	—	—	—	—	—	1,691
Due to other funds	—	—	—	—	—	—
Total liabilities	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,691</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	195	100	—	472	132	—
Committed	—	—	—	—	—	—
Assigned	—	—	—	—	—	—
Unassigned	—	—	—	—	—	—
Total fund balances	<u>195</u>	<u>100</u>	<u>—</u>	<u>472</u>	<u>132</u>	<u>—</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 195</u>	<u>\$ 100</u>	<u>\$ —</u>	<u>\$ 472</u>	<u>\$ 132</u>	<u>\$ 1,691</u>

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Town of Middletown, Rhode Island

Supplementary Information

Non-Major Governmental Funds

Combined Balance Sheet

June 30, 2023

	Special Revenue Funds - School				
	Middletown Education Collaborative	Safety Town	National Math & Science Inc.	Angel Fund	AP Testing
Assets					
Cash and cash equivalents	\$ 281	\$ 501	\$ 6,621	\$ 630	\$ 9,916
Accounts receivable, net					
Federal and state government	—	—	—	—	—
Loans receivable	—	—	—	—	—
Other receivable	—	—	—	—	—
Prepaid expenses	—	—	—	—	—
Due from other funds	—	—	—	—	—
Total assets	<u>281</u>	<u>501</u>	<u>6,621</u>	<u>630</u>	<u>9,916</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>\$ 281</u>	<u>\$ 501</u>	<u>\$ 6,621</u>	<u>\$ 630</u>	<u>\$ 9,916</u>
Liabilities					
Accounts payable and accrued expenses	—	—	—	—	—
Due to other funds	—	—	—	—	—
Total liabilities	<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>
Fund balances:					
Nonspendable	—	—	—	—	—
Restricted	281	501	6,621	630	9,916
Committed	—	—	—	—	—
Assigned	—	—	—	—	—
Unassigned	—	—	—	—	—
Total fund balances	<u>281</u>	<u>501</u>	<u>6,621</u>	<u>630</u>	<u>9,916</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 281</u>	<u>\$ 501</u>	<u>\$ 6,621</u>	<u>\$ 630</u>	<u>\$ 9,916</u>

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Town of Middletown, Rhode Island
Supplementary Information
Non-Major Governmental Funds

Combined Balance Sheet

June 30, 2023

	Special Revenue Funds - School				
	PSAT	Middle School Donors	Forest Ave School Donors	Aquidneck School Donors	High School Donors
Assets					
Cash and cash equivalents	\$ 127	\$ 13,244	\$ 3,939	\$ 4,043	\$ 20,624
Accounts receivable, net					
Federal and state government	—	—	—	—	—
Loans receivable	—	—	—	—	—
Other receivable	—	—	—	—	4,495
Prepaid expenses	—	—	—	—	—
Due from other funds	—	—	—	—	—
Total assets	<u>127</u>	<u>13,244</u>	<u>3,939</u>	<u>4,043</u>	<u>25,119</u>
Deferred outflows of resources					
Deferred outflows	—	—	—	—	—
Total deferred outflows of resources	—	—	—	—	—
Total assets and deferred outflows of resources	<u>\$ 127</u>	<u>\$ 13,244</u>	<u>\$ 3,939</u>	<u>\$ 4,043</u>	<u>\$ 25,119</u>
Liabilities					
Accounts payable and accrued expenses	—	—	589	395	\$ 550
Due to other funds	—	—	—	—	—
Total liabilities	—	—	589	395	550
Deferred inflows of resources					
Unearned revenues	—	—	—	—	—
Total deferred inflows of resources	—	—	—	—	—
Fund balances:					
Nonspendable	—	—	—	—	—
Restricted	127	13,244	3,350	3,648	24,569
Committed	—	—	—	—	—
Assigned	—	—	—	—	—
Unassigned	—	—	—	—	—
Total fund balances	<u>127</u>	<u>13,244</u>	<u>3,350</u>	<u>3,648</u>	<u>24,569</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 127</u>	<u>\$ 13,244</u>	<u>\$ 3,939</u>	<u>\$ 4,043</u>	<u>\$ 25,119</u>

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Town of Middletown, Rhode Island
Supplementary Information
Non-Major Governmental Funds
Combined Balance Sheet
June 30, 2023

	Special Revenue Funds - School					
	Donations Boosters	Donations Robotics Program	Donations Communications Plan	Town Special Revenue	Activity Funds	School Capital Improvement
Assets						
Cash and cash equivalents	\$ 294	\$ 1,189	\$ 200	\$ —	\$ 192,497	\$ 425,208
Accounts receivable, net						
Loans receivable	—	—	—	—	—	—
	—	—	—	—	—	—
Other receivable	—	—	—	—	—	—
Prepaid expenses	—	—	—	—	—	—
Due from other funds	—	—	—	—	—	327,390
Total assets	<u>294</u>	<u>1,189</u>	<u>200</u>	<u>—</u>	<u>192,497</u>	<u>752,598</u>
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>\$ 294</u>	<u>\$ 1,189</u>	<u>\$ 200</u>	<u>\$ —</u>	<u>\$ 192,497</u>	<u>\$ 752,598</u>
Liabilities						
Accounts payable and accrued expenses	—	—	—	—	6,788	\$ 304,130
Due to other funds	—	—	—	—	—	—
Total liabilities	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>6,788</u>	<u>304,130</u>
Deferred inflows of resources						
Deferred revenues	—	—	—	—	—	—
Total deferred inflows of resources	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund balances:						
Nonspendable	—	—	—	—	—	—
Restricted	294	1,189	200	—	185,709	448,468
Committed	—	—	—	—	—	—
Assigned	—	—	—	—	—	—
Unassigned	—	—	—	—	—	—
Total fund balances	<u>294</u>	<u>1,189</u>	<u>200</u>	<u>—</u>	<u>185,709</u>	<u>448,468</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 294</u>	<u>\$ 1,189</u>	<u>\$ 200</u>	<u>\$ —</u>	<u>\$ 192,497</u>	<u>\$ 752,598</u>

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Town of Middletown, Rhode Island

Supplementary Information

Major Governmental Funds

Combined Balance Sheet

June 30, 2023

	Other Enterprise	School Lunch Program	Total School Special Revenue Funds	Town Capital Projects Fund	Total Non-Major Governmental Funds	American Rescue Plan Fund
Assets						
Cash and cash equivalents	\$ 161,137	\$ 925,221	\$ 659,517	\$ 89,841	\$ 1,545,313	\$ 4,054,894
Accounts receivable, net						—
Federal and state government	—	35,424	1,584,064	—	1,584,064	—
Loans receivable	—	—	—	—	—	—
Other receivable	9,710	45,160	60,459	—	177,831	—
Prepaid expenses					1,000	—
Due from other funds	—	—	752,487	—	1,974,418	—
Total assets	170,847	1,005,805	3,056,527	89,841	5,282,626	4,054,894
Deferred outflows of resources						
Deferred outflows	—	—	—	—	—	—
Total deferred outflows of resources	—	—	—	—	—	—
Total assets and deferred outflows of resources	\$ 170,847	\$ 1,005,805	\$ 3,056,527	\$ 89,841	\$ 5,282,626	\$ 4,054,894
Liabilities						
Accounts payable and accrued expenses	\$ —	\$ 119,518	\$ 1,064,264	27,413	1,167,280	—
Due to other funds	—	77,755	77,755	175,673	495,723	1,158,412
Total liabilities	—	197,273	1,142,019	203,086	1,663,003	1,158,412
Deferred inflows of resources						
Unearned revenues	—	—	—	—	7,859	2,896,272
Total deferred inflows of resources	—	—	—	—	7,859	2,896,272
Fund balances:						
Nonspendable	—	—	—	—	200,138	—
Restricted	—	808,532	1,914,508	—	1,843,511	210
Committed	—	—	—	—	—	—
Assigned	170,847	—	—	—	1,568,115	—
Unassigned	—	—	—	(113,245)	—	—
Total fund balances	170,847	808,532	1,914,508	(113,245)	3,611,764	210
Total liabilities, deferred inflows of resources, and fund balances	\$ 170,847	\$ 1,005,805	\$ 3,056,527	\$ 89,841	\$ 5,282,626	\$ 4,054,894

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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, 2023

	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
Revenues						
Intergovernmental	\$ —	\$ 19,875	\$ —	\$ —	\$ —	\$ —
Licenses, permits and fees	—	—	—	—	4,347	—
Interest and investment income	—	—	18	—	—	—
Other	—	—	—	—	—	—
Total revenues	<u>—</u>	<u>19,875</u>	<u>18</u>	<u>—</u>	<u>4,347</u>	<u>—</u>
Expenditures						
General government	—	—	—	—	—	—
Public safety	—	—	—	—	—	—
Public works	—	—	—	—	—	—
Planning and inspection	—	—	—	—	—	—
Library	—	—	—	—	—	—
Education	—	—	—	—	—	—
Community Services	—	19,875	—	—	—	—
Capital outlay	—	—	—	—	—	—
Total expenditures	<u>—</u>	<u>19,875</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Excess (deficiency) of revenues over expenditures	<u>—</u>	<u>—</u>	<u>18</u>	<u>—</u>	<u>4,347</u>	<u>—</u>
Other financing sources (uses)						
Proceeds from Financing	—	—	—	—	—	—
Transfers from other funds	—	—	—	—	—	—
Transfers to other funds	—	—	—	—	(5,239)	—
Total other financing sources (uses)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(5,239)</u>	<u>—</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>—</u>	<u>—</u>	<u>18</u>	<u>—</u>	<u>(892)</u>	<u>—</u>
Fund balances, beginning	<u>4</u>	<u>—</u>	<u>7,291</u>	<u>500</u>	<u>37,079</u>	<u>1,086</u>
Fund balances, ending	<u>\$ 4</u>	<u>\$ —</u>	<u>\$ 7,309</u>	<u>\$ 500</u>	<u>\$ 36,187</u>	<u>\$ 1,086</u>

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	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	—	—	—	—	—	—
Interest and investment income	957	17	—	—	73	—
Other	32,102	1,653	21,578	1,669	47,972	—
Total revenues	33,059	1,670	21,578	1,669	48,045	—
Expenditures						
General government	—	—	—	—	—	—
Public safety	—	—	—	—	—	—
Public works	—	—	—	—	—	—
Planning and inspection	—	—	—	—	—	—
Library	—	—	—	—	—	—
Education	—	—	—	—	—	—
Community Services	—	—	—	—	—	—
Capital outlay	—	—	—	—	—	—
Total expenditures	—	—	—	—	—	—
Excess (deficiency) of revenues over expenditures	33,059	1,670	21,578	1,669	48,045	—
Other financing sources (uses)						
Proceeds from Financing	—	—	—	—	—	—
Transfers from other funds	—	—	—	—	—	—
Transfers to other funds	(7,863)	—	(547)	(3,096)	(62,827)	—
Total other financing sources (uses)	(7,863)	—	(547)	(3,096)	(62,827)	—
Excess (deficiency) of revenues and other sources over expenditures and other uses	25,196	1,670	21,031	(1,427)	(14,782)	—
Fund balances, beginning	144,818	29,739	34,749	15,681	45,875	516
Fund balances, ending	\$ 170,014	\$ 31,409	\$ 55,780	\$ 14,254	\$ 31,093	\$ 516

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	Special Revenue Funds - Town				
	Civilian Police Academy Fund	PPV Public Safety	JFK Building SRF	Library Community Garden Fund	Total Town Special Revenue Funds
Revenues					
Intergovernmental	\$ —	\$ 1,376,704	\$ —	\$ —	\$ 1,396,579
Licenses, permits and fees	—	—	—	199	4,546
Interest and investment income	—	—	—	—	1,065
Other	—	—	40,805	—	145,779
Total revenues	<u>—</u>	<u>1,376,704</u>	<u>40,805</u>	<u>199</u>	<u>1,547,969</u>
Expenditures					
General government	—	—	—	—	—
Public safety	—	—	—	—	—
Public works	—	—	—	—	—
Planning and inspection	—	—	—	—	—
Library	—	—	—	—	—
Education	—	—	—	—	—
Community Services	—	—	—	—	19,875
Capital outlay	—	—	—	—	—
Total expenditures	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>19,875</u>
Excess (deficiency) of revenues over expenditures	<u>—</u>	<u>1,376,704</u>	<u>40,805</u>	<u>199</u>	<u>1,528,094</u>
Other financing sources (uses)					
Proceeds from Financing	—	—	—	—	—
Transfers from other funds	—	—	—	—	—
Transfers to other funds	—	(872,162)	(71,136)	(17)	(1,022,887)
Total other financing sources (uses)	<u>—</u>	<u>(872,162)</u>	<u>(71,136)</u>	<u>(17)</u>	<u>(1,022,887)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>—</u>	<u>504,542</u>	<u>(30,331)</u>	<u>182</u>	<u>505,207</u>
Fund balances, beginning	<u>1,860</u>	<u>491,925</u>	<u>266,095</u>	<u>16,783</u>	<u>1,094,001</u>
Fund balances, ending	<u>\$ 1,860</u>	<u>\$ 996,467</u>	<u>\$ 235,764</u>	<u>\$ 16,965</u>	<u>\$ 1,599,208</u>

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	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	43	46	9	8
Other	—	—	—	—
Total revenues	<u>43</u>	<u>46</u>	<u>9</u>	<u>8</u>
Expenditures				
General government	—	—	—	—
Public safety	—	—	—	—
Public works	—	—	—	—
Planning and inspection	—	—	—	—
Library	—	—	—	—
Education	—	—	—	—
Community Services	—	—	—	—
Capital outlay	—	—	—	—
Total expenditures	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Excess (deficiency) of revenues over expenditures	<u>43</u>	<u>46</u>	<u>9</u>	<u>8</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	<u>43</u>	<u>46</u>	<u>9</u>	<u>8</u>
Fund balances, beginning	<u>17,631</u>	<u>18,502</u>	<u>3,606</u>	<u>3,007</u>
Fund balances, ending	<u>\$ 17,674</u>	<u>\$ 18,548</u>	<u>\$ 3,615</u>	<u>\$ 3,015</u>

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	Permanent Trust Funds			
	Burial fund	Summerfield Trust Fund	Middletown Main Drainage	Total Permanent Funds
Revenues				
Intergovernmental	\$ —	\$ —	\$ —	\$ —
Licenses, permits and fees	52,561	—	—	52,561
Interest and investment income	346	7	46	505
Other	4,060	—	—	4,060
Total revenues	<u>56,967</u>	<u>7</u>	<u>46</u>	<u>57,126</u>
Expenditures				
General government	—	—	—	—
Public safety	—	—	—	—
Public works	90,051	—	—	90,051
Planning and inspection	—	—	—	—
Library	—	—	—	—
Education	—	—	—	—
Community Services	—	—	—	—
Capital outlay	—	—	—	—
Total expenditures	<u>90,051</u>	<u>—</u>	<u>—</u>	<u>90,051</u>
Excess (deficiency) of revenues over expenditures	<u>(33,084)</u>	<u>7</u>	<u>46</u>	<u>(32,925)</u>
Other financing sources (uses)				
Proceeds from Financing	—	—	—	—
Operating transfers from other funds	36,644	—	—	36,644
Operating transfers to other funds	—	—	—	—
Total other financing sources (uses)	<u>36,644</u>	<u>—</u>	<u>—</u>	<u>36,644</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>3,560</u>	<u>7</u>	<u>46</u>	<u>3,719</u>
Fund balances, beginning	<u>142,910</u>	<u>2,983</u>	<u>18,935</u>	<u>207,574</u>
Fund balances, ending	<u>\$ 146,470</u>	<u>\$ 2,990</u>	<u>\$ 18,981</u>	<u>\$ 211,293</u>

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	Special Revenue Funds - School					
	IDEA Part B Allocation	IDEA Part B Preschool	Title I	Title II	Title III	Title III Competitive
Revenues						
Intergovernmental	\$ 658,176	\$ 40,035	\$ 446,041	\$ 79,823	\$ 72,195	\$ 8,101
Licenses, permits and fees	—	—	—	—	—	—
Interest and investment income	—	—	—	—	—	—
Other	—	—	—	—	—	—
Total revenues	<u>658,176</u>	<u>40,035</u>	<u>446,041</u>	<u>79,823</u>	<u>72,195</u>	<u>8,101</u>
Expenditures						
General government	—	—	—	—	—	—
Public safety	—	—	—	—	—	—
Public works	—	—	—	—	—	—
Planning and inspection	—	—	—	—	—	—
Library	—	—	—	—	—	—
Education	658,176	40,035	446,041	79,823	72,195	8,101
Community Services	—	—	—	—	—	—
Capital outlay	—	—	—	—	—	—
Total expenditures	<u>658,176</u>	<u>40,035</u>	<u>446,041</u>	<u>79,823</u>	<u>72,195</u>	<u>8,101</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>1</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund balances, ending	<u><u>\$ —</u></u>	<u><u>\$ —</u></u>	<u><u>\$ 1</u></u>	<u><u>\$ —</u></u>	<u><u>\$ —</u></u>	<u><u>\$ —</u></u>

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	Special Revenue Funds - School					
	Title IV	Perkins Vocational	Perkins Vocational Set Aside	Perkins Special Programs	Education of Homeless 1	Education of Homeless 2
Revenues						
Intergovernmental	\$ —	\$ 85,060	\$ 6,500	\$ —	\$ —	\$ 41,017
Licenses, permits and fees	—	—	—	—	—	—
Interest and investment income	—	—	—	—	—	—
Other	—	—	—	—	—	—
Total revenues	<u>—</u>	<u>85,060</u>	<u>6,500</u>	<u>—</u>	<u>—</u>	<u>41,017</u>
Expenditures						
General government	—	—	—	—	—	—
Public safety	—	—	—	—	—	—
Public works	—	—	—	—	—	—
Library	—	—	—	—	—	—
Education	—	39,125	6,500	—	—	41,017
Community Services	—	—	—	—	—	—
Capital outlay	—	45,935	—	—	—	—
Total expenditures	<u>—</u>	<u>85,060</u>	<u>6,500</u>	<u>—</u>	<u>—</u>	<u>41,017</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	—	(17,027)	—	—	—	—
Total other financing sources (uses)	<u>—</u>	<u>(17,027)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>—</u>	<u>(17,027)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund balances, beginning	<u>—</u>	<u>17,027</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund balances, ending	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

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	Special Revenue Funds - School					
	Rethink RI K8 AIS	US Dept. of Defense Grant MAPS	US Department of Defense Grant - Bio Med	ESSER II Funds	ESSER III Funds	Comprehensive Literacy Grant
Revenues						
Intergovernmental	\$ 3,135	\$ 213,021	\$ 84,021	\$ 6,250	\$ 1,419,515	\$ 128,831
Licenses, permits and fees	—	—	—	—	—	—
Interest and investment income	—	—	—	—	—	—
Other	—	—	—	—	—	—
Total revenues	<u>3,135</u>	<u>213,021</u>	<u>84,021</u>	<u>6,250</u>	<u>1,419,515</u>	<u>128,831</u>
Expenditures						
General government	—	—	—	—	—	—
Public safety	—	—	—	—	—	—
Public works	—	—	—	—	—	—
Library	—	—	—	—	—	—
Education	3,135	155,875	84,021	6,250	1,015,709	128,831
Community Services	—	—	—	—	—	—
Capital outlay	—	57,146	—	—	403,806	—
Total expenditures	<u>3,135</u>	<u>213,021</u>	<u>84,021</u>	<u>6,250</u>	<u>1,419,515</u>	<u>128,831</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>—</u>
Fund balances, ending	<u><u>\$ —</u></u>	<u><u>\$ —</u></u>	<u><u>\$ —</u></u>	<u><u>\$ —</u></u>	<u><u>\$ —</u></u>	<u><u>\$ —</u></u>

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	Special Revenue Funds - School					
	CRF-Sub Teacher Pool & Recruitment	ARP Homeless Children & Youth	ARP IDEA B	ARP IDEA B Preschool	ARP Municipal	American ARP ELC Epi & Lab Capacity
Revenues						
Intergovernmental	\$ —	\$ 64,171	\$ 46,773	\$ 5,765	\$ —	\$ 72,150
Licenses, permits and fees	—	—	—	—	—	—
Interest and investment income	—	—	—	—	—	—
Other	—	—	—	—	—	—
Total revenues	<u>—</u>	<u>64,171</u>	<u>46,773</u>	<u>5,765</u>	<u>—</u>	<u>72,150</u>
Expenditures						
General government	—	—	—	—	—	—
Public safety	—	—	—	—	—	—
Public works	—	—	—	—	—	—
Library	—	—	—	—	—	—
Education	—	64,171	46,773	5,765	726,997	65,592
Community Services	—	—	—	—	—	—
Capital outlay	—	—	—	—	18,991	—
Total expenditures	<u>—</u>	<u>64,171</u>	<u>46,773</u>	<u>5,765</u>	<u>745,988</u>	<u>65,592</u>
Excess (deficiency) of revenues over expenditures	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(745,988)</u>	<u>6,558</u>
Other financing sources (uses)						
Proceeds from Financing	—	—	—	—	—	—
Operating transfers from other funds	—	—	—	—	745,988	—
Operating transfers to other funds	—	—	—	—	—	(6,558)
Total other financing sources (uses)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>745,988</u>	<u>(6,558)</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>110</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund balances, ending	<u>\$ 110</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

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	Special Revenue Funds - School					
	Education and Innovation (CS4RI)	Healthier US Challenge Grant	Early Childhood	Literacy	Student Equity	CS4RI
Revenues						
Intergovernmental	\$ 9,784	\$ —	\$ —	\$ —	\$ —	\$ —
Licenses, permits and fees	—	—	—	—	—	—
Interest and investment income	—	—	—	—	—	—
Other	—	—	—	—	—	—
Total revenues	9,784	—	—	—	—	—
Expenditures						
General government	—	—	—	—	—	—
Public safety	—	—	—	—	—	—
Public works	—	—	—	—	—	—
Library	—	—	—	—	—	—
Education	9,784	—	—	—	—	—
Community Services	—	—	—	—	—	—
Capital outlay	—	—	—	—	—	—
Total expenditures	9,784	—	—	—	—	—
Excess (deficiency) of revenues over expenditures	—	—	—	—	—	—
Other financing sources (uses)						
Proceeds from Financing	—	—	—	—	—	—
Operating transfers from other funds	—	—	—	—	106,817	—
Operating transfers to other funds	—	—	(22,504)	(16,502)	—	—
Total other financing sources (uses)	—	—	(22,504)	(16,502)	106,817	—
Excess (deficiency) of revenues and other sources over expenditures and other uses	—	—	(22,504)	(16,502)	106,817	—
Fund balances, beginning	—	1,530	22,504	16,502	(106,817)	31
Fund balances, ending	\$ —	\$ 1,530	\$ —	\$ —	\$ —	\$ 31

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	Special Revenue Funds - School					
	CTE Categorical Aid	CTE Categorical Aid-2	English Language Learner Categorical	RIDE Open Science Field Test Grant	Tech Assistance on Necessity of School Constr	SBA Capital Fund
Revenues						
Intergovernmental	\$ 53,145	\$ —	\$ 12,500	\$ 608	\$ —	\$ 214,674
Licenses, permits and fees	—	—	—	—	—	—
Interest and investment income	—	—	—	—	—	—
Other	—	—	—	—	—	—
Total revenues	<u>53,145</u>	<u>—</u>	<u>12,500</u>	<u>608</u>	<u>—</u>	<u>214,674</u>
Expenditures						
General government	—	—	—	—	—	—
Public safety	—	—	—	—	—	—
Public works	—	—	—	—	—	—
Library	—	—	—	—	—	—
Education	19,432	37,577	12,500	608	—	19,106
Community Services	—	—	—	—	—	—
Capital outlay	40,101	663	—	—	—	195,568
Total expenditures	<u>59,533</u>	<u>38,240</u>	<u>12,500</u>	<u>608</u>	<u>—</u>	<u>214,674</u>
Excess (deficiency) of revenues over expenditures	<u>(6,388)</u>	<u>(38,240)</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>(6,388)</u>	<u>(38,240)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund balances, beginning	<u>13,413</u>	<u>136,293</u>	<u>—</u>	<u>124</u>	<u>—</u>	<u>—</u>
Fund balances, ending	<u><u>\$ 7,025</u></u>	<u><u>\$ 98,053</u></u>	<u><u>\$ —</u></u>	<u><u>\$ 124</u></u>	<u><u>\$ —</u></u>	<u><u>\$ —</u></u>

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	Special Revenue Funds - School					
	Feinstein Foundation Grant	EBCAP 1	EBCAP 2 VB	EBCAP 3 Civic	Rhode Island Foundation	Van Beuren Charitable Foundation
Revenues						
Intergovernmental	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Licenses, permits and fees	—	—	—	—	—	—
Interest and investment income	—	—	—	—	—	—
Other	51,201	968	—	—	—	(78,956)
Total revenues	<u>51,201</u>	<u>968</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(78,956)</u>
Expenditures						
General government	—	—	—	—	—	—
Public safety	—	—	—	—	—	—
Public works	—	—	—	—	—	—
Library	—	—	—	—	—	—
Education	24,165	968	—	—	—	131,170
Community Services	—	—	—	—	—	—
Capital outlay	6,525	—	—	—	—	—
Total expenditures	<u>30,690</u>	<u>968</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>131,170</u>
Excess (deficiency) of revenues over expenditures	<u>20,511</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(210,126)</u>
Other financing sources (uses)						
Proceeds from Financing	—	—	—	—	—	—
Operating transfers from other funds	—	—	616	—	—	—
Operating transfers to other funds	—	—	—	—	—	—
Total other financing sources (uses)	<u>—</u>	<u>—</u>	<u>616</u>	<u>—</u>	<u>—</u>	<u>—</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>20,511</u>	<u>—</u>	<u>616</u>	<u>—</u>	<u>—</u>	<u>(210,126)</u>
Fund balances, beginning	<u>110,307</u>	<u>—</u>	<u>(616)</u>	<u>—</u>	<u>6,122</u>	<u>201,795</u>
Fund balances, ending	<u>\$ 130,818</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 6,122</u>	<u>\$ (8,331)</u>

See independent auditors' report

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, 2023

	Special Revenue Funds - School					
	Target Private Donations	Office Max	Interlock Risk Management	Scholarship America	RI Art Association	PTO/PTG Donations
Revenues						
Intergovernmental	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Licenses, permits and fees	—	—	—	—	—	—
Interest and investment income	—	—	—	—	—	—
Other	—	—	—	—	—	2,776
Total revenues	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,776</u>
Expenditures						
General government	—	—	—	—	—	—
Public safety	—	—	—	—	—	—
Public works	—	—	—	—	—	—
Library	—	—	—	—	—	—
Education	—	—	—	—	—	3,112
Community Services	—	—	—	—	—	—
Capital outlay	—	—	1,000	—	—	—
Total expenditures	<u>—</u>	<u>—</u>	<u>1,000</u>	<u>—</u>	<u>—</u>	<u>3,112</u>
Excess (deficiency) of revenues over expenditures	<u>—</u>	<u>—</u>	<u>(1,000)</u>	<u>—</u>	<u>—</u>	<u>(336)</u>
Other financing sources (uses)						
Proceeds from Financing	—	—	—	—	—	—
Operating transfers from other funds	—	—	—	—	—	296
Operating transfers to other funds	—	—	—	—	—	—
Total other financing sources (uses)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>296</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>—</u>	<u>—</u>	<u>(1,000)</u>	<u>—</u>	<u>—</u>	<u>(40)</u>
Fund balances, beginning	195	100	1,000	472	132	40
Fund balances, ending	<u>\$ 195</u>	<u>\$ 100</u>	<u>\$ —</u>	<u>\$ 472</u>	<u>\$ 132</u>	<u>\$ —</u>

See independent auditors' report

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, 2023

	Special Revenue Funds - School				
	Middletown Education Collaborative	Safety Town	National Math & Science Inc.	Angel Fund	AP Testing
Revenues					
Intergovernmental	\$ —	\$ —	\$ —	\$ —	\$ —
Licenses, permits and fees	—	—	—	—	—
Interest and investment income	—	—	—	—	—
Other	—	—	—	—	9,916
Total revenues	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>9,916</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>
Excess (deficiency) of revenues over expenditures	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>9,916</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>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>9,916</u>
Fund balances, beginning	\$ 2,500	\$ 501	\$ 6,621	\$ 630	\$ —
Fund balances, ending	<u>\$ 2,500</u>	<u>\$ 501</u>	<u>\$ 6,621</u>	<u>\$ 630</u>	<u>\$ 9,916</u>

See independent auditors' report

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, 2023

	Special Revenue Funds - School				
	PSAT	Middle School Donors	Forest Ave. School Donors	Aquidneck School Donors	High School Donors
Revenues					
Intergovernmental	\$ —	\$ —	\$ —	\$ —	\$ —
Licenses, permits and fees	—	—	—	—	—
Interest and investment income	—	—	—	—	—
Other	127	35,142	554	301	12,835
Total revenues	<u>127</u>	<u>35,142</u>	<u>554</u>	<u>301</u>	<u>12,835</u>
Expenditures					
General government	—	—	—	—	—
Public safety	—	—	—	—	—
Public works	—	—	—	—	—
Library	—	—	—	—	—
Education	—	35,349	554	645	800
Community Services	—	—	—	—	—
Capital outlay	—	—	—	—	—
Total expenditures	<u>—</u>	<u>35,349</u>	<u>554</u>	<u>645</u>	<u>800</u>
Excess (deficiency) of revenues over expenditures	<u>127</u>	<u>(207)</u>	<u>—</u>	<u>(344)</u>	<u>12,035</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>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>127</u>	<u>(207)</u>	<u>—</u>	<u>(344)</u>	<u>12,035</u>
Fund balances, beginning	<u>—</u>	<u>13,451</u>	<u>—</u>	<u>3,992</u>	<u>17,569</u>
Fund balances, ending	<u>\$ 127</u>	<u>\$ 13,244</u>	<u>\$ —</u>	<u>\$ 3,648</u>	<u>\$ 29,604</u>

See independent auditors' report

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, 2023

	Special Revenue Funds - School					
	Donations Boosters	Donations Robotics Program	Donations Communications Plan	Town Special Revenue	Activity Funds	School Capital Improvement Fund
Revenues						
Intergovernmental	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Licenses, permits and fees		—	—	—	—	—
Interest and investment income		—	—	—	—	3,387
Other	—	—	—	—	56,862	—
Total revenues	—	—	—	—	56,862	3,387
Expenditures						
General government		—	—	—	—	—
Public safety		—	—	—	—	—
Public works		—	—	—	—	—
Library		—	—	—	—	—
Education	427	—	—	—	51,023	771,942
Community Services		—	—	—	—	—
Capital outlay	—	—	—	—	—	380,510
Total expenditures	427	—	—	—	51,023	1,152,452
Excess (deficiency) of revenues over expenditures	(427)	—	—	—	5,839	(1,149,065)
Other financing sources (uses)						
Proceeds from Financing	—	—	—	—	—	—
Operating transfers from other funds	—	—	—	—	—	1,141,203
Operating transfers to other funds	—	—	—	—	—	—
Total other financing sources (uses)	—	—	—	—	—	1,141,203
Excess (deficiency) of revenues and other sources over expenditures and other uses	(427)	—	—	—	5,839	(7,862)
Fund balances, beginning	721	1,189	200	—	179,870	456,330
Fund balances, ending	<u>\$ 294</u>	<u>\$ 1,189</u>	<u>\$ 200</u>	<u>\$ —</u>	<u>\$ 185,709</u>	<u>\$ 448,468</u>

See independent auditors' report

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, 2023

	Other Enterprise	School Lunch	Total School Special Revenue Funds	Town Capital Projects Fund	Total Non- Major Governmental Funds	American Rescue Plan Fund
Revenues						
Intergovernmental	\$ —	\$ 431,502	\$ 4,202,793	\$ —	\$ 5,599,372	\$ 1,560,324
Licenses, permits and fees	39,743	413,694	453,437	—	510,544	—
Interest and investment income	—	—	3,387	36	4,993	74,316
Other	78,340	—	167,847	—	317,686	—
Total revenues	<u>118,083</u>	<u>845,196</u>	<u>4,827,464</u>	<u>36</u>	<u>6,432,595</u>	<u>1,634,640</u>
Expenditures						
General government	—	—	—	—	—	—
Public safety	—	—	—	—	—	—
Public works	—	—	—	—	90,051	—
Planning and inspection	—	—	—	—	—	—
Library	—	—	—	—	—	—
Education	12,851	719,153	5,545,298	—	5,545,298	—
Community Services	—	—	—	70,549	90,424	—
Capital outlay	—	20,265	1,175,545	—	1,175,545	—
Total expenditures	<u>12,851</u>	<u>739,418</u>	<u>6,720,843</u>	<u>70,549</u>	<u>6,901,318</u>	<u>—</u>
Excess (deficiency) of revenues over expenditures	<u>105,232</u>	<u>105,778</u>	<u>(1,893,379)</u>	<u>(70,513)</u>	<u>(468,723)</u>	<u>1,634,640</u>
Other financing sources (uses)						
Proceeds from Financing	—	—	—	—	—	—
Operating transfers from other funds	8,109	—	1,887,191	60,864	1,984,699	—
Operating transfers to other funds	—	—	53,247	—	(969,640)	(1,634,640)
Total other financing sources (uses)	<u>8,109</u>	<u>—</u>	<u>1,940,438</u>	<u>60,864</u>	<u>1,015,059</u>	<u>(1,634,640)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>113,341</u>	<u>105,778</u>	<u>47,059</u>	<u>(9,649)</u>	<u>546,336</u>	<u>—</u>
Fund balances, beginning, restated	<u>57,506</u>	<u>702,754</u>	<u>1,867,449</u>	<u>(103,596)</u>	<u>3,065,428</u>	<u>210</u>
Fund balances, ending	<u>\$ 170,847</u>	<u>\$ 808,532</u>	<u>\$ 1,914,508</u>	<u>\$ (113,245)</u>	<u>\$ 3,611,764</u>	<u>\$ 210</u>

See independent auditors' report

Town of Middletown, Rhode Island
Supplementary Information
Private Purpose Trust Funds
Combined Statement of Fiduciary Net Position
June 30, 2023

	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
Assets								
Cash and cash equivalents	\$ 10,688	\$ 44,489	\$ 2,190	\$ 280	\$ 5,769		\$ 7,617	\$ 71,033
Investments	—	—	—	2,400	7,247	132,138	9,178	150,963
Due from external parties	—	—	—	—	—	—	—	—
Total assets	<u>\$ 10,688</u>	<u>\$ 44,489</u>	<u>\$ 2,190</u>	<u>\$ 2,680</u>	<u>\$ 13,016</u>	<u>\$ 132,138</u>	<u>\$ 16,795</u>	<u>\$ 221,996</u>
Liabilities								
Payables to external parties	—	—	—	500	5,600	14,000	—	20,100
Total liabilities	<u>—</u>	<u>—</u>	<u>—</u>	<u>500</u>	<u>5,600</u>	<u>14,000</u>	<u>—</u>	<u>20,100</u>
Net position:								
Restricted for scholarships	10,688	44,489	2,190	2,180	7,416	118,138	16,795	201,896
Total net position	<u>10,688</u>	<u>44,489</u>	<u>2,190</u>	<u>2,180</u>	<u>7,416</u>	<u>118,138</u>	<u>16,795</u>	<u>201,896</u>
Total liabilities and net position	<u>\$ 10,688</u>	<u>\$ 44,489</u>	<u>\$ 2,190</u>	<u>\$ 2,680</u>	<u>\$ 13,016</u>	<u>\$ 132,138</u>	<u>\$ 16,795</u>	<u>\$ 221,996</u>

See independent auditors' report

Town of Middletown, Rhode Island
Supplementary Information
Private Purpose Trust Funds
Combined Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2023

	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	\$ —	\$ 27,106	\$ —	\$ 5	\$ 18	\$ 2,525	\$ 155	\$ 29,809
Investment income, net:								
Interest income	26	—	—	—	—	—	—	26
Total additions	<u>26</u>	<u>27,106</u>	<u>—</u>	<u>5</u>	<u>18</u>	<u>2,525</u>	<u>155</u>	<u>29,835</u>
Deductions from net position:								
Investment expenses								—
Scholarships	—	34,292	—	—	60	—	—	34,352
Total deductions	<u>—</u>	<u>34,292</u>	<u>—</u>	<u>—</u>	<u>60</u>	<u>—</u>	<u>—</u>	<u>34,352</u>
Changes in net position	<u>26</u>	<u>(7,186)</u>	<u>—</u>	<u>5</u>	<u>(42)</u>	<u>2,525</u>	<u>155</u>	<u>(4,517)</u>
Net position, beginning of year	10,662	51,675	2,190	2,175	7,458	115,613	16,640	206,413
Net position, end of year	<u>\$ 10,688</u>	<u>\$ 44,489</u>	<u>\$ 2,190</u>	<u>\$ 2,180</u>	<u>\$ 7,416</u>	<u>\$ 118,138</u>	<u>\$ 16,795</u>	<u>\$ 201,896</u>

See independent auditors' report

Town of Middletown, Rhode Island
Supplementary Information
Custodial Funds
Combined Statement of Fiduciary Net Position
June 30, 2023

	<u>Maintenance Bonds</u>	<u>Ann Court</u>	<u>Probate Court Bond</u>	<u>West View Roadway</u>	<u>Total Custodial Funds</u>
Assets					
Cash and cash equivalents	\$ —	\$ —	\$ —	\$ —	\$ —
Receivables from external parties	<u>299,297</u>	<u>6,667</u>	<u>165,877</u>	<u>5,368</u>	<u>477,209</u>
Total assets	<u><u>299,297</u></u>	<u><u>6,667</u></u>	<u><u>165,877</u></u>	<u><u>5,368</u></u>	<u><u>477,209</u></u>
Liabilities					
Accounts payable and accrued expenses	—	—	—	—	—
Payables to external parties	—	—	—	—	—
Deposits held in custody for others	<u>299,297</u>	<u>6,667</u>	<u>165,877</u>	<u>5,368</u>	<u>477,209</u>
Total liabilities	<u><u>\$ 299,297</u></u>	<u><u>\$ 6,667</u></u>	<u><u>\$ 165,877</u></u>	<u><u>\$ 5,368</u></u>	<u><u>\$ 477,209</u></u>

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Town of Middletown, Rhode Island (Town), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated December 29, 2023.

Report on 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.

Report on 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, Sahady & Co., CPA's, P.C.

Hague, Sahady & Co., CPA's P.C.
Fall River, Massachusetts
December 29, 2023

See independent auditors' report

Town of Middletown, RI
Other Supplementary Information
Annual Supplemental Transparency Report (MTP2)
For the Year Ended June 30, 2023

OTHER SUPPLEMENTARY INFORMATION

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

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

See independent auditors' report

Town of Middletown, RI
Other Supplementary Information
Annual Supplemental Transparency Report (MTP2)
For the Year Ended June 30, 2023

<u>REVENUE</u>	<u>Municipal</u>	<u>Education Department</u>
Current Year Levy Tax Collection	\$ 48,489,233	\$ -
Last Year's Levy Tax Collection	703,410	-
Prior Years Property Tax Collection	95,170	-
Interest & Penalty	124,418	-
PILOT & Tax Treaty (excluded from levy) Collection	1,492,189	-
Other Local Property Taxes	43,854	-
Licenses and Permits	1,389,002	-
Fines and Forfeitures	102,399	-
Investment Income	252,012	-
Departmental	3,439,276	-
Rescue Run Revenue	857,129	-
Police & Fire Detail	800,475	-
Other Local Non-Property Tax Revenues	32,522	-
Tuition	-	218,977
Impact Aid	-	1,033,439
Medicaid	-	386,447
Federal Stabilization Funds	-	-
Federal Food Service Reimbursement	-	420,059
CDBG	160,538	-
COPS Grants	-	-
SAFER Grants	436,831	-
Other Federal Aid Funds	136,001	1,875,738
COVID - ESSER	-	743,949
COVID - CRF	-	-
COVID - CDBG	-	-
COVID - FEMA	-	-
COVID - Other	-	-
COVID - ARPA	1,634,640	1,616,663
MV Excise Tax Reimbursement	76,147	-
State PILOT Program	-	-
Distressed Community Relief Fund	-	-
Library Resource Aid	168,217	-
Library Construction Aid	-	-
Public Service Corporation Tax	225,081	-
Meals & Beverage Tax / Hotel Tax	2,539,084	-
LEA Aid	-	8,463,302
Group Home	-	-
Housing Aid Capital Projects	-	-
Housing Aid Bonded Debt	625,529	-
State Food Service Revenue	-	11,443
Incentive Aid	-	-
Property Revaluation Reimbursement	-	-
Other State Revenue	1,083,909	280,927
Motor Vehicle Phase Out	1,900,301	-
Other Revenue	1,307,318	706,331
Local Appropriation for Education	-	29,077,423
Regional Appropriation for Education	-	-
Supplemental Appropriation for Education	-	900,000
Regional Supplemental Appropriation for Education	-	-
Other Education Appropriation	-	-
Rounding	-	-
Total Revenue	\$ 68,114,685	\$ 45,734,698
Financing Sources: Transfer from Capital Funds	\$ -	\$ -
Financing Sources: Transfer from Other Funds	150,725	630,070
Financing Sources: Debt Proceeds	-	-
Financing Sources: Other	-	-
Rounding	-	-
Total Other Financing Sources	\$ 150,725	\$ 630,070

See independent auditors' report

Town of Middletown, RI
Other Supplementary Information
Annual Supplemental Transparency Report (MTP2)
For the Year Ended June 30, 2023

EXPENDITURES	General Government	Finance	Social Services	Centralized IT	Planning	Libraries	Public Works	Parks and Rec	Police Department
Compensation - Group A	\$ 612,862	\$ 625,915	\$ 261,239	\$ 196,788	\$ 436,888	\$ 437,799	\$ 815,168	\$ 948,540	\$ 3,323,507
Compensation - Group B	-	-	-	-	-	-	-	-	292,093
Compensation - Group C	-	-	-	-	-	-	-	-	-
Compensation - Volunteer	-	-	-	-	-	-	-	-	-
Overtime - Group A	16,976	2,443	24,968	1,544	834	1,500	49,299	139,869	773,749
Overtime - Group B	-	-	-	-	-	-	-	-	15,320
Overtime - Group C	-	-	-	-	-	-	-	-	-
Police & Fire Detail	-	-	-	-	-	-	-	-	517,475
Active Medical Insurance - Group A	86,559	84,830	38,594	25,195	68,965	33,808	142,089	28,544	514,525
Active Medical Insurance - Group B	-	-	-	-	-	-	-	-	26,560
Active Medical Insurance - Group C	-	-	-	-	-	-	-	-	-
Active Dental Insurance - Group A	3,627	3,335	1,621	1,290	3,490	1,477	7,090	1,295	21,263
Active Dental Insurance - Group B	-	-	-	-	-	-	-	-	1,060
Active Dental Insurance - Group C	-	-	-	-	-	-	-	-	-
Payroll Taxes	48,149	49,338	23,526	15,556	35,349	36,407	70,176	88,898	405,033
Life Insurance	8,006	8,910	3,500	2,290	6,292	1,490	2,259	2,512	5,562
State Defined Contribution - Group A	4,110	4,297	1,702	1,896	2,103	-	3,939	1,554	-
State Defined Contribution - Group B	-	-	-	-	-	-	-	-	-
State Defined Contribution - Group C	-	-	-	-	-	-	-	-	-
Other Benefits - Group A	110,638	15,652	-	-	-	1,153	9,440	36,618	153,967
Other Benefits - Group B	-	-	-	-	-	-	-	-	2,030
Other Benefits - Group C	-	-	-	-	-	-	-	-	-
Local Defined Benefit Pension - Group A	-	-	-	-	-	111,090	29,915	-	14,279
Local Defined Benefit Pension - Group B	-	-	-	-	-	-	-	-	-
Local Defined Benefit Pension - Group C	-	-	-	-	-	-	-	-	-
State Defined Benefit Pension - Group A	52,924	47,431	24,681	21,697	20,966	-	97,709	16,439	245,203
State Defined Benefit Pension - Group B	-	-	-	-	-	-	-	-	7,844
State Defined Benefit Pension - Group C	-	-	-	-	-	-	-	-	-
Other Defined Benefit / Contribution	27,519	12,378	2,904	-	15,998	11,805	15,062	3,704	22,700
Purchased Services	819,333	34,555	87,776	2,364	162,756	46,954	161,709	196,007	154,200
Materials/Supplies	82,264	5,054	41,867	64,415	4,654	85,938	210,385	202,400	76,788
Software Licenses	11,707	-	-	394,305	-	3,361	-	1,600	-
Capital Outlays	1,377,608	-	182,759	60,456	30,022	-	47,269	235,576	713,003
Insurance	2,095	-	-	-	-	-	-	-	-
Maintenance	126,336	-	18,190	21,244	-	61,281	1,433,108	342,564	29,4848
Vehicle Operations	-	-	3,622	2,455	5,674	-	194,274	66,699	171,392
Utilities	94,018	-	29,998	84,854	2,545	81,425	40,525	32,861	91,994
Contingency	-	-	-	-	-	-	-	-	-
Street Lighting	-	-	-	-	-	-	215,774	-	-
Revaluation	-	-	-	-	-	-	-	-	-
Snow Removal-Raw Material & External Contracts	-	-	-	-	-	-	24,609	-	-
Trash Removal & Recycling	-	-	-	-	-	-	931,714	-	-
Claims & Settlements	1,465	-	-	-	-	-	-	-	-
Community Support	170,179	-	-	-	-	-	-	-	-
Other Operation Expenditures	22,375	3,140	1,220	554	980	-	12,876	141,182	11,410
Tipping Fees	-	-	-	-	-	-	150,624	-	-
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	-	-	-	-	-	-	-	-	-
OP&B Contribution-Total	-	-	-	-	-	-	-	-	-
Rounding	-	-	-	-	-	-	-	-	-
Total Expenditures	\$ 3,666,844	\$ 896,488	\$ 748,107	\$ 900,998	\$ 795,706	\$ 915,428	\$ 4,609,001	\$ 2,481,056	\$ 7,795,805

See independent auditors' report

Town of Middletown, RI
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For the Year Ended June 30, 2023

EXPENDITURES	Fire Department	Centralized Dispatch	Public Safety Other	Education Appropriation	Debt	OPEB	Total Municipal	Education Department
Compensation- Group A	\$ 2,412,057	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,070,758	\$ 16,341,326
Compensation - Group B	264,170	-	-	-	-	-	496,263	1,553,642
Compensation - Group C	-	-	-	-	-	-	-	2,371,779
Overtime-Group A	601,177	-	-	-	-	-	1,606,459	-
Overtime - Group B	42,588	-	-	-	-	-	57,908	-
Overtime - Group C	-	-	-	-	-	-	-	54,684
Police & Fire Detail	10,431	-	-	-	-	-	527,906	-
Active Medical Insurance - Group A	466,315	-	-	-	-	-	1,486,818	2,173,222
Active Medical Insurance- Group B	52,710	-	-	-	-	-	79,270	179,274
Active Medical Insurance- Group C	-	-	-	-	-	-	-	702,440
Active Dental Insurance- Group A	20,809	-	-	-	-	-	65,197	107,809
Active Dental Insurance- Group B	2,598	-	-	-	-	-	3,658	6,535
Active Dental Insurance- Group C	-	-	-	-	-	-	-	29,540
Payroll Taxes	272,746	-	-	-	-	-	1,045,178	559,424
Life Insurance	15,688	-	-	-	-	-	55,849	48,831
State Defined Contribution- Group A	-	-	-	-	-	-	19,601	356,827
State Defined Contribution - Group B	1,217	-	-	-	-	-	1,217	30,084
State Defined Contribution - Group C	-	-	-	-	-	-	-	25,032
Other Benefits- Group A	176,540	-	-	-	-	-	504,018	95,936
Other Benefits- Group B	2,200	-	-	-	-	-	4,230	51,536
Other Benefits- Group C	-	-	-	-	-	-	-	34,986
Local Defined Benefit Pension- Group A	11,682	-	-	-	-	-	166,966	-
Local Defined Benefit Pension - Group B	-	-	-	-	-	-	-	-
Local Defined Benefit Pension - Group C	-	-	-	-	-	-	-	-
State Defined Benefit Pension- Group A	172,425	-	-	-	-	-	638,863	2,454,339
State Defined Benefit Pension - Group B	13,927	-	-	-	-	-	21,771	213,020
State Defined Benefit Pension - Group C	-	-	-	-	-	-	-	299,952
Other Defined Benefit / Contribution	21,584	-	-	-	-	-	133,644	-
Purchased Services	104,607	-	-	-	-	-	1,764,261	13,094,942
Materials/Supplies	142,413	-	-	-	-	-	916,178	771,422
Software Licenses	-	-	-	-	-	-	411,173	18,728
Capital Outlays	-	-	-	-	-	-	2,646,693	1,203,716
Insurance	-	-	-	-	-	-	2,095	427,806
Maintenance	66,654	-	-	-	-	-	2,304,235	468,734
Vehicle Operations	251,649	-	-	-	-	-	695,765	14,671
Utilities	576,052	-	-	-	-	-	1,034,212	866,236
Contingency	-	-	-	-	-	-	-	-
Street Lighting	-	-	-	-	-	-	219,774	-
Revaluation	-	-	-	-	-	-	-	-
Snow Removal-Raw Material & External Contracts	-	-	-	-	-	-	24,609	-
Trash Removal & Recycling	-	-	-	-	-	-	931,714	-
Claims & Settlements	-	-	-	-	-	-	1,485	-
Community Support	-	-	-	-	-	-	170,179	200
Other Operation Expenditures	16,689	-	-	-	-	-	209,826	198,152
Tipping Fees	-	-	-	-	-	-	150,624	-
Local Appropriation for Education	-	-	-	29,077,423	-	-	29,077,423	-
Regional Appropriation for Education	-	-	-	-	-	-	-	-
Supplemental Appropriation for Education	-	-	-	900,000	-	-	900,000	-
Regional Supplemental Appropriation for Education	-	-	-	-	-	-	-	-
Other Education Appropriation	-	-	-	-	-	-	-	-
Municipal Debt- Principal	-	-	-	-	2,452,658	-	2,452,658	-
Municipal Debt- Interest	-	-	-	-	791,154	-	791,154	-
School Debt- Principal	-	-	-	-	-	-	-	-
School Debt- Interest	-	-	-	-	-	-	-	-
Retiree Medical Insurance- Total	-	-	-	-	-	-	-	280,818
Retiree Dental Insurance- Total	-	-	-	-	-	-	-	2,243
OPEB Contribution- Total	-	-	-	-	-	3,350,058	3,350,058	20,625
Rounding	-	-	-	-	-	-	-	-
Total Expenditures	\$ 5,718,938	\$ -	\$ -	\$ 29,977,423	\$ 3,243,812	\$ 3,350,058	\$ 65,039,664	\$ 45,657,910

Financing Uses: Transfer to Capital Funds	\$ 60,864	\$ -
Financing Uses: Transfer to Other Funds	1,412,702	-
Financing Uses: Payment to Bond Escrow Agent	-	-
Financing Uses: Other	-	-
Total Other Financing Uses	\$ 1,473,566	\$ -
Net Change in Fund Balance¹	1,752,180	706,858
Fund Balance¹- beginning of year	\$24,446,345	\$2,096,670
Funds removed from Reportable Government Services (RGS)	-	-
Funds added to Reportable Government Services (RGS)	210	-
Prior period adjustments	-	-
Misc. Adjustment	1	1
Fund Balance¹ - beginning of year adjusted	24,446,556	2,096,671
Rounding	-	-
Fund Balance¹ - end of year	\$ 26,198,736	\$ 2,803,529

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

See independent auditors' report

Town of Middletown, RI
Other Supplementary Information
Annual Supplemental Transparency Report (MTP2)
For the Year Ended June 30, 2023

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

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 Balance ² (Deficit)	Prior Period Adjustment	Restated Beginning Fund Balance ² (Deficit)	Ending Fund Balance ³ (Deficit)
Fund Balance ¹ - per MTP-2 at June 30, 2022 adjusted						\$ 24,446,345	\$ -	\$ 24,446,345	
No funds removed from RGS for fiscal 2022						-	-	-	
Added to RGS for Fiscal 2022						210	-	210	
Misc. adjustments made for fiscal 2022						1	-	1	
Fund Balance ³ - per MTP-2 at June 30, 2023 adjusted						\$ 24,446,556	\$ -	\$ 24,446,556	
General Fund	\$ 61,578,320	\$ 2,657,527	\$ 31,311,367	\$ 31,771,688	\$ 1,152,792	\$ 15,950,378	\$ -	\$ 15,950,378	\$ 17,103,170
Public Private Venture	1,376,704	-	-	872,162	504,542	491,924	-	491,924	996,466
Parks & Recreation	2,379,702	320,699	2,481,056	-	219,345	7,136,694	-	7,136,694	7,356,039
Refuse & Recycling	1,145,319	-	1,269,818	-	(124,499)	867,349	-	867,349	742,850
American Rescue Plan Fund	1,634,640	-	-	1,634,640	-	210	-	210	210
Totals per audited financial statements	\$ 68,114,685	\$ 2,978,226	\$ 35,062,241	\$ 34,278,490	\$ 1,752,180	\$ 24,446,555	\$ -	\$ 24,446,555	\$ 26,198,735
Reconciliation from financial statements to MTP2									
Reclassify transfer of municipal appropriation to Education Department as expenditure on MTP2	\$ -	\$ -	\$ 29,077,423	\$ (29,077,423)	\$ -	\$ -	\$ -	\$ -	\$ -
Reclassify transfer of municipal appropriation from a Special Revenue Fund (GASB 54) to Education Department as expenditure on MTP-2	-	-	900,000	(900,000)	-	-	-	-	-
Eliminate transfers between Funds reported on MTP2:									
- from a Special Revenue Fund (GASB 54) to Parks & Recreation Fund	-	(149,309)	-	(149,309)	-	-	-	-	-
- from Public Private Venture to a Special Revenue Fund (GASB 54)	-	-	-	-	-	-	-	-	-
- from Public Private Venture to General Fund	-	(872,162)	-	(872,162)	-	-	-	-	-
- from Parks and Recreation to a Special Revenue Fund (GASB 54)	-	(171,390)	-	(171,390)	-	-	-	-	-
- from American Rescue Plan Fund to General Fund	-	(1,634,640)	-	(1,634,640)	-	-	-	-	-
Rounding	-	-	-	-	-	-	-	-	-
Totals Per MTP2	\$ 68,114,685	\$ 150,725	\$ 65,039,664	\$ 1,473,566	\$ 1,752,180	\$ 24,446,556	\$ -	\$ 24,446,556	\$ 26,198,736

See independent auditors' report

Town of Middletown, RI
Other Supplementary Information
Annual Supplemental Transparency Report (MTP2)
For the Year Ended June 30, 2023

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 Balance ¹ - per MTP-2 at June 30, 2022						\$ 2,096,670	\$ -	\$ 2,096,670	
Miscellaneous adjustment(s) made for fiscal 2022						1	-	1	
Fund Balance ¹ - per MTP-2 at June 30, 2023 adjusted						\$ 2,096,671	\$ -	\$ 2,096,671	
School Unrestricted Fund	\$ 11,902,798	\$ 29,466,290	\$ 40,656,042	\$ 53,247	\$ 659,798	\$ 229,222	\$ -	\$ 229,222	\$ 889,021
School Special Revenue Funds	4,827,464	1,940,438	6,720,843	-	47,059	1,867,449	-	1,867,449	1,914,508
Totals per audited financial statements	\$ 16,730,262	\$ 31,406,728	\$ 47,376,885	\$ 53,247	\$ 706,858	\$ 2,096,671	\$ -	\$ 2,096,671	\$ 2,803,529
Reconciliation from financial statements to MTP2									
Municipal Appropriation for Education (including Supplemental) reported as a transfer on financial statements but a revenue on MTP2	\$ 29,077,423	\$ (29,077,423)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Municipal appropriation for Education (Capital) reported as a transfer on financial statements but a revenue on MTP2	900,000	(900,000)	-	-	-	-	-	-	-
Municipal/ARP Grant Funding reported as a transfer on financial statements but a revenue on MTP2	745,988	(745,988)	-	-	-	-	-	-	-
Eliminate transfer between school unrestricted fund and total school special revenue funds	-	(53,247)	-	(53,247)	-	-	-	-	-
State Contribution to Teachers Pension Plan	(1,718,975)	-	(1,718,975)	-	-	-	-	-	-
Rounding	-	-	-	-	-	-	-	-	-
Totals Per MTP2	\$ 45,734,698	\$ 630,070	\$ 45,657,810	\$ -	\$ 706,858	\$ 2,096,671	-	\$ 2,096,671	\$ 2,803,529
Reconciliation from MTP2 to UCOA									
Scholarship Funds	\$ 29,809		\$ 34,352						
Town Interagency Appropriation Transfer to Capital (Town Funded)-UCOA Revenue	630,070	(630,070)	-						
	(2)		(4)						
Totals per UCOA Validated Totals Report Dated December 21, 2023	\$ 46,394,575	\$ -	\$ 45,692,258						

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

See independent auditors' report

Town of Middletown, RI
Other Supplementary Information
Annual Supplemental Transparency Report (MTP2)
For the Year Ended June 30, 2023

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.

See independent auditors' report

Town of Middletown, RI
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For the Year Ended June 30, 2023

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

NOTE 5. Education Revenue and Expenditures

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

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

See independent auditors' report

APPENDIX C

DEFINITIONS

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DEFINITIONS

The following are definitions of certain of the terms defined in the Master Indenture or the Agreement and used in this Official Statement.

“Accreted Value” means with respect to any Capital Appreciation Bond (i) as of any Valuation Date, the amount set forth for such date in the Series Indenture authorizing such Capital Appreciation Bond and (ii) as of any date other than a Valuation Date, the sum of (a) the Accreted Value on the preceding Valuation Date and (b) the product of (1) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date, calculated based on the assumption that Accreted Value accrues during any semi-annual period in equal daily amounts on the basis of a year of twelve (12) thirty-day months, and (2) the difference between the Accreted Values for such Valuation Dates.

“Act” means the Rhode Island Health and Educational Building Corporation Act, being and constituting Chapter 38.1 of Title 45, as amended of the Rhode Island General Laws.

“Administrative Fund” means such fund so designated, created and established by the Applicable Series Indenture pursuant to Section 5.02 of the Master Indenture.

“Agreement” means the Financing Agreement between the Corporation and a Borrower executed and delivered in connection with the issuance of a portion of an Applicable Series of Bonds, as from time to time amended or supplemented in accordance with the terms and provisions of the Master Indenture and of the Agreement.

“Allocable Portion” means each Borrower’s proportionate share of certain obligations arising under the Applicable Series of Bonds from time to time and the respective Agreements, particularly with respect to the Applicable Arbitrage Rebate Fund, the costs of issuance of such Series of Bonds, and the payment of principal, interest and redemption price of such Series of Bonds as particularly determined by the Applicable Series Indenture.

“Applicable” means (i) with respect to any Series Indenture, the Series Indenture relating to particular Bonds, (ii) with respect to any Series of Bonds, the Series of Bonds issued under a Series Indenture for a particular Borrower or Borrowers, (iii) with respect to any Agreement, the Agreement entered into by and between a Borrower and the Corporation, (iv) with respect to a Borrower, the Borrower for which a Series of Bonds is issued, (v) with respect to any Construction Fund, Debt Service Fund, Arbitrage Fund or Costs of Issuance Account in a Construction Fund, the Fund or Account established in a particular Series Indenture, and with respect to a particular Construction Account in a Construction Fund, means the Construction Account established and undertaken with respect to each Applicable Borrower, (vi) with respect to a Credit Facility or Liquidity Facility, the Credit Facility or Liquidity Facility, if any, identified in the Applicable Series Indenture, (vii) with respect to State Housing Aid, the amounts payable to the Corporation on account of a Borrower, (viii) with respect to State Basic Education Aid, the amounts payable to the Corporation on account of a Borrower, and (ix) with respect to Borrower Bonds, the Borrower Bonds issued and delivered to the Corporation by a Borrower as required by the Agreement.

“Appreciated Value” means with respect to any Deferred Income Bond (i) as of any Valuation Date, the amount set forth for such date in the Applicable Series Indenture authorizing such Deferred Income Bond and (ii) as of any date other than a Valuation Date, the sum of (a) the Appreciated Value on the preceding Valuation Date and (b) the product of (1) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date, calculated based on the assumption that Appreciated Value accrues during any semi-annual period in equal daily amounts on the basis of a year of twelve (12) thirty-day months, and (2) the difference between the Appreciated Values for such Valuation Dates, and (iii) as of any date of computation on and after the Interest Commencement Date, the Appreciated Value on the Interest Commencement Date.

“Arbitrage Rebate Fund” means each such fund so designated, created and established by the Applicable Series Indenture pursuant to the Master Indenture.

“Authorized Newspaper” means *The Bond Buyer* or any other newspaper of general circulation printed in the English language and customarily published at least once a day for at least five days (other than legal holidays) in each calendar week in the Borough of Manhattan, City and State of New York, designated by the Corporation.

“Authorized Officer” means (i) in the case of the Corporation, the Chairperson, the Vice-Chairperson, the Treasurer, an Assistant Treasurer, the Secretary, an Assistant Secretary, and when used with reference to any act or document also means any other person authorized by a resolution or the by-laws of the Corporation to perform such act or execute such document; (ii) in the case of a Borrower, when used with reference to any act or document, means the person identified in the Master Indenture or in the Applicable Agreement as authorized to perform such act or execute such document, and in all other cases means the Director of Finance, Treasurer or Chief Financial Officer of the Borrower or an officer or employee of a Borrower authorized in a written instrument signed by the Director of Finance, Treasurer; and (iii) in the case of the Trustee, the President, a Vice President, a Corporate Trust Officer, an Assistant Corporate Trust Officer, a Trust Officer or an Assistant Trust Officer of the Trustee, and when used with reference to any act or document also means any other person authorized to perform any act or sign any document by or pursuant to a resolution of the Board of Directors of the Trustee or the by-laws of the Trustee.

“Basic Debt Service Payment” means all amounts payable pursuant to the Applicable Agreement, including in particular the Applicable Borrower Bonds.

“Bond” or “Bonds” means any of the bonds of the Corporation authorized and issued pursuant to the Master Indenture and to an Applicable Series Indenture.

“Bond Counsel” means an attorney or a law firm, appointed by the Corporation with respect to a particular Series of Bonds, having a national reputation in the field of municipal law whose opinions are generally accepted by purchasers of municipal bonds.

“Bond Year” means unless otherwise stated in the Applicable Series Indenture a period of twelve (12) consecutive months beginning May 15 in any calendar year and ending on May 14 of the succeeding calendar year.

“Bondholder,” “Holder of Bonds” or “Holder” or any similar term, when used with reference to a Bond or Bonds, means the registered owner of any Bond.

“Book-Entry Bond” means a Bond authorized to be issued to, and issued to and registered in the name of, a Depository directly or indirectly for the beneficial owners thereof.

“Borrower” or “Borrowers” means with respect to an Applicable Series of Bonds, each or all of the cities, towns and regional school districts for whose benefit the Corporation shall have issued all or a portion of such Series and with whom the Corporation shall have executed one or more Agreements.

“Borrower Bonds” means the bonds, notes, or other evidences of indebtedness, which, if not required by law to be in the form of a bond or note certificate, may be represented by a Financing Agreement.

“Borrower Resolution” means, collectively, the ordinances or resolutions of the Applicable Borrower authorizing the execution and delivery of the Agreement, the borrowing of the Loan proceeds, and the issuance and delivery to the Corporation of the Borrower Bonds.

“Borrower Tax Certificate” means the certificate of a Borrower to be delivered pursuant to the Applicable Agreement and to be dated the date of delivery of the Corporation Bonds.

“Business Day” under the Master Indenture, means any day which is not a Saturday, Sunday or a day on which banking institutions chartered by the State or the United States of America are legally authorized to close in the State or in the City of New York; provided, however, that, with respect to Option Bonds or Variable Interest Rate Bonds of a Series, such term means any day which is not a Saturday, Sunday or a day on which the New York Stock Exchange, banking institutions chartered by the State or the United

States of America, the Trustee or the issuer of a Credit Facility or Liquidity Facility for such Bonds are legally authorized to close.

“Business Day”, under the Agreement, means any day which is not a Saturday, Sunday or a day on which banking institutions chartered by the State or the United States of America are legally authorized to close in the State or in the City of New York.

“Capital Appreciation Bond” means any Bond as to which interest is compounded on each Valuation Date therefor and is payable only at the maturity or prior redemption thereof.

“Code” means the Internal Revenue Code of 1986, as amended and the applicable Treasury regulations promulgated thereunder.

“Construction Account” means each such account in a Construction Fund so designated, created and established for each Applicable Borrower by the Applicable Series Indenture pursuant to the Master Indenture.

“Construction Fund” means each such fund so designated, created and established by the Applicable Series Indenture pursuant to the Master Indenture.

“Continuing Disclosure Agreement” means the Continuing Disclosure Agreement, dated as of the date of issuance of the Corporation Bonds, executed and delivered by the Borrower, and the Dissemination agent, if any, as amended, modified, supplemented, restated or replaced from time to time.

“Corporation” means the Rhode Island Health and Educational Building Corporation, established under the Act, and any entity which may succeed to its rights and duties.

“Corporation Bonds” means the series of bonds of the Corporation issued in whole or in part to finance the Loans made under the Agreement, together with any bonds of the Corporation duly issued in exchange or replacement therefor.

“Corporation Fee” means a fee payable to the Corporation in an amount set forth in the Financing Agreement.

“Cost” shall have the meaning as set forth in the Act.

“Credit Facility” means an irrevocable letter of credit, surety bond, loan agreement, Standby Purchase Agreement, municipal bond insurance policy or other agreement, facility or insurance or guaranty arrangement issued or extended by a bank, a trust company, a national banking association, an organization subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings bank, a saving and loan association, an insurance company or association chartered or organized under the laws of any state of the United States of America, the Government National Mortgage Association or any successor thereto, the Federal National Mortgage Association or any successor thereto, or any other federal agency or instrumentality approved by the Corporation, pursuant to which the Corporation is entitled to obtain moneys to pay the principal, purchase price or Redemption Price of Bonds due in accordance with their terms or tendered for purchase or redemption, plus, accrued interest thereon to the date of payment, purchase or redemption thereof, in accordance with the Master Indenture and with the Series Indenture authorizing such Bonds whether or not the Corporation is in default under the Master Indenture.

“Custodian” shall mean any bank or trust company selected in accordance with the Master Indenture as a custodian of moneys to be held under the provisions of the Master Indenture, and may include the Trustee;

“Defeasance Security” means (a) a Government Obligation of the type described in clauses (i), (ii), (iii) or (iv) of the definition of Government Obligations, (b) Federal Agency Obligations described in clauses (i) or (ii) of the definition of Federal Agency Obligations and (c) an Exempt Obligation, provided such Exempt Obligation (i) is not subject to redemption prior to maturity other than at the option of the holder thereof or as to which irrevocable

instructions have been given to the trustee of such Exempt Obligation by the obligor thereof to give due notice of redemption and to call such Exempt Obligation for redemption on the date or dates specified in such instructions and such Exempt Obligation is not otherwise subject to redemption prior to such specified date other than at the option of the holder thereof, (ii) is secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or Government Obligations, which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such Exempt Obligation on the maturity date thereof or the redemption date specified in the irrevocable instructions referred to in clause (i) above, (iii) as to which the principal of and interest on the direct obligations of the United States of America which have been deposited in such fund, along with any cash on deposit in such fund, are sufficient to pay the principal of and interest and redemption premium, if any, on such Exempt Obligation on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in clause (i) above, and (iv) is rated by at least two nationally recognized Rating Agencies in the highest rating category for such Exempt Obligation; provided, however, that (1) such term shall not include any interest in a unit investment trust or mutual fund or (2) any obligation that is subject to redemption prior to maturity other than at the option of the holder thereof.

“Deferred Income Bond” means any Bond as to which interest accruing thereon prior to the Interest Commencement Date of such Bond is compounded on each Valuation Date for such Deferred Income Bond, and as to which interest accruing after the Interest Commencement Date is payable semi-annually on each Interest Payment Date.

“Depository” means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State, or its nominee, or any other person, firm, association or corporation designated in the Series Indenture authorizing a Series of Bonds to serve as securities depository for the Bonds of such Series.

“Escrow Agreement” means the Escrow Agreement, if any, dated as of the date of issuance of the Corporation Bonds, by and between the Borrower and the escrow agent thereunder, as such agreement may be amended from time to time in accordance with its terms.

“Exempt Obligation” means (i) an obligation of any state or territory of the United States of America, any political subdivision of any state or territory of the United States of America, or any agency, authority, public benefit corporation or instrumentality of such state, territory or political subdivision, the interest on which is excludable from gross income under Section 103 of the Code, which is not a “specified private activity bond” within the meaning of Section 57(a)(5) of the Code and which, at the time an investment therein is made or such obligation is deposited in any fund or account under the Master Indenture, carries a rating no lower than the rating carried by general obligation bonds of the State, (ii) a certificate or other instrument which evidences the beneficial ownership of, or the right to receive all or a portion of the payment of the principal of or interest on any of the foregoing and (iii) a share or interest in an open-end investment company or association or investment trust wholly comprised of any of the foregoing obligations which is registered in an open-end investment company or association or investment trust wholly comprised of such obligations which is registered under the Federal Investment Company Act of 1940 and which company association or trust shall comply with the provisions of Rhode Island General Laws Section 35-10-11 or any other applicable general or special law relating to investments.

“Existing Indebtedness” means the bonds or notes issued by or on behalf of the Borrower described in Exhibit B to the Applicable Agreement, which bonds or notes have financed or refinanced the Project, if any.

“Facility Provider” means the issuer of a Credit Facility or a Liquidity Facility delivered to the Applicable Trustee.

“Federal Agency Obligation” means (i) an obligation issued by any federal agency or instrumentality, (ii) an obligation the principal of and interest on which are fully insured or guaranteed as to payment by a federal agency, (iii) a certificate or other instrument which evidences the beneficial ownership of, or the right to receive all or a portion of the payment of the principal of or interest on any of the foregoing and (iv) a share or interest in an open-end investment company or association or investment trust wholly

comprised of such obligations which is registered under the Federal Investment Company Act of 1940 and which company association or trust shall comply with the provisions of Rhode Island General Laws Section 35-10-11 or any other applicable general or special law relating to investments.

“Fiscal Year” means the fiscal year commencing July 1 of each calendar year and ending June 30 of the next succeeding calendar year.

“Fitch” means Fitch, Inc., a corporation organized and created under the laws of the State of Delaware and its successors and assigns.

“General Obligation Pledge” means the pledge of the full faith and credit and taxing power of a Borrower to the Corporation pursuant to an Applicable Agreement to secure the Borrower’s obligations under such Agreement.

“General Treasurer” means the General Treasurer of the State.

“Government Obligation” means (i) a direct obligation of the United States of America, (ii) an obligation the principal of and interest on which are fully guaranteed as to payment of principal and interest by the United States of America, (iii) an obligation to which the full faith and credit of the United States of America are pledged, (iv) a certificate or other instrument which evidences the beneficial ownership of, or the right to receive all or a portion of the payment of the principal of or interest on any of the foregoing and (v) a share or interest in an open end investment company or association or investment trust wholly comprised of any of the foregoing obligations which is registered under the Federal Investment Company Act of 1940 and which company, association or trust shall comply with the provisions of Rhode Island General Laws Section 35-10-11 or any other applicable general or special law relating to investments.

“Indenture” or “Master Indenture” means the Master Trust Indenture between the Corporation and the Trustee providing for the Borrower’s Revenue Bond Financing Program, as from time to time amended or supplemented by Supplemental Indentures in accordance with the terms and provisions thereof.

“Interest Commencement Date” means, with respect to any particular Deferred Income Bond, the date prior to the maturity date thereof specified in the Applicable Series Indenture authorizing such Bond, after which interest accruing on such Bond shall be payable on the Interest Payment Date immediately succeeding such Interest Commencement Date and semi-annually thereafter on each Interest Payment Date.

“Interest Payment Date” means, unless otherwise provided in the Applicable Series Indenture, May 15 and November 15 of each Bond Year.

“Investment Agreement” means a repurchase agreement or other agreement for the investment of moneys with a Qualified Financial Institution provided a specific written agreement governs the transaction and the Agreement satisfies the requirements set forth in the Master Indenture.

“Liquidity Facility” means an irrevocable letter of credit, surety bond, loan agreement, Standby Purchase Agreement, line of credit or other agreement or arrangement issued or extended by a bank, a trust company, a national banking association, an organization subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a savings bank, a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings and loan association, an insurance company or association chartered or organized under the laws of any state of the United States of America, the Government National Mortgage Association or any successor thereto, the Federal National Mortgage Association or any successor thereto, or any other federal agency or instrumentality approved by the Corporation, pursuant to which moneys are to be obtained upon the terms and conditions contained therein for the purchase or redemption of Option Bonds tendered for purchase or redemption in accordance with the terms of the Master Indenture and of the Applicable Series Indenture authorizing such Bonds.

“Loan” means the loan in the Principal Amount made to the Applicable Borrower from the proceeds of the Corporation Bonds pursuant to the Agreement.

“Maximum Interest Rate” means, with respect to any particular Variable Interest Rate Bond, the numerical rate of interest, if any, set forth in the Series Indenture authorizing such Bond, that shall be the maximum rate at which such Bond may bear interest at any time.

“Memorandum of Understanding” means the Second Amended and Restated Memorandum of Understanding dated September 26, 2012 by and among the Corporation, the General Treasurer and the State Controller and acknowledged by the Rhode Island Department of Elementary and Secondary Education of the State, as amended, modified, supplemented, restated or replaced from time to time, providing for payment of the State's share of school housing project costs as determined in accordance with Rhode Island General Laws Sections 16-7-35 through 16-7-47, as amended, and providing for the intercept of State Basic Education Aid payable pursuant to 16-7-15 through 16-7-34.3 of the General Laws, and any future legislation providing for such State Housing Aid and State Basic Education Aid payments.

“Minimum Interest Rate” means, with respect to any particular Variable Interest Rate Bond, a numerical rate of interest, if any, set forth in the Series Indenture authorizing such Bond, that shall be the minimum rate at which such Bonds may bear interest at any time.

“Moody’s” means Moody’s Investors Service, a corporation organized and existing under the laws of the State of Delaware, or its successors and assigns.

“Notice of Terms” means a notice setting forth and confirming the definitive principal amounts, maturity dates and interest rates of the Borrower Bonds and certain other terms of the Loan.

“Option Bond” means any Bond which by its terms may be tendered by and at the option of the Holder thereof for redemption by the Corporation prior to the stated maturity thereof or for purchase thereof, or the maturity of which may be extended by and at the option of the Holder thereof in accordance with the Series Indenture authorizing such Bonds.

“Outstanding” when used in reference to Bonds, means, as of a particular date, all Bonds authenticated and delivered under the Master Indenture and under any Applicable Series Indenture except: (i) any Bond cancelled by the Applicable Trustee at or before such date; (ii) any Bond deemed to have been paid in accordance with Section 12.01 of the Master Indenture; (iii) any Bond in lieu of or in substitution for which another Bond shall have been authenticated and delivered pursuant to the Master Indenture; and (iv) Option Bonds tendered or deemed tendered in accordance with the provisions of the Series Indenture authorizing such Bonds on the applicable adjustment or conversion date, if interest thereon shall have been paid through such applicable date and the purchase price thereof shall have been paid or amounts are available for such payment as provided in the Master Indenture and in the Series Indenture authorizing such Bonds.

“Paying Agent” means, with respect to the Bonds of any Series, the Trustee and any other bank or trust company and its successor or successors, appointed pursuant to the provisions of the Master Indenture and of a Series Indenture or any other resolution of the Corporation adopted prior to authentication and delivery of the Series of Bonds for which such Paying Agent or Paying Agents shall be so appointed.

“Permitted Collateral” means (i) Government Obligations described in clauses (i), (ii) or (iii) of the definition of Government Obligations, (ii) Federal Agency Obligations described in clauses (i) or (ii) of the definition of Federal Agency Obligations, or (iii) financial guaranty agreements, surety or other similar bonds or other instruments of an insurance company that has an equity capital of at least \$125,000,000 and is rated by Bests Insurance Guide or a nationally recognized Rating Agency in the highest rating category.

“Permitted Investments” means any of the following: (i) Government Obligations; (ii) Federal Agency Obligations; (iii) Exempt Obligations; (iv) Uncollateralized certificates of deposit that are fully insured by the Federal Deposit Insurance Corporation and issued by a banking organization authorized to do business in the State and having its principal office or a deposit-taking facility in the State; (v) Collateralized certificates of deposit and bank deposits that are (a) issued by a banking organization authorized to do business in the State that has an equity capital of not less than \$125,000,000, whose unsecured senior debt, or debt obligations fully secured by a letter or credit, contract, agreement or surety bond issued by it, are rated by at least one nationally recognized Rating Agency in at least the second highest rating category, and

(b) are fully collateralized by Permitted Collateral; (vi) Investment Agreements that are fully collateralized by Permitted Collateral; (vii) Ocean State Investment Pool created pursuant to Section 35-10.2-1 through 35-10.2-11 of the Rhode Island General Laws; (viii) any other investments expressly permitted by State of Rhode Island Law as well any future amendments to applicable State of Rhode Island Law; (ix) U.S. dollar denominated commercial paper issued or guaranteed by a U.S. or foreign corporation, company, financial institution, trust or other entity, including both unsecured debt and asset-backed programs with minimum ratings of A-1/P-1 (or the equivalent) by at least one nationally recognized Rating Agency; (x) negotiable bank certificates of deposit, deposit notes or other deposit obligations issued by a nationally or state chartered bank, credit union or savings association, or by a federally or state-licensed branch of a foreign bank or financial institution with minimum ratings of A-/A3 (or the equivalent) or A-1/P-1 (or the equivalent) by at least one nationally recognized Rating Agency; (xi) U.S. dollar denominated corporate notes, bonds or other debt obligations issued or guaranteed by a U.S. or foreign corporation, financial institution, non-profit, or other entity with minimum ratings of A-/A3 (or the equivalent) or A-1/P-1 (or the equivalent) by at least one nationally recognized Rating Agency; and (xii) Bankers' Acceptances issued, drawn on, or guaranteed by a U.S. bank or U.S. branch of a foreign bank with minimum ratings of A-1/P-1 (or the equivalent) by any one Rating Agency.

"Principal Amount" means the original aggregate principal amount of the Loan as evidenced by the Borrower Bonds which shall be an amount equal to the total principal amount shown as payable in the Anticipated Repayment Schedule attached as Exhibit D to the Applicable Agreement; provided that such Loan amount may be revised to an amount not greater than the maximum amount authorized by the Borrower shown in Exhibit D to the Agreement by the Corporation delivering a notice to the Borrower to reflect the final sizing of the escrow, if any, to be established to provide for the payment of the Refunded Bonds or Notes, if any, and any allocation of original issue discount or bond premium allocated to the Borrower.

"Projects" means "project" as defined in the Act and as it relates to the Borrower and may include costs that are not eligible for reimbursement under Rhode Island General Laws Chapter 16-7.

"Proportionate Share" means the proportion that the outstanding principal amount of the Borrower Bonds bears to the outstanding principal amount of the Corporation Bonds. In the event that the Borrower's Loan is not financed simultaneously with other loans to other Borrowers, the Proportionate Share is 100%.

"Qualified Financial Institution", means any of the following entities that has an equity capital of at least \$125,000,000 or whose obligations are unconditionally guaranteed by an affiliate or parent having an equity capital of at least \$125,000,000: (i) a securities dealer, the liquidation of which is subject to the Securities Investors Protection Corporation or other similar corporation, and (a) that is on the Federal Reserve Bank of New York list of primary government securities dealers, and (b) whose senior unsecured long term debt is at the time an investment with it is made is rated by at least one nationally recognized Rating Agency no lower than in the second highest rating category, or, in the absence of a rating on long term debt, whose short term debt is rated by at least one nationally recognized Rating Agency no lower than in the highest rating category for such short term debt; provided, however, that no short term rating may be utilized to determine whether an entity qualifies under this paragraph as a Qualified Financial Institution if the same would be inconsistent with the rating criteria of any Rating Agency or credit criteria of an entity that provides a Credit Facility or financial guaranty agreement in connection with Outstanding Bonds; (ii) a bank, a trust company, a national banking association, a corporation subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings bank, a savings and loan association, an insurance company or association chartered or organized under the laws of the United States of America, any state of the United States of America or any foreign nation, whose senior unsecured long term debt is at the time an investment with it is made is rated by at least one nationally recognized Rating Agency no lower than in the second highest rating category, or, in the absence of a rating on long term debt, whose short term debt is rated by at least one nationally recognized Rating Agency no lower than in the highest rating category for such short term debt; provided, however, that no short term rating may be utilized to determine whether an entity qualifies under this paragraph as a Qualified Financial Institution if the same would be inconsistent with the rating criteria of any Rating Agency or credit criteria of an entity that provides a Credit Facility or financial guaranty agreement in connection with Outstanding Bonds; (iii) a corporation affiliated with or which is a subsidiary of any entity described in (i) or (ii) above or which is affiliated with or a subsidiary of a corporation which controls or wholly owns any such entity, whose senior unsecured long term debt is at the time an investment with it is made is rated by at least one nationally recognized Rating Agency no lower than

in the second highest rating category, or, in the absence of a rating on long term debt, whose short term debt is rated by at least one nationally recognized Rating Agency no lower than in the highest rating category for such short term debt; provided, however, that no short term rating may be utilized to determine whether an entity qualifies under this paragraph as a Qualified Financial Institution if the same would be inconsistent with the rating criteria of any Rating Agency or credit criteria of an entity that provides a Credit Facility or financial guaranty agreement in connection with Outstanding Bonds; (iv) the Government National Mortgage Association or any successor thereto, the Federal National Mortgage Association or any successor thereto, or any other federal agency or instrumentality approved by the Corporation; or (v) a corporation whose obligations, including any investments of any moneys held under the Master Indenture purchased from such corporation, are insured by an insurer that meet the applicable rating requirements set forth above.

“Rating Agency” means each of Moody’s, S&P and Fitch in each case, which has assigned a rating on a Series of Bonds at the request of the Corporation and who continues to apply a rating on such Bonds at the time in question, or their respective successors and assigns and any other rating agency nationally recognized for skill and expertise in rating the credit of obligations such as the Bonds.

“Record Date” means, unless the Series Indenture relating to the Applicable Series of Bonds provides otherwise, the fifteenth (15th) day (whether or not a Business Day) preceding an Interest Payment Date.

“Redemption Price”, when used with respect to a Bond, means the principal amount of such Bond plus the applicable premium, if any, payable upon redemption prior to maturity thereof pursuant to the Master Indenture or to the Applicable Series Indenture.

“Refunded Bonds or Notes” means all or a portion of the Existing Indebtedness, if any, which is to be refunded with the proceeds of the Corporation Bonds, as set forth in Exhibit B to the Applicable Agreement.

“Refunding Bonds” means all Bonds, whether issued in one or more Series of Bonds, authenticated and delivered on original issuance pursuant to the Master Indenture, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Master Indenture.

“Remarketing Agent” means the person appointed by or pursuant to a Series Indenture authorizing the issuance of Option Bonds to remarket such Option Bonds tendered or deemed to have been tendered for purchase in accordance with such Series Indenture relating to such Option Bonds.

“Remarketing Agreement” means, with respect to Option Bonds of a Series, an agreement between the Corporation and the Remarketing Agent relating to the remarketing of such Bonds.

“Revenues” means (i) the Basic Debt Service Payment paid by a Borrower pursuant to the Applicable Agreement, which includes amounts payable by each Borrower under the Applicable Borrower Bonds, (ii) the Applicable State Housing Aid to the extent received by the Corporation with respect to Applicable Borrower Bonds, (iii) Applicable State Basic Education Aid to the extent received by the Corporation to pay Applicable Borrower Bonds, and (iv) the right to receive the same and the proceeds thereof and of such right.

“S&P” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Corporation, or its successors and assigns.

“School Building Authority Statutory Fee” or “SBA Statutory Fee” means the fee that the Corporation is required to assess pursuant to Rhode Island General Laws Section 16-105-7 in order to fund operations of the School Building Authority established pursuant to Chapter 16-105.

“Serial Bonds” means, with respect to Bonds of a Series, the Bonds so designated in an Applicable Series Indenture.

“Series” means all of the Bonds authenticated and delivered on original issuance and pursuant to the Master Indenture and to the Applicable Series Indenture authorizing such Bonds as a separate Series of Bonds, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Master Indenture, regardless of variations in maturity, interest rate, Sinking Fund Installments or other provisions.

“Series 2024 F Bonds” means the Corporation’s Public Schools Revenue Bond Financing Program Revenue Bonds, Series 2024 F (Town of Middletown Issue).

“Series Indenture” means an indenture between the Corporation and the Trustee providing for the issuance of a Series of Bonds entered into pursuant to the Master Indenture.

“Sinking Fund Installment” means, as of any date of calculation, when used with respect to any Bonds of a Series, other than Option Bonds or Variable Interest Rate Bonds, so long as any such Bonds are Outstanding, the amount of money required by the Master Indenture or by the Series Indenture pursuant to which such Bonds were issued, to be paid on a single future May 15 or November 15 for the retirement of any Outstanding Bonds of said Series which mature after said future May 15 or November 15, but does not include any amount payable by the Corporation by reason only of the maturity of a Bond, and said future May 15 or November 15 is deemed to be the date when a Sinking Fund Installment is payable and the date of such Sinking Fund Installment and said Outstanding Bonds are deemed to be Bonds entitled to such Sinking Fund Installment, and when used with respect to Option Bonds or Variable Interest Rate Bonds of a Series, so long as such Bonds are Outstanding, the amount of money required by the Series Indenture pursuant to which such Bonds were issued, to be paid on a single future date for the retirement of any Outstanding Bonds of said Series which mature after said future date, but does not include any amount payable by the Corporation by reason only of the maturity of a Bond, and said future date is deemed to be the date when a Sinking Fund Installment is payable and the date of such Sinking Fund Installment and said Outstanding Option Bonds or Variable Rate Interest Bonds of such Series are deemed to be Bonds entitled to such Sinking Fund Installment.

“Special Obligation Pledge” means the pledge of monies to the extent they become legally available by appropriation by the Borrower or otherwise, and which does not constitute a pledge of the full faith and credit and taxing power of the Borrower, made by a Borrower to the Corporation pursuant to an Applicable Agreement to secure the Borrower’s obligations under such Agreement.

“Standby Purchase Agreement” means an agreement by and between the Corporation and another person or by and among the Corporation, one or more Borrowers and another person, pursuant to which such person is obligated to purchase an Option Bond tendered for purchase.

“State” means the State of Rhode Island.

“State Aid Custody Account” means the account held by the Custodian under the Custody Agreement for the deposit of State Housing Aid and State Basic Education Aid prior to the transfer of such funds to the Trustee and other bond trustees for Corporation bonds which are secured by State Basic Education Aid and State Basic Education Aid.

“State Approvals” means the approval of the Council on Elementary and Secondary Education, or its successor, of the Project.

“State Basic Education Aid” shall mean aid for the basic education program provided by the State pursuant to Sections 16-7-15 through 16-7-34.3 of the Rhode Island General Laws and pursuant to all acts supplementing such sections or pursuant to any other law hereafter enacted providing for funds to cities, towns and regional school districts in lieu of or in substitution for the funds presently provided pursuant to such sections.

“State Housing Aid” shall mean aid provided by the State pursuant to Sections 16-7-40, 16-7-41 and 16-7-44 of the Rhode Island General Laws and pursuant to all acts supplementing such sections or pursuant to any other law hereafter enacted providing for funds to cities, towns and regional school districts in lieu of or in substitution for the funds presently provided pursuant to such sections.

“State’s Portion” shall mean the portion of the Borrower Bond debt service payments payable by the State as determined by application of the “school housing ratio” for a Borrower, as in effect from time to time pursuant to Chapter 7 of Title 16 of the General Laws of Rhode Island and all acts supplementing such Chapter or pursuant to any

other law hereafter enacted providing for funds to cities, towns and regional school districts and regulations promulgated thereunder.

“Supplemental Indenture” means any indenture of the Corporation amending or supplementing the Indenture, any Applicable Series Indenture or any Supplemental Indenture executed, delivered and becoming effective in accordance with the terms and provisions of the Master Indenture.

“Tax-Exempt Securities” means a certificate of indebtedness issued by the United States Treasury pursuant to the Demand Deposit State and Local Government Series program described in 31 CFR part 344 and any municipal bond (other than a qualified private activity bond), the interest on which is excluded from federal gross income.

“Term Bonds” means, with respect to Bonds of a Series, the Bonds so designated in an Applicable Series Indenture and payable from Sinking Fund Installments.

“Trust Estate” means the proceeds from the sale of an Applicable Series of Bonds, the Applicable Revenues, the Applicable State Housing Aid, the Applicable State Basic Education Aid to the extent received by the Corporation with respect to Applicable Borrower Bonds; all funds authorized by the Master Indenture and established pursuant to an Applicable Series Indenture, other than an Applicable Arbitrage Rebate Fund and the Applicable Administrative Fund, all as pledged and assigned to the Trustee pursuant to the Master Indenture.

“Trustee” means the bank or trust company appointed in the capacity as Trustee for the Bonds pursuant to the Master Indenture or any Supplemental Indenture and having the duties, responsibilities and rights provided for therein, and its successor or successors any other bank or trust company which may at any time be substituted in its place pursuant thereto.

“Underwriter” means the underwriter or underwriters that have contracted to purchase the Corporation Bonds upon initial issuance.

“Valuation Date” means (i) with respect to any Capital Appreciation Bond, the date or dates set forth in the Series Indenture authorizing such Bond on which specific Accreted Values are assigned to such Capital Appreciation Bond, and (ii) with respect to any Deferred Income Bond, the date or dates prior to the Interest Commencement Date and the Interest Commencement Date set forth in the Series Indenture authorizing such Bond on which specific Appreciated Values are assigned to such Deferred Income Bond.

“Variable Interest Rate” means the rate or rates of interest to be borne by a Series of Bonds or any one or more maturities within a Series of Bonds which is or may be varied from time to time in accordance with the method of computing such interest rate or rates specified in the Series Indenture authorizing such Bonds, which shall be based on (i) a percentage or percentages or other function of an objectively determinable interest rate or rates (e.g., a prime lending rate) which may be in effect from time to time or at a particular time or times or (ii) a stated interest rate that may be changed from time to time as provided in the Series Indenture authorizing such Bonds; provided, however, that such variable interest rate may be subject to a Maximum Interest Rate and a Minimum Interest Rate and that there may be an initial rate specified, in each case as provided in such Series Indenture; provided, further, that such Series Indenture shall also specify either (x) the particular period or periods of time or manner of determining such period or periods of time for which each variable interest rate shall remain in effect or (y) the time or times at which any change in such variable interest rate shall become effective or the manner of determining such time or times.

“Variable Interest Rate Bond” means any Bond which bears a Variable Interest Rate; provided, however, that a Bond the interest rate on which shall have been fixed for the remainder of the term thereof shall no longer be a Variable Interest Rate Bond.

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE FINANCING AGREEMENT

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SUMMARY OF CERTAIN PROVISIONS OF THE FINANCING AGREEMENT

The following is a brief summary of certain provisions of the Financing Agreement to be executed by the Borrower. The summary reflects the provisions of a single Agreement although a separate Agreement will be executed by each Borrower. Such summary does not purport to be complete and reference is made to the Agreement for full and complete statements of such provisions. Defined terms used herein have the meanings ascribed to them in APPENDIX C or the body of this Official Statement.

Loan Clauses.

(A) **Loan Consummation.** Subject to the conditions and in accordance with the terms of this Financing Agreement, the Corporation hereby agrees to make the Loan and the Borrower hereby agrees to accept and repay the Loan. Pursuant to Section 3.6 and as evidence of the Loan made to the Borrower, the Borrower hereby agrees to issue to or upon the order of the Corporation, and to deliver to or upon the order of the Corporation, the Borrower Bonds in the Principal Amount, bearing interest at rates and maturing at the times and in the amounts set forth in Exhibit C in accordance with the Borrower Resolution and laws applicable to the issuance of the Borrower Bonds. The definitive terms of the Loan and the Borrower Bonds shall be as set forth in the Notice of Terms (a form of which is attached hereto as Exhibit I) delivered by the municipal advisor for the Corporation to the Borrower.

(B) **Payment to Trustee.** The State customarily pays State Housing Aid in two equal installments rather than in payments allocable to the payments of the Principal Amount and interest on the Borrower Bonds. In order to ensure compliance with Section 16-7-41 of the Rhode Island General Laws and the Memorandum of Understanding, the Indenture provides for separate Debt Service Accounts to be established by each Series Indenture with respect to each Borrower for whose benefit such series of Corporation Bonds is issued. The Borrower shall appropriate and pay the full (gross) debt service payment due on the Borrower Bonds at the times set forth therein. On the dates set forth in Exhibit I, the Borrower shall pay to the Trustee for deposit in the Applicable Debt Service Account the full amount of the principal, including mandatory sinking fund installments, and interest due on the Borrower Bonds on such dates. Any amounts paid by the Borrower and held by the Trustee in the Applicable Debt Service Account on the first Business Day after the immediately succeeding interest payment date for the Corporation Bonds and not needed to pay debt service on the Corporation Bonds due on such interest payment date shall be paid by the Trustee to the Borrower, including amounts transferred pursuant to Sections 3.3(B) and 3.4 hereof. Subject to the Trustee's receipt from the Borrower of the full debt service payment due on the Borrower Bonds on each interest payment date, any Applicable State Housing Aid paid to the Corporation with respect to the Corporation Bonds and held by the Corporation on the first Business Day after the immediately succeeding interest payment date for the Corporation Bonds and not needed to pay debt service on the Corporation Bonds due during the current Fiscal Year, taking into account the next scheduled payment of State Housing Aid in such Fiscal Year, shall be paid by the Corporation to the Borrower. Notwithstanding the foregoing, investment earnings on the State Housing Aid held by the Corporation shall accrue to the benefit of the State and shall be paid to the State, and investment earnings on the State Basic Education Aid held by the Corporation shall be credited toward the Borrower's obligation to pay its portion of the next succeeding Borrower Bond Debt Service.

(C) **Pledge and Acknowledgment.** The Borrower hereby gives its General or Special Obligation Pledge to cover the payments required hereunder. The Borrower hereby acknowledges that State Housing Aid payable by the State to cover the State's Portion of such amounts shall be paid directly to the Corporation or the Corporation's designee as provided in Chapter 7 of Title 16, and that upon the occurrence of any Event of Default hereunder all State Housing Aid, including aid for bonds, notes or other evidences of indebtedness issued prior to or subsequent to the date hereof, and State Basic Education Aid shall be paid to the Corporation or to the Corporation's designee, as provided in the Memorandum of Understanding. Such General or Special Obligation Pledge set forth in Exhibit C shall be irrevocable and shall continue until the date on which the liabilities of the Corporation and the Borrower with respect to the Project have been discharged and the Borrower's Proportionate Share of the Corporation Bonds have been paid or otherwise discharged. **(Section 3.1)**

Other Amounts Payable by Borrower.

The Borrower expressly agrees to pay:

(A) Issuance and Administrative Expenses. (i) Upon the issuance and sale of the Corporation Bonds, the Corporation Fee (as defined in the Series Indenture) in an amount set forth in Exhibit C of the Financing Agreement, the SBA Statutory Fee (as defined in Exhibit C of the Financing Agreement) and the Borrower's Proportionate Share (or such other portion thereof as shall be agreed upon by the Borrower and the Corporation) of the costs and expenses of the Corporation in the preparation, sale and delivery of the Corporation Bonds, the preparation and delivery of any legal instruments and documents necessary in connection herewith and therewith and their filing and recording, if required, and all taxes and charges payable in connection with any of the foregoing, all as specified in the Notice of Terms. Such costs shall be payable from proceeds of the Corporation Bonds or from such other sources identified in Exhibit C and shall be in the amount specified in the Notice of Terms;

(ii) When due, other costs of issuance payable to consultants and attorneys utilized by the Borrower, if any, in connection with the issuance of the Borrower Bonds as set forth in the Notice of Terms; and

(iii) As such expenses are incurred, subject to appropriation by the Borrower, the amount of any Corporation expenses (including but not limited to investment losses and the reasonable fees and expenses of the Corporation, the Trustee, the owners of Corporation Bonds, and attorneys representing any of the foregoing) incurred as a result of the Borrower's failure to make any payment on the Borrower Bonds when due or failure to otherwise comply with the terms of this Financing Agreement or the Borrower Bonds.

(B) Indemnification of the Corporation. To the extent permitted by law, the Borrower agrees to indemnify, defend and hold harmless the Corporation and each member, officer and employee of the Corporation against any and all liabilities, losses, costs, damages or claims, and shall pay any and all judgments or expenses of any and all kinds or nature and however arising, imposed by law, including interest thereon, which it or any of them may sustain, be subject to or be caused to incur by reason of any claim, action, suit, charge or proceeding arising from or out of (1) this Financing Agreement, the Loan and the Project financed or refinanced hereby based on information furnished by the Borrower or actions or inactions of the Borrower in connection therewith, (2) any failure by the Borrower to deliver the Borrower Bonds to the Corporation or (3) any allegation that an official statement, prospectus, placement memorandum or other offering document prepared in connection with the sale and issuance of the Corporation Bonds contained an untrue or misleading statement of a material fact obtained from the Borrower relating to the Borrower or the Project, or omitted to state a material fact relating to the Borrower or the Project necessary in order to make the statements made therein in light of the circumstances under which they were made not misleading; provided, however, that neither the Corporation nor a member, officer or employee of the Corporation shall be released, indemnified or held harmless from any claim for damages, liability, loss, cost, damage, judgment or expense arising out of the gross negligence or willful misconduct of the Corporation, such member, officer or employee.

The Corporation agrees to give the Borrower prompt notice in writing of the assertion of any claim or the institution of each such suit, action or proceeding described above and to cooperate with the Borrower in the investigation of such claim and the defense, adjustment, settlement or compromise of any such action or proceeding. The Corporation shall not settle any such suit, action or proceeding without the prior written consent of the Borrower.

Except as provided in the following paragraph of this Section, the Borrower, at its own cost and expense, shall defend any and all suits, actions or proceedings which may be brought or asserted against the Corporation, its members, officers or employees for which the Borrower is required to indemnify the Corporation or hold the Corporation harmless pursuant to the first paragraph of this Section, but this provision shall not be deemed to relieve any insurance company which has issued a policy of insurance as may be provided for herein from its obligation to defend the Borrower, the Corporation and any other insured named in such policy of insurance in connection with claims, suits or actions covered by such policy.

The Corporation and each member, officer or employee thereof shall, at the cost and expense of the Borrower, be entitled to employ separate counsel in any action or proceeding arising out of any alleged act or omission which occurred or is alleged to have occurred while the member, officer or employee was acting within the scope of his or her employment or duties in connection with the financing or refinancing of the Project, and to conduct the defense thereof, in which (i) the counsel to the Borrower determines, based on his or her investigation and review of the facts and circumstances of the case, that the interests of such person and the interests of the Borrower are in conflict, or in the event such counsel determines that no conflict exists, a court of competent jurisdiction subsequently determines that such person is entitled to employ separate counsel, or (ii) such person may have an available defense which cannot as a matter of law be asserted on behalf of such person by the Borrower or by counsel employed by it, or (iii) such person may be subject to criminal liability, penalty or forfeiture, or (iv) the Borrower has consented to the employment

of separate counsel or the counsel retained by the Borrower pursuant to this paragraph B is not reasonably acceptable to the Corporation, provided, however, that the Borrower shall not be liable for attorneys' fees of separate counsel so retained or any other expenses incurred in connection with the defense of an action or proceeding described in clause (iii) of this paragraph, unless the member, officer or employee shall have prevailed on the merits or such action or proceeding was dismissed or withdrawn, or an adverse judgment was reversed upon appeal, and such action or proceeding may not be recommenced. Attorney's fees of separate counsel retained in accordance with this paragraph shall be paid only upon the audit by an appropriate Borrower officer.

The indemnity of the Corporation shall remain operative and in full force and effect and shall survive the date of the closing for the Corporation Bonds. **(Section 3.2)**

Redemption of Borrower Bonds.

(A) **Redemption Provisions.** The Borrower Bonds shall be subject to redemption prior to maturity in accordance with the redemption provisions set forth in the Agreement and in the Notice of Terms. The Borrower shall not, without the prior written consent of the Corporation, redeem prior to maturity any of the Borrower Bonds prior to the date on which any corresponding outstanding Corporation Bonds are redeemable.

The Borrower shall give notice of redemption of any Borrower Bonds in accordance with the provisions set forth in Exhibit C to the Agreement and in the Notice of Terms.

(B) **Application of Excess Proceeds.** (i) The Borrower expressly acknowledges and agrees that, pursuant to the Master Indenture, with respect to any unspent proceeds remaining in an Applicable Construction Account established for the Borrower after completion of the Project, that such moneys shall be paid by the Trustee first, to the Applicable Arbitrage Rebate Account established for the Borrower to the extent required by Section 148 of the Code and any remainder to the Borrower Payment Account in the Applicable Debt Service Account established for the Borrower; (ii) the Borrower expressly acknowledges and agrees that, with respect to any remaining unspent proceeds of any Refunded Bonds or Notes, either (a) such proceeds are required for the completion of the Project and the Borrower will, prior to issuance of the Corporation Bonds, on or before the date specified by the Corporation, transfer any remaining unspent proceeds of the Refunded Bonds or Notes to a separate fund or account and invest such proceeds in Tax-Exempt Securities or (b) the Borrower shall apply any remaining unspent proceeds of any Refunded Bonds or Notes to be used to make the next succeeding debt service payments on any Refunded Bonds or Notes, and the Corporation Bonds will not refund that portion of any Refunded Bonds or Notes.

(C) **Costs.** The Borrower shall pay all costs and expenses of the Corporation in effecting the redemption of any Corporation Bonds prior to maturity that are so redeemed due to the redemption prior to maturity of any Borrower Bonds, including any difference in the amount of interest due on the Borrower Bonds and the amount of interest due on the Corporation Bonds. **(Section 3.3)**

Application of Loan Proceeds.

(A) To the extent the proceeds of the Loan are to be used to pay Costs of the Project or costs of issuance of Corporation Bonds or Borrower Bonds or any amounts payable to the Corporation under this Financing Agreement, the portion of the proceeds to be so used shall be held on deposit with the Trustee for the account of the Borrower. Amounts so deposited shall be invested and disbursed at the direction of the Corporation in accordance with the Indenture.

Investment earnings on such amounts shall accrue to the benefit of the Borrower and shall be transferred semi-annually on each interest payment date for the Borrower Bonds, commencing on the October 1 or April 1 following the issuance of the Borrower Bonds, to the applicable Debt Service Account established for the Borrower.

(B) To the extent the proceeds of the Loan are to be used to refund any Refunded Bonds or Notes, the Corporation shall direct the Trustee to deposit the portion of the proceeds to be so used with the trustee or paying agent for the Refunded Bonds or Notes, from which disbursements shall be made in accordance with the Escrow Agreement, if any, or the holder of the Refunded Bonds or Notes. **(Section 3.4)**

Effective Date and Term.

The date of this Financing Agreement is for reference purposes only and this Financing Agreement shall become effective upon the date of execution and delivery hereof by the parties hereto, shall remain in full force and effect from such date and shall expire on such date as all Corporation Bonds shall be discharged and satisfied in accordance with the provisions thereof and all obligations of the Borrower to the Corporation hereunder are satisfied. **(Section 3.5)**

Trustee; Investment of Loan Proceeds and Borrower Bond Prepayments.

The Borrower authorizes the Trustee to invest, in accordance with instructions of the Corporation and laws governing the investments of the Corporation and the Borrower, amounts that are held by the Trustee for the account of the Borrower in accordance with the provisions of the Indenture. The Borrower acknowledges that the Corporation and the Trustee shall not be liable or responsible for any loss, direct or indirect, resulting from any investment authorized by the Indenture and the Agreement or from the redemption, sale or maturity of any such investment as therein authorized or from any depreciation in value of any such investment. Interest earnings shall be applied in accordance with the Agreement to the extent applicable. **(Section 3.7)**

Authorization to Acquire Investments under Escrow Agreement, if any.

The Borrower hereby authorizes the Corporation to acquire the investments required by and to be held by the escrow agent under the Escrow Agreement, if any, including forward purchase contracts. Such investments shall be permitted investments pursuant to Rhode Island General Laws Section 45-12-5.2 or any other applicable general or special law. **(Section 3.9)**

Application of Interest Earnings.

The Corporation agrees that it will cause to be deposited in the Applicable Debt Service Account, the Borrower's Proportionate Share of the interest earned and paid, if any, on the investment of moneys in the Debt Service Fund and the Construction Fund. Pursuant to Section 5.05(2) of the Master Indenture, the Corporation hereby agrees that, so long as no event of default has occurred under this Financing Agreement, the Corporation shall direct the Trustee to pay to the Borrower semi-annually the excess amounts (as determined by the Corporation) in the Applicable Debt Service Account in the Debt Service Fund described in Section 5.05(2) of the Master Indenture. **(Section 3.10)**

Compliance with Laws and Agreements.

(A) **Compliance.** The Borrower agrees that the Project shall at all times during the term of any Loan be in compliance, in all material respects, with applicable federal and State laws and regulations. The Borrower will at all times construct and operate (or cause to be constructed and operated) the Project, in material compliance with all applicable federal, State and local laws, ordinances, rules, regulations and this Financing Agreement, and with all other applicable laws and regulations to the extent necessary to ensure the availability of the Project for its intended purposes and to ensure the safety of the public in connection with the Project.

(B) **Program Restrictions.** Title 16, Chapters 7 and 7.2 of the Rhode Island General Laws includes conditions of, and restrictions on, the receipt of State Housing Aid and State Basic Education Aid. Under current law, school housing project costs shall include the cost of interest payments on any bond issued after July 1, 1988, provided that such bond is approved by the voters on or before June 30, 2003 or issued by a municipal public building authority or by the appropriate approving authority on or before June 30, 2003. For those projects approved after June 30, 2003, interest payments may only be included in project costs provided that the bonds for these projects are issued through the Corporation. School housing project costs shall exclude: (1) any bond issuance costs incurred by the municipality or regional school district; (2) demolition costs for buildings, facilities, or sites deemed surplus by the school committee; and (3) restrictions pursuant to Rhode Island General Laws Section 16-7-44.1. A building, facility, or site is declared surplus by a school committee when the committee no longer has such building, facility, or site under its direct care and control and transfers control to the municipality. The term of any bond, or capital lease shall not be longer than the useful life of the project and these instruments are subject to the public review and voter approval otherwise required by law for the issuance of bonds or capital leases. Cities or towns issuing bonds, or leases issued by municipal public buildings authorities for the benefit of a local community pursuant to chapter 50 of title 45 shall

not require voter approval. State Housing Aid shall not be provided for the purchase of furniture, fixtures and equipment except in the case of a project to construct a new school or new school addition that is also supported by a general obligation or lease revenue bond. State Housing Aid shall not be provided for projects supported by capital lease agreements that: (1) are not lease purchase agreements; (2) do not demonstrate a direct benefit to the school or are not located on school property; and (3) do not exclude all non-capital costs such as maintenance costs prior to the request for reimbursement. If at any time during the term of the Borrower Bonds, the Project fails to qualify for State Housing Aid, the General or Special Obligation Pledge of the Borrower shall remain in full force and effect and the Borrower as set forth in Exhibit C shall continue to pay the full amount of the Loan and the full amount of the principal, premium, if any and interest on the Borrower Bonds. The Corporation and the Borrower acknowledge that payments of State Housing Aid and State Basic Education Aid by the State are subject to the annual appropriation of funds by the State for such purpose and that in the event the State should fail to appropriate State Housing Aid for the Project, the Borrower is required to pay the full amount of the Loan and the full amount of the principal, premium, if any, and interest on the Borrower Bonds. In the event that the Borrower fails to pay such amounts, the Corporation may take steps under the Memorandum of Understanding to have all State Housing Aid, including aid for bonds, notes or other evidence of indebtedness issued prior to or subsequent to the date hereof, and State Basic Education Aid, to be paid to the Corporation or to the Corporation's designee in satisfaction of the Loan and the Borrower Bonds. **(Section 4.1)**

No Warranty Regarding Condition, Suitability or Cost of Project.

The Corporation makes no warranty, either express or implied, as to the Project or its condition or that it will be suitable for the Borrower's purposes or needs, or that the proceeds of the Loan will be sufficient to pay or refinance the costs of the Project. Nothing in this Financing Agreement shall relieve the Borrower of its responsibility to properly plan, design, build and effectively operate and maintain the Project as required by laws, regulations and permits. The Borrower acknowledges and agrees that neither the Corporation nor its representatives are responsible for increased costs resulting from defects in the plans, design drawings and specifications or other Project documents. Nothing in this section prohibits the Borrower from requiring more assurances, guarantees, or indemnity or other contractual requirements from any party performing work on the Project. **(Section 4.2)**

Construction of Project.

(A) Construction. To the extent, if any, that the Project is not yet complete, the Borrower agrees to diligently pursue the expeditious completion of the Project.

(B) Completion Certificate. To the extent, if any, that the Project or any portion thereof is not yet complete as of the date of the Agreement, the Borrower shall deliver to the Corporation a certificate of the Borrower stating that the Project (or any portion thereof then complete for the purpose of State Housing Aid payments) has been completed in accordance with the Agreement within seven (7) Business Days following such completion. If the Borrower has not delivered to the Corporation the Completion Certificate for the Project (or all portions of the Project financed by the Corporation Bonds) within three years after the date of issuance of the Corporation Bonds, the Corporation shall deem the Project (or portion thereof) complete on the date the Borrower receives State Housing Aid for the Project or portion of the Project. The Corporation shall be entitled to rely on and treat any certificate of completion/substantial completion delivered to the Rhode Island Department of Elementary and Secondary Education of the State as the Completion Certificate required under the Agreement. **(Section 4.3)**

Application of Loan Proceeds.

The Borrower shall apply the proceeds of the Loan solely to finance or refinance Project costs or to refund the Refunded Bonds or Notes, if any, as provided in the Escrow Agreement, if any, and to pay costs of issuance as set forth in Schedule A to Exhibit I. **(Section 5.1)**

Tax Covenant.

The Borrower covenants that it shall not take any action or inaction, nor fail to take any action or permit any action to be taken, with respect to the Project or the portion of the proceeds of the Corporation Bonds made available to it as part of the Loan including amounts treated as proceeds of the Corporation Bonds for any purpose of Section 103 of the Code, if any such action or inaction would adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Corporation Bonds under Section 103 of the Code. This provision shall control in case of conflict or ambiguity with any other provision of the Agreement. Without limiting the generality of

the foregoing, the Borrower covenants that it will comply with the instructions and requirements of the Borrower Tax Certificate. The Borrower covenants that it shall not take any action or inaction, nor fail to take any action or permit any action to be taken, if any such action or inaction, which would cause the Corporation's Bonds to be "private activity bonds", "private loan bonds," "arbitrage bonds" or "advance refunding bonds" within the meaning of Sections 141, 148 or 149 of the Code. The Borrower (or any related party within the meaning of Treasury Regulation Section 1.1501(b)) shall not, pursuant to an arrangement, formal or informal, purchase Corporation Bonds in an amount related to the amount of any obligation to be acquired from the Borrower by the Corporation. The Borrower will, on a timely basis, provide the Corporation with all necessary information to enable the Corporation to comply with the arbitrage and rebate requirements of the Code. **(Section 5.2)**

Payment of Borrower Bonds.

The Borrower covenants and agrees that it shall duly and punctually pay or cause to be paid the principal installments or redemption price of its Borrower Bonds and the interest thereon, at the dates and places and in the manner stated in such Borrower Bonds and in accordance with Section 3.1 hereof and that such obligation shall not be subject to any defense (other than payment) or any rights of setoff, recoupment, abatement, counterclaim or deduction and shall be without any rights of suspension, deferment, diminution or reduction it might otherwise have against the Corporation, the Trustee or the owner of any Corporation Bond. **(Section 5.4)**

Actions Regarding State Housing Aid and Basic Education Aid and State Basic Education Aid.

The Borrower covenants and agrees that it shall submit to the State all documentation required by the State as a condition to the payment of any State Housing Aid and, if applicable, State Basic Education Aid, in sufficient time to permit such aid to be paid to the Trustee, as the Corporation's designee, on its scheduled payment date. The Borrower covenants and agrees to comply with all legal and regulatory requirements to maintain State Housing Aid and State Basic Education Aid with respect to the Project during the term of the Agreement. **(Section 5.5)**

Defaults.

An "event of default" or a "default" shall mean, whenever they are used herein, any one or more of the following events:

(a) Failure by the Borrower to pay or cause to be paid when due the amounts to be paid under the Borrower Bonds;

(b) Failure by the Borrower to pay or to cause to be paid when due any other payment required to be made hereunder which failure continues for a period of thirty (30) days after payment thereof was due, provided that written notice thereof shall have been given to the Borrower not less than thirty (30) days prior to the due date thereof;

(c) Failure by the Borrower to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in subparagraphs (a) and (b) of this Section, which failure shall continue for a period of thirty (30) days after written notice, specifying such failure and requesting that it be remedied, is given to the Borrower by the Corporation or such longer period, as is required to cure such default, if by reason of the nature of such failure the same cannot be remedied within such thirty (30) day period and the Borrower has within such thirty (30) day period commenced to take appropriate actions to remedy such failure and is diligently pursuing such actions;

(d) Any representation or warranty of the Borrower contained herein shall have been at the time it was made untrue in any material respect; or

(e) The Borrower shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against the Borrower seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, or other similar official for it for any substantial part of its property; or the Borrower shall authorize any of the actions set forth above in this subparagraph (e). **(Section 6.1)**

Remedies.

Whenever any event of default referred to in the Agreement shall have happened and be continuing, the Corporation may take whatever action at law or in equity may appear necessary or desirable to collect the payments then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the Borrower under the Agreement, including requiring payment to the Trustee of any public funds otherwise payable to the Borrower by the State as provided in the Memorandum of Understanding, the exercise of any remedy authorized by the Rhode Island General Laws with respect to obtaining payment on the Borrower Bonds and any other administrative enforcement action and actions for breach of contract. **(Section 7.1)**

No Remedy Exclusive.

No remedy is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Corporation to exercise any remedy reserved to it under the Agreement, it shall not be necessary to give any notice, other than such notice as may be expressly required. **(Section 7.2)**

Waiver and Non-Waiver.

In the event any agreement contained in the Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach under the Agreement. No delay or omission by the Corporation to exercise any right or power accruing upon default shall impair any right or power or shall be construed to be a waiver of any such default or acquiescence therein. **(Section 7.3)**

Amendments, Supplements and Modifications.

The Agreement shall not be amended, supplemented or modified except by a written instrument executed by the Corporation and the Borrower upon the Corporation's compliance with the provisions of the Master Indenture and upon the consent of the Credit Facility Provider, if any. **(Section 8.5)**

Further Assurances; Disclosure of Financial Information, Operating Data and Other Information.

(A) The Borrower shall, at the request of the Corporation, authorize, execute, acknowledge and deliver such further resolutions, conveyances, transfers, assurances, financing statements and other instruments as may be deemed necessary or desirable by the Corporation, in its sole discretion, for better assuring, conveying, granting, assigning and confirming the rights, security interests and agreements granted or intended to be granted by the Agreement and the Borrower Bonds. The Borrower also agrees to furnish to the Corporation such additional information concerning the financial condition of the Borrower as the Corporation may from time to time reasonably request.

(B) Without limiting the generality of the foregoing, the Borrower agrees to comply with the terms of the Continuing Disclosure Agreement.

(C) If and so long as the offering of the Corporation Bonds continues (a) the Borrower will furnish such information with respect to itself as the Underwriter may from time to time reasonably request and (b) if any event relating to the Borrower shall occur as a result of which it is necessary, in the opinion of Bond Counsel to the Corporation, General Counsel of the Corporation or counsel for such Underwriter, to amend or supplement the Official Statement of the Corporation used in connection with the offering of the Corporation Bonds in order to make such information not misleading in light of the circumstances then existing, the Borrower will forthwith prepare and furnish to the Corporation and the Underwriter such information relating to the Borrower as may be necessary to permit the preparation of an amendment of or supplement to such Official Statement (in form and substance satisfactory to the Bond Counsel to the Corporation and counsel for the Underwriter) which will amend or supplement such Official Statement so that it will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make statements therein, in light of the circumstances then existing, not misleading. Unless the Borrower

shall have been notified to the contrary in writing by the Corporation or the Underwriter, the Borrower shall be entitled to presume that the offering by the Corporation and that its obligations under this paragraph shall have ceased twenty-five (25) days after the date of delivery of the Corporation Bonds. **(Section 8.10)**

APPENDIX E

SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE AND THE SERIES 2024 F INDENTURE

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SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE AND THE SERIES INDENTURE

The following is a brief summary of certain provisions of the Master Indenture and the Series Indenture. Such summary does not purport to be complete and reference is made to the Master Indenture for full and complete statements of such provisions. Defined terms used herein have the meanings ascribed to them in APPENDIX C or the body of this Official Statement.

Master Indenture, the Series Indentures, and the Bonds Constitute Separate Contracts.

It is the intent of the Master Indenture to authorize the issuance by the Corporation, from time to time, of its revenue bonds in one or more Series, each such Series to be authorized by a separate Applicable Series Indenture and, *inter alia* to be separately secured from each other Series of Bonds. Each such Series of Bonds shall be separate and apart from any other Series of Bonds authorized by a different Series Indenture and the Holders of Bonds of such Series shall not be entitled to the rights and benefits conferred upon the Holders of Bonds of any other Series of Bonds by the respective Series Indenture authorizing such Series of Bonds. With respect to each Applicable Series of Bonds, in consideration of the purchase and acceptance of any and all of the Bonds of an Applicable Series authorized to be issued under the Master Indenture and the Applicable Series Indenture by those who shall hold or own the same from time to time, the Master Indenture and the Applicable Series Indenture shall be deemed to be and shall constitute a contract among the Corporation, the Trustee and the Holders from time to time of the Bonds of an Applicable Series, and the pledge and assignment made in the Master Indenture and the covenants and agreements set forth to be performed by or on behalf of the Corporation shall be for the equal and ratable benefit, protection and security of the Holders of any and all of the Bonds of such Series, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any Bonds of a Series over any other Bonds of such Series except as expressly provided in the Master Indenture or permitted thereby or by the Applicable Series Indenture. **(Section 1.03)**

Authorization of Bonds.

A Series of Bonds entitled to the benefit, protection and security of the Master Indenture is hereby authorized to be issued in an aggregate principal amount of \$84,640,000. Such Series of Bonds shall be designated as and shall be distinguished from the Bonds of all other Series by the title “Public Schools Revenue Bond Financing Program Revenue Bonds, Series 2024 F (Town of Middletown Issue)” pursuant to and subject to the terms, conditions and limitations established in the Master Indenture and the Series 2024 F Indenture. **(Section 2.01)**

Additional Obligations.

The Corporation reserves the right to issue bonds, notes or any other obligations or otherwise incur indebtedness pursuant to other and separate indentures or agreements of the Corporation, so long as such bonds, notes or other obligations are not, or such other indebtedness is not entitled to a charge, lien or right prior or equal to the charge or lien created by the Master Indenture and pursuant to an Applicable Series Indenture, or prior or equal to the rights of the Corporation and Holders of an Applicable Series of Bonds provided by the Master Indenture or with respect to the moneys pledged thereunder or pursuant to an Applicable Series Indenture. **(Section 2.05)**

Authorization of Redemption.

Bonds subject to redemption prior to maturity pursuant to the Master Indenture or to a Series Indenture shall be redeemable, in accordance with the Master Indenture, at such times, at such Redemption Prices and upon such terms as may otherwise be specified therein or in the Applicable Series Indenture authorizing such Series. **(Section 4.01)**

Redemption at the Election or Direction of the Corporation.

The Series, maturities and principal amounts thereof to be redeemed at the election or direction of the Corporation shall be determined by the Corporation in its sole discretion, subject to any limitations with respect thereto contained in the Master Indenture or in the Series Indenture authorizing such Series. Such notice shall be given to the Trustee at least sixty (60) days prior to the date on which such Bonds are to be redeemed, or such lesser number of days as shall be acceptable to the Trustee. **(Section 4.02)**

Selection of Bonds to Be Redeemed.

Unless otherwise provided in the Series Indenture authorizing the issuance of Bonds of a Series, in the event of redemption of less than all of the Outstanding Bonds of like Series, maturity and tenor, the Trustee shall assign to each Outstanding Bond of the Series, maturity and tenor to be redeemed a distinctive number for each unit of the principal amount of such Bond equal to the lowest denomination in which the Bonds of such Series are authorized to be issued and shall select by lot, using such method of selection as it shall deem proper in its discretion, from the numbers assigned to such Bonds as many numbers as, at such unit amount equal to the lowest denomination in which the Bonds of such Series are authorized to be issued for each number, shall equal the principal amount of such Bonds to be redeemed. In making such selections the Trustee may draw the Bonds by lot (i) individually or (ii) by one or more groups, the grouping for the purpose of such drawing to be by serial numbers (or, in the case of Bonds of a denomination of more than the lowest denomination in which the Bonds of such Series are authorized to be issued, by the numbers assigned thereto as provided in the Master Indenture) which end in the same digit or in the same two digits. In case, upon any drawing by groups, the total principal amount of Bonds drawn shall exceed the amount to be redeemed, the excess may be deducted from any group or groups so drawn in such manner as the Trustee may determine. The Trustee may in its discretion assign numbers to aliquot portions of Bonds and select part of any Bond for redemption. The Bonds to be redeemed shall be the Bonds to which were assigned numbers so selected; provided, however, that only so much of the principal amount of each such Bond of a denomination of more than the lowest denomination in which the Bonds of such Series are authorized to be issued shall be redeemed as shall equal the lowest denomination in which the Bonds of such Series are authorized to be issued for each number assigned to it and so selected. For purposes of this paragraph, the lowest denomination in which a Capital Appreciation Bond is authorized to be issued shall be the lowest Accreted Value authorized to be due at maturity on such Bonds, and the lowest denomination in which a Deferred Income Bond is authorized to be issued shall be the lowest Appreciated Value on the Interest Commencement Date authorized for such Bonds. **(Section 4.04)**

Notice of Redemption.

Whenever Bonds are to be redeemed, the Trustee shall give notice of the redemption of the Bonds in the name of the Corporation which notice shall specify: (i) the Bonds to be redeemed which shall be identified by the designation of the Bonds given in accordance with the Master Indenture, the maturity dates and interest rates of the Bonds to be redeemed and the date such Bonds were issued; (ii) the numbers and other distinguishing marks of the Bonds to be redeemed, including CUSIP numbers; (iii) the redemption date; (iv) the Redemption Price; (v) with respect to each such Bond, the principal amount thereof to be redeemed; (vi) the date of publication, if any, of the notice of redemption; (vii) that, except in the case of Book-Entry Bonds, such Bonds will be redeemed at the principal corporate office of the Trustee giving the address thereof and the name and telephone number of a representative of the Trustee to whom inquiries may be directed; and (viii) that no representation is made as to the correctness of the CUSIP number either as printed on the Bonds or as contained in such notice and that an error in a CUSIP number as printed on a Bond or as contained in such notice shall not affect the validity of the proceedings for redemption. Any notice of redemption, unless moneys shall be received by the Trustee prior to giving such notice sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed, may state that such redemption shall be conditional upon the receipt of such moneys by the Trustee by 1:00 P.M. (New York time) on the date fixed for redemption. If such moneys shall not have been so received said notice shall be of no force and effect, the Corporation shall not redeem such Bonds and the Trustee shall give notice, in the manner in which the notice of redemption was given, that such moneys were not so received. Such notice shall further state that on such date there shall become due and payable upon each Bond to be redeemed the Redemption Price thereof, together with interest accrued and unpaid thereon to the redemption date, and that, from and after such date, payment having been made or provided for, interest thereon shall cease to accrue. Such notice, unless the Bonds are Book-Entry Bonds, shall be given by mailing a copy of such notice not less than thirty (30) days nor more than sixty (60) days prior to the redemption date or, in the case of Variable Interest Rate Bonds or Option Bonds, such shorter period as shall be established by the Series Indenture authorizing such Bonds, but in no event less than fifteen (15) days prior to the redemption date. Such notice, unless the Bonds are Book-Entry Bonds, shall be sent by first class mail, postage prepaid, to the registered owners of the Bonds which are to be redeemed, at their last known addresses, if any, appearing on the registration books not more than ten (10) Business Days prior to the date such notice is given. Upon giving such notice, the Trustee shall promptly certify to the Corporation that it has mailed or caused to be mailed such notice to the Holders of the Bonds to be redeemed in the manner provided in the Master Indenture. Such certificate shall be conclusive evidence that such notice was given in the manner required by the Master Indenture. The failure of any Holder of a Bond to be redeemed to receive such notice shall not affect the validity of the proceedings for the redemption of the Bonds. If directed in

writing by an Authorized Officer of the Corporation, the Trustee shall also give such notice by publication thereof once in an Authorized Newspaper, such publication to be not less than thirty (30) days nor more than sixty (60) days prior to the redemption date, or, in the case of Variable Interest Rate Bonds or Option Bonds, such shorter period as shall be established by the Series Indenture authorizing such Bonds, but in no event less than fifteen (15) days prior to the redemption date; provided, however, that such publication shall not be a condition precedent to such redemption, and failure to so publish any such notice or a defect in such notice or in the publication thereof shall not affect the validity of the proceedings for the redemption of the Bonds.

The Trustee shall (i) if any of the Bonds to be redeemed are Book-Entry Bonds, mail a copy of the notice of redemption to the Depository for such Book-Entry Bonds not less than thirty-five (35) days prior to the redemption, but, if notice of redemption is to be published as aforesaid, in no event later than five (5) Business Days prior to the date of publication, and (ii) mail a copy of the notice of redemption to Kenny Information Systems Notification Service and to Standard & Poor's Called Bond Record, in each case at the most recent address therefor, or to any successor thereof. Such copies shall be sent by certified mail, return receipt requested, but mailing such copies shall not be a condition precedent to such redemption and failure to so mail or of a person to which such copies were mailed to receive such copy shall not affect the validity of the proceedings for the redemption of the Bonds. **(Section 4.05)**

Payment of Redeemed Bonds.

Notice having been given by mail in the manner provided in the Master Indenture, the Bonds or portions thereof so called for redemption shall become due and payable on the redemption date so designated at the Redemption Price, plus interest accrued and unpaid to the redemption date, upon presentation and surrender of such Bonds, other than a Book-Entry Bond which has been called for redemption in part, at the office or offices specified in such notice, and, in the case of Bonds presented by other than the registered owner, together with a written instrument of transfer duly executed by the registered owner or his duly authorized attorney, such Bonds, or portions thereof, shall be paid at the Redemption Price plus interest accrued and unpaid to the redemption date. Payment of the Redemption Price shall be made, upon the request of the registered owner of one million dollars (\$1,000,000) or more in principal amount of Bonds to be redeemed, by wire transfer to such registered owner at the wire transfer address in the continental United States to which such registered owner has, at the time such Bonds are surrendered to the Trustee, directed in writing the Trustee to wire such Redemption Price. If there shall be drawn for redemption less than all of the principal amount of a registered Bond, the Corporation shall execute and the Trustee shall authenticate and deliver, upon the surrender of such Bond, without charge to the owner thereof, for the unredeemed balance of the principal amount of the registered Bond so surrendered, Bonds of like Series, maturity and tenor in any of the authorized denominations. If, on the redemption date, moneys for the redemption of all Bonds or portions thereof of any like Series, maturity and tenor to be redeemed, together with interest accrued and unpaid thereon to the redemption date, shall be held by the Trustee and Paying Agents so as to be available therefor on such date and if notice of redemption shall have been mailed as aforesaid, then, from and after the redemption date, interest on the Bonds or portions thereof so called for redemption shall cease to accrue and such Bonds shall no longer be considered to be Outstanding under the Master Indenture. If such moneys shall not be so available on the redemption date, such Bonds or portions thereof shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption. **(Section 4.06)**

Pledge of Revenues.

The proceeds from the sale of an Applicable Series of Bonds, the Applicable Revenues, the Applicable State Housing Aid to the extent received by the Corporation with respect to Applicable Borrower Bonds, the Applicable State Basic Education Aid to the extent received by the Corporation with respect to the Applicable Borrower Bonds, and all funds authorized by the Master Indenture and established pursuant to an Applicable Series Indenture, other than an Applicable Arbitrage Rebate Fund and the Applicable Administrative Fund, are subject to the provisions of an Applicable Series Indenture, pledged and assigned to the Trustee as security for the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Applicable Series of Bonds and as security for the performance of any other obligation of the Corporation under the Master Indenture and under an Applicable Series Indenture with respect to such Series, all in accordance with the provisions thereof. The pledge made by the Master Indenture, subject to the provisions of an Applicable Series Indenture, shall relate only to the Bonds of an Applicable Series authorized by such Series Indenture and no other Series of Bonds and such pledge shall not secure any such other Series of Bonds. The pledge made by the Master Indenture is valid, binding and perfected from the time when the pledge attaches and the proceeds from the sale of the Applicable Series of Bonds, the Applicable Revenues, the Applicable State Housing Aid to the extent received by the Corporation with respect to

Applicable Borrower Bonds, the Applicable State Basic Education Aid, to the extent received by the Corporation with respect to the Applicable Borrower Bonds, and all funds and accounts established by the Master Indenture and pursuant to the Applicable Series Indenture which are pledged pursuant by the Master Indenture and pursuant to the Applicable Series Indenture shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid, binding and perfected as against all parties having claims of any kind in tort, contract or otherwise against the Corporation irrespective of whether such parties have notice thereof. No instrument by which such pledge is created nor any financing statement need be recorded or filed. The Bonds of each Applicable Series shall be special obligations of the Corporation payable solely from and secured by a pledge of the proceeds from the sale of such Series of Bonds, the Applicable Revenues, the Applicable State Housing Aid to the extent received by the Corporation with respect to Applicable Borrower Bonds, the Applicable State Basic Education Aid, to the extent received by the Corporation with respect to the Applicable Borrower Bonds, and the funds established by the Master Indenture and pursuant to the Applicable Series Indenture, which pledge shall constitute a first lien thereon. Notwithstanding the foregoing, interest earnings on the Debt Service Fund held by the Trustee and properly allocable to one Borrower may not be used to make up a deficiency caused by the failure of another Borrower to pay its Basic Debt Service Payment. **(Section 5.01)**

Establishment of Funds.

Unless otherwise provided by the Applicable Series Indenture, the following funds are authorized to be established, held and maintained for each Applicable Series by the Trustee under the Applicable Series Indenture separate from any other funds established and maintained pursuant to any other Series Indenture:

Construction Fund;
Debt Service Fund;
Arbitrage Rebate Fund; and
Administrative Fund.

Accounts and sub-accounts within each of the foregoing funds may from time to time be established in accordance with an Applicable Series Indenture or upon the direction of the Corporation. In addition, an Applicable Series Indenture may provide for the establishment of additional funds. All moneys at any time deposited in any fund created by the Master Indenture, other than the Applicable Arbitrage Rebate Fund and the Applicable Administrative Fund, shall be held in trust for the benefit of the Holders of the Applicable Series of Bonds, but shall nevertheless be disbursed, allocated and applied solely in connection with Applicable Series of Bonds for the uses and purposes provided therein. **(Section 5.02)**

Application of Bond Proceeds and Allocation Thereof.

Upon the receipt of proceeds from the sale of a Series of Bonds, the Corporation shall apply such proceeds as specified in the Master Indenture and in the Series Indenture authorizing such Series. Accrued interest, if any, received upon the delivery of a Series of Bonds shall be deposited in the Debt Service Fund unless all or any portion of such amount is to be otherwise applied as specified in the Series Indenture authorizing such Series. **(Section 5.03)**

Application of Moneys in the Construction Fund.

A separate Construction Fund shall be established by each Series Indenture and separate Construction Accounts shall be established therein with respect to each Borrower for whose benefit such Series of Bonds is issued. As soon as practicable after the delivery of each Series of Bonds, there shall be deposited in each Applicable Construction Account the amount required to be deposited therein pursuant to the Series Indenture authorizing such Series. In addition, the Corporation shall deposit in the Applicable Construction Account any moneys paid to the Corporation pursuant to the Master Indenture.

Except as otherwise provided in the Master Indenture and in any applicable Series Indenture, moneys deposited in the Applicable Construction Account shall be used only to pay the Borrower's Allocable Portion of the costs of issuance of the Applicable Bonds and the Costs of the Applicable Project.

Consistent with the provisions of the Applicable Agreement, payments from the Applicable Construction Account shall be made by the Corporation upon the filing in the records of the Corporation of, and in accordance with, a requisition signed by an Authorized Officer of the Applicable Borrower and acknowledged by an Authorized Officer

of the Corporation, stating with respect to each payment to be made (i) the names of the payees, (ii) the purpose for which payment is to be made in terms sufficient for identification, (iii) the respective amount of each such payment and (iv) that such purpose constitutes a proper purpose for which moneys in the Construction Account may be applied and has not been the basis of any previous withdrawal from the Construction Account. Notwithstanding the provisions of this subdivision: (x) moneys in the Applicable Construction Account to be applied to pay interest on Bonds shall be transferred from the Applicable Construction Account to the Debt Service Fund at such times and in such amounts as shall be determined by an Authorized Officer of the Corporation; and (y) if permitted by the Applicable Agreement, be paid to the Borrower for deposit in an account established by the Borrower.

An Applicable Project shall be deemed to be complete (a) upon delivery to the Corporation and the Trustee of a certificate signed by an Authorized Officer of the Borrower which certificate shall be delivered as soon as practicable after the date of completion of such Project or (b) upon delivery to the Borrower and the Trustee of a certificate of the Corporation which certificate may be delivered at any time after completion of such Project. Each such certificate shall state that such Project has been completed substantially in accordance with the plans and specifications, if any, applicable to such Project and that such Project is ready for occupancy, and, in the case of a certificate of an Authorized Officer of such Borrower, shall specify the date of completion.

Upon receipt by the Trustee of the certificate required pursuant to this subdivision, the moneys, if any, then remaining in the Applicable Construction Account, after making provision in accordance with the direction of the Corporation for the payment of the Borrower's Allocable Portion of any costs of issuance of an Applicable Series of Bonds and Costs of an Applicable Project then unpaid, shall be paid by the Trustee as follows and in the following order of priority:

First: To the Applicable Arbitrage Rebate Fund, the amount determined by the Corporation to be required to be deposited therein as the Allocable Portion of the Applicable Borrower, and;

Second: To the Applicable Borrower Debt Service Account of the Applicable Debt Service Fund, to be applied in accordance with the Master Indenture, any balance remaining.

Following the occurrence and during the continuation of an Event of Default under an Applicable Agreement, the Corporation may, in its sole discretion, transfer moneys in the Applicable Construction Account to the Trustee for application pursuant to the provisions of the Master Indenture. **(Section 5.04)**

Deposit of Revenues and Allocation Thereof.

The Applicable Revenues and any other moneys which, by any of the provisions of the Applicable Agreement, are required to be deposited in each Applicable Debt Service Fund, shall upon receipt by the Trustee be deposited to the credit of the Applicable Debt Service Fund. Pending application under the Master Indenture, State Housing Aid and State Basic Education Aid received by the Corporation pursuant to the Memorandum of Understanding shall be deposited by the Corporation in the State Aid Custody Account. In the event that the Trustee has not received a Basic Debt Service Payment forty-five (45) days prior to any Interest Payment Date, the Trustee shall, within two (2) Business Days, give notice of such non-payment to the Corporation, and the Corporation shall take all further action required under the Memorandum of Understanding to assure payment of such deficiency. The Corporation shall direct the Custodian to pay the Applicable State Housing Aid and the State Basic Education Aid in the State Custody Account, with respect to Applicable Borrower Bonds for which there is a deficiency, to the Applicable Debt Service Fund to the extent necessary to pay any such deficiency. To the extent not required to pay, (a) each Borrower's Allocable Portion of the interest becoming due on Outstanding Bonds of the Applicable Series on the next succeeding Interest Payment Date of such Bonds; (b) each Borrower's Allocable Portion of the amount necessary to pay the principal and Sinking Fund Installments becoming due on the Applicable Series of Outstanding Bonds on Interest Payment Date; and (c) moneys which are required or have been set aside for the redemption of Bonds of the Applicable Series, moneys in the Applicable Debt Service Fund shall be paid by the Trustee on or before the business day preceding each Interest Payment Date to the Corporation to the extent necessary to pay the fees and expenses described in the following sentence. Unless such expenditures are otherwise paid, such amounts as are payable to the Corporation relating to such Series for: (i) any expenditures of the Corporation for fees and expenses of auditing, and fees and expenses of the Applicable Trustee and Paying Agents, as required by the Master Indenture, (ii) all other expenditures reasonably and necessarily incurred by the Corporation in connection with the financing of the Applicable Project, including expenses incurred by the Corporation to compel full and punctual performance of all the provisions of the Applicable Agreement in accordance with the terms thereof, and (iii) any fees of the

Corporation, but only upon receipt by the Trustee of a certificate of the Corporation, stating in reasonable detail the amounts payable to the Corporation pursuant to this clause (iii). After making the payments required by the preceding sentence, the Custodian shall retain any balance remaining in the State Aid Custody Account on November 15 of each year to be credited toward the State's obligation to pay the State's Portion of the next succeeding Borrower Bond debt service payment on April 1.

After making the payments required by subdivision 1 of this Section, on June 15 of each year, the Corporation shall direct the Custodian to pay balances remaining in the State Aid Custody Account, excluding investment earnings, to each of the Applicable Borrowers, in such amounts, if any, as set forth in such direction, free and clear of any pledge, lien, encumbrance or security interest created hereby or by any of the Agreements; provided that the Corporation shall not direct the Custodian to pay any such money to a Borrower that is in default in the payment of its Basic Debt Service.

On June 15 of each year, the Corporation shall direct the Custodian to pay to the Rhode Island Department of Elementary and Secondary Education, the investment earnings on State Housing Aid and State Basic Education Aid in the State Aid Custody Account. The Custodian shall provide to the Corporation and the Rhode Island Department of Elementary and Secondary Education, records which show the calculation of interest earnings. **(Section 5.05)**

Debt Service Fund.

Separate Debt Service Accounts shall be established by each Series Indenture with respect to each Borrower for whose benefit such Series of Bonds is issued. The Trustee shall on or before the Business Day preceding each Interest Payment Date pay to itself and any other Paying Agent out of the Applicable Debt Service Fund:

- (a) each Borrower's Allocable Portion of the interest due and payable on all Outstanding Bonds of the Applicable Series on such Interest Payment Date;
- (b) each Borrower's Allocable Portion of the principal amount due and payable on all Outstanding Bonds of the Applicable Series on such Interest Payment Date; and
- (c) each Borrower's Allocable Portion of the Sinking Fund Installments or other amounts related to a mandatory redemption, if any, due and payable on all Outstanding Bonds of the Applicable Series on such Interest Payment Date.

The amounts paid out pursuant to (a), (b) and (c) above are irrevocably pledged to and applied to such payments.

After making the payments required by subdivision 1 of this Section, any balance remaining in the Applicable Debt Service Account shall be paid by the Trustee upon and in accordance with the direction of the Corporation, free and clear of any pledge, lien, encumbrance or security interest created hereby or by any of the Agreements; provided that the Trustee shall not pay any such money to a Borrower in the event that such money is allocable to a Borrower that is in default in the payment of its Basic Debt Service.

Except as provided in the previous sentence, moneys in the Applicable Debt Service Fund in excess of the amount required to pay the principal and Sinking Fund Installments of Outstanding Bonds of the Applicable Series payable during the next succeeding Bond Year, the interest on Outstanding Bonds of the Applicable Series payable on and prior to the next succeeding Interest Payment Date assuming that Variable Interest Rate Bonds will bear interest, from and after the next date on which the rate at which such Variable Interest Rate Bond bears interest is to be adjusted, at a rate per annum equal to the rate per annum at which such Bonds then bear interest, plus one percent (1%) per annum, and the purchase price or Redemption Price of Outstanding Bonds theretofore contracted to be purchased or called for redemption, plus accrued interest thereon to the date of purchase or redemption, shall be paid or applied by the Trustee in accordance with the direction of an Authorized Officer of the Corporation (i) to the purchase of Outstanding Bonds of the Applicable Series at purchase prices not exceeding the Redemption Price applicable on the next Interest Payment Date on which such Bonds are redeemable, plus accrued and unpaid interest to such date, at such times, at such purchase prices and in such manner as an Authorized Officer of the Corporation shall direct or (ii) to the redemption of Bonds of the Applicable Series as provided in the Master Indenture; at the

Redemption Prices specified in the Applicable Series Indenture authorizing the issuance of the Bonds to be redeemed or Applicable Bond Series Certificate relating to such Bonds.

Except as previously provided in this paragraph, the Corporation may, at any time subsequent to the first day of any Bond Year but in no event less than forty-five (45) days prior to the succeeding date on which a Sinking Fund Installment is scheduled to be due, direct the Trustee to purchase, with moneys on deposit in the Applicable Debt Service Fund, at a price not in excess of par plus interest accrued and unpaid to the date of such purchase, Term Bonds of the Applicable Series to be redeemed from such Sinking Fund Installment. Any Term Bond so purchased shall be cancelled upon receipt thereof by the Trustee and evidence of such cancellation shall be given to the Corporation. The principal amount of each Term Bond so cancelled shall be credited against the Sinking Fund Installment due on such date; provided, however, that such Term Bond is cancelled by the Trustee prior to the date on which notice of redemption is given. **(Section 5.07)**

Administrative Fund.

Amounts on deposit in the Administrative Fund shall be available for use by the Corporation for administrative expenses and for any other lawful purpose. Amounts in the Administrative Fund shall not be pledged to Bondholders. **(Section 5.08)**

Arbitrage Rebate Fund.

The Arbitrage Rebate Fund shall be maintained by the Trustee as a fund separate from any other fund established and maintained under the Master Indenture. The Trustee shall deposit to the Applicable Arbitrage Rebate Fund any moneys delivered to it by the Applicable Borrowers for deposit therein and, notwithstanding any other provisions of the Master Indenture, shall transfer to the Applicable Arbitrage Rebate Fund, in accordance with the directions of an Authorized Officer of the Corporation, moneys on deposit in any other funds held by the Trustee under the Master Indenture at such times and in such amounts as shall be set forth in such directions. Within the Arbitrage Rebate Fund, the Trustee shall maintain such accounts as shall be required by the Corporation in order to comply with the terms and requirements of the Tax Certificate. All money at any time deposited in the Arbitrage Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement (as defined in the Tax Certificate), for payment to the Treasury Department of the United States of America, and the Corporation or the owner of any Bonds shall not have any rights in or claim to such money. All amounts deposited into or on deposit in the Arbitrage Rebate fund shall be governed by the Master Indenture and by the Tax Certificate. The Trustee shall be deemed conclusively to have complied with the requirements of the Master Indenture and with such provisions of the Tax Certificate if it follows the directions of an Authorized Officer of the Corporation including supplying all necessary written information in the manner provided in the Tax Certificate and shall have no liability or responsibility for compliance (except as specifically set forth in the Master Indenture or in the Tax Certificate) or to enforce compliance by the Corporation with the terms of the Tax Certificate.

Upon the written direction of the Corporation, the Trustee shall deposit in the Arbitrage Rebate Fund funds received from the Corporation, so that the balance of the amount on deposit thereto shall be equal to the Rebate Requirement. Computations of the Rebate Requirement shall be furnished by or on behalf of the Corporation in accordance with the Tax Certificate.

The Trustee shall have no obligation to rebate any amounts required to be rebated pursuant to the Master Indenture, other than from moneys held in the funds and accounts created under the Master Indenture or from other moneys provided to it by the Corporation.

The Trustee shall invest all amounts held in the Arbitrage Rebate Fund as provided in written directions of the Corporation. The Corporation, in issuing such directions, shall comply with the restrictions and instructions set forth in the Tax Certificate. Moneys may only be applied from the Arbitrage Rebate Fund as provided in the Master Indenture.

The Trustee, upon the receipt of written instructions and certification of the Rebate Requirement from an Authorized Officer of the Corporation, shall pay the amount of such Rebate Requirement to the Treasury Department of the United States of America, out of amounts in the Arbitrage Rebate Fund, as so directed.

Notwithstanding any other provisions of the Master Indenture, the obligation to remit the Rebate Requirement to the United States of America and to comply with all other requirements of the Master Indenture and the Tax Certificate shall survive the defeasance or payment in full of the Bonds. **(Section 5.09)**

Application of Moneys in Certain Funds for Retirement of Bonds.

Notwithstanding any other provisions of the Master Indenture, if at any time the amounts held in the Applicable Debt Service Fund, are sufficient to pay the principal or Redemption Price of all Outstanding Bonds of the Applicable Series and the interest accrued and unpaid and to accrue on such Bonds to the next date of redemption when all such Bonds are redeemable, or to make provision pursuant to the Master Indenture for the payment of the Outstanding Bonds at the maturity or redemption dates thereof, the Corporation may (i) direct the Trustee to redeem, all such Outstanding Bonds, whereupon the Trustee shall proceed to redeem or provide for the redemption of such Outstanding Bonds in the manner provided for redemption of such Bonds by the Master Indenture and by each Applicable Series Indenture as provided in the Master Indenture, or (ii) give the Trustee irrevocable instructions in accordance with the Master Indenture and make provision for the payment of the Outstanding Bonds at the maturity or redemption dates thereof in accordance therewith. **(Section 5.10)**

Transfer of Investments.

Whenever moneys in any fund or account established under an Applicable Series Indenture are to be paid in accordance with the Master Indenture to another such fund or account, such payment may be made, in whole or in part, by transferring to such other fund or account investments held as part of the fund or account from which such payment is to be made, whose value, together with the moneys, if any, to be transferred, is at least equal to the amount of the payment then to be made; provided, however, that no such transfer of investments would result in a violation of any investment standard or guideline applicable to such fund. **(Section 5.11)**

Security for Deposits.

All money held by the Trustee or the Paying Agent under the Master Indenture in excess of the amount guaranteed by the Federal Deposit Insurance Corporation or other federal agency shall, unless the unsecured general obligations of the Trustee or Paying Agent holding the money are rated in either of the two highest rating categories (without regard to subcategories) by each Rating Agency, be continuously secured by the Trustee, for the benefit of the Corporation and the Holders of the Applicable Series of Bonds in any manner as may then be required or permitted by applicable state or federal laws and regulations regarding the security for, or granting a preference in the case of, the deposit of trust funds; *provided, however*, that it shall not be necessary for the Trustee or Paying Agent to give security for the deposit of any moneys with them under the provisions of the Master Indenture and held in trust for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of or interest on any Bonds, or for the Trustee to give security for any money which shall be represented by Permitted Investments purchased under the provisions of the Master Indenture as an investment of such money. Any banking account (other than a Permitted Investment) to which money credited to the Debt Service Fund is credited shall be (1) maintained in the name of the Trustee and (2) either (a) maintained with a federal or state-chartered depository institution or trust company that has an S&P short-term debt rating of at least "A-2" (or, if no short-term debt rating, a long-term debt rating of "BBB+") or (b) maintained with the corporate trust department of a federal depository institution or state-chartered depository institution subject to regulations regarding fiduciary funds on deposit similar to Title 12 of the U.S. Code of Federal Regulation Section 9.10(b), which in either case described in this clause (b), has corporate trust powers. In the event that any such account no longer satisfies Clause (2) of the preceding sentence, the Trustee shall promptly (and, in any case within not more than 30 calendar days) move the balance of such account to another account with another financial institution that satisfies such Clause (2). **(Section 6.01)**

Investment of Funds and Accounts Held by the Trustee.

Moneys held under the Master Indenture by the Trustee in accounts in the Construction Fund and the Debt Service Fund shall, as nearly as may be practicable, be invested by the Trustee, upon direction of the Applicable Borrower given or confirmed in writing, signed by an Authorized Officer of the Applicable Borrower. Moneys held Under the Master Indenture by the Trustee in the Arbitrage Rebate Fund and the Administrative Fund shall, as nearly as practicable, be invested by the Trustee upon the direction of the Corporation given or confirmed in writing, signed by an Authorized Officer of the Corporation. Moneys held under the Master Indenture shall be invested in Government Obligations, Federal Agency Obligations, Exempt Obligations, and any other Permitted Investment; provided,

however, that each such investment shall permit the moneys so deposited or invested to be available for use at the times at which the Applicable Borrower or the Corporation, as applicable, reasonably believes such moneys will be required for the purposes of the Master Indenture; provided, further, that (x) any Permitted Collateral required to secure any Permitted Investment shall have a market value, determined by the Trustee or its agent periodically, but no less frequently than weekly, at least equal to 102% of the amount deposited or invested including interest accrued thereon, (y) the Permitted Collateral shall be deposited with and held by the Trustee or an agent of the Trustee approved by an Authorized Officer of the Corporation, and (z) the Permitted Collateral shall be free and clear of claims of any other person. The Trustee may request an opinion of counsel to the effect that the Permitted Collateral being delivered to or held by the Trustee satisfies the conditions set forth in the Master Indenture.

Permitted Investments purchased as an investment of moneys in any fund or account held by the Trustee under the provisions of the Master Indenture shall be deemed at all times to be a part of such fund or account and the income or interest earned, profits realized or losses suffered by a fund or account due to the investment thereof shall be retained in, credited or charged, as the case may be, to such fund or account.

In computing the amount in any fund or account held by the Trustee under the provisions of the Master Indenture, each Permitted Investment shall be valued at par or the market value thereof, plus accrued interest, whichever is lower.

Notwithstanding anything to the contrary in the Master Indenture, the Corporation with respect to the Administrative Fund and the Arbitrage Rebate Fund or the Applicable Borrower, with respect to the Construction Fund and the Debt Service Fund in its discretion, may direct in writing the Trustee to, and the Trustee shall, sell, present for redemption or exchange any investment held by the Trustee pursuant to the Master Indenture and the proceeds thereof may be reinvested as provided in the Master Indenture. Except as otherwise provided in the Master Indenture, the Trustee shall sell or present for redemption or exchange, any investment held by it pursuant thereto whenever it shall be necessary in order to provide moneys to meet any payment or transfer from the fund or account in which such investment is held. The Trustee shall advise the Corporation, and, upon the written request of a Facility Provider, such Facility Provider, on or before the fifteenth (15th) day of each calendar month, of the amounts required to be on deposit in each fund and account under the Master Indenture and of the details of all investments held for the credit of each fund and account in its custody under the provisions thereof as of the end of the preceding month and as to whether such investments comply with the provisions of the Master Indenture. The details of such investments shall include the par value, if any, the cost and the current market value of such investments as of the end of the preceding month. The Trustee shall also describe all withdrawals, substitutions and other transactions occurring in each such fund and account in the previous month.

No part of the proceeds of any Series of Bonds or any other funds of the Corporation shall be used directly or indirectly to acquire any securities or investments the acquisition of which would cause any Bond to be an “arbitrage bond” within the meaning of Section 148(a) of the Code. **(Section 6.02)**

Payment of Principal and Interest.

The Corporation shall pay or cause to be paid the principal, Sinking Fund Installments, if any, or Redemption Price of and interest on every Bond of each Series on the date and at the places and in the manner provided in the Bonds according to the true intent and meaning thereof. **(Section 7.01)**

Accounts and Audits.

The Corporation shall keep proper books of record and accounts (separate from all other records and accounts), which may be kept on behalf of the Corporation by the Trustee, in which complete and correct entries shall be made of its transactions relating to each Applicable Series of Bonds, which books and accounts, at reasonable hours and subject to the reasonable rules and regulations of the Corporation, shall be subject to the inspection of the Applicable Borrowers, the Trustee or of any Holder of a Bond of the Applicable Series or his representative duly authorized in writing. The Trustee shall annually prepare a report which shall be furnished to the Corporation, each Facility Provider, and the Applicable Borrowers. Such report shall include at least a statement of all funds and accounts (including investments thereof) held by the Trustee and the Corporation pursuant to the provisions of the Master Indenture and of each Applicable Series Indenture, a statement of the Applicable Revenues collected from each Applicable Borrower in connection therewith and with each Applicable Series Indenture; and complete and correct entries of all transactions relating to an Applicable Series of Bonds. A copy of such report, shall, upon receipt

of a written request therefor, and payment of any reasonable fee or charge made in connection therewith, be furnished to the registered owner of a Bond of the Applicable Series or any beneficial owner of a Book-Entry Bond of the Applicable Series requesting the same. **(Section 7.05)**

Creation of Liens.

Except as permitted by the Master Indenture, the Corporation shall not create or cause to be created any lien or charge prior or equal to that of the Bonds of an Applicable Series on the proceeds from the sale of such Bonds, the Applicable Revenues, the Applicable State Housing Aid, the Applicable State Basic Education Aid or the funds and accounts established by the Master Indenture and pursuant to the Applicable Series Indenture which are pledged by the Master Indenture; provided, however, that nothing contained in the Master Indenture shall prevent the Corporation from issuing bonds, notes or other obligations under another and separate indenture so long as the charge or the lien created by such indenture is not prior or equal to the charge or lien created by the Master Indenture; and provided further, that if the Corporation shall have issued more than one Series of Bonds for the benefit of a Borrower and the amounts pledged under the Applicable Agreements are insufficient to pay in full all Basic Debt Service Payments then due under all of the Agreements to which such Borrower is a party, then the General Treasurer shall pay a proportionate share of such available State Housing Aid with respect to other bonds or evidences of indebtedness issued by the Borrower to the Trustee for each Series of Bonds and shall pay over available State Basic Education Aid, all as provided in the Memorandum of Understanding. **(Section 7.06)**

Enforcement of Obligations of the Borrowers.

Pursuant to the Applicable Agreement and the Applicable Borrower Bonds, the Corporation shall take all legally available action to cause a Borrower to perform fully its obligation to pay the Basic Debt Service Payment and other amounts which under the Applicable Agreement are to be paid to the Trustee, in the manner and at the times provided in the Applicable Agreement provided, however, that the Corporation may delay, defer or waive enforcement of one or more provisions of said Agreement (other than provisions requiring the payment of moneys to the Trustee for deposit to any fund or account established under the Master Indenture) if the Corporation determines such delay, deferment or waiver will not materially adversely affect the interests of the Holders of the Bonds of a Series. **(Section 7.07)**

Amendment, Change, Modification or Waiver of Agreement.

An Applicable Agreement (and the related Applicable Borrower Bonds) may not be amended, changed, modified, altered or terminated so as to materially adversely affect the interest of the Holders of the Outstanding Bonds of the Applicable Series without the prior written consent of the Holders of at least a majority in aggregate principal amount of such Bonds then Outstanding; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any Applicable Series remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds of the Applicable Series under the Master Indenture; provided, further, that no such amendment, change, modification, alteration or termination will reduce the percentage of the aggregate principal amount of Outstanding Bonds of such Series the consent of the Holders of which is a requirement for any such amendment, change, modification, alteration or termination, or decrease the amount of any payment required to be made by the Borrower under the Applicable Agreement that is to be deposited with the Trustee or extend the time of payment thereof. Except as otherwise provided in the Master Indenture, an Agreement may be amended, changed, modified or altered without the consent of the Holders of Outstanding Bonds of the Applicable Series or the Trustee. Specifically, and without limiting the generality of the foregoing, an Agreement may be amended, changed, modified or altered without the consent of the Trustee and the Holders of Outstanding Bonds of such Series (i) to provide changes in connection with the acquisition, construction, reconstruction, rehabilitation, renovation and improvement or otherwise, the providing, furnishing and equipping of any facilities constituting a part of the Applicable Project or which may be added to such Project; (ii) to provide for the issuance of Bonds of an Applicable Series; or (iii) to cure any ambiguity or correct or supplement any provisions contained in the Applicable Agreement, which may be defective or inconsistent with any other provisions contained in the Master Indenture or in such Agreement.

An Applicable Series shall be deemed to be adversely affected by an amendment, change, modification or alteration of the Agreement if the same adversely affects or diminishes the rights of the Holders of the Bonds of such Series in any material respect. The Trustee may in its discretion determine whether or not, in accordance with the foregoing provisions, Bonds of an Applicable Series would be adversely effected in any material respect by any

amendment, change, modification or alteration, and any such determination shall be binding and conclusive on the Corporation and all Holders of such Bonds.

The purchasers of the Bonds of a Series, whether purchasing as underwriters, for resale or otherwise, upon such purchase from the Corporation, may consent to an amendment, change, modification, termination or waiver permitted by the Master Indenture with the same effect as a consent given by the Holder of such Bonds.

The Trustee shall be entitled to conclusively rely upon an opinion of counsel, including an opinion of Bond Counsel, with respect to whether any amendment, change, modification or alteration adversely affects the interests of any Holders of Bonds of the Applicable Series then Outstanding in any material respect. **(Section 7.10)**

Notice as to Agreement Default.

The Corporation shall notify the Trustee in writing that an “Event of Default” under the Applicable Agreement, as such term is defined in the Applicable Agreement (including the failure to pay the Applicable Borrower Bonds), has occurred and is continuing, or that which notice shall be given within five (5) days after the Corporation has obtained actual knowledge thereof. **(Section 7.11)**

Basic Debt Service Payment.

The Applicable Agreement shall provide for the payment of Basic Debt Service Payment which shall be sufficient at all times to pay the Borrower’s Allocable Portion of the principal and Sinking Fund Installments of and interest on Outstanding Bonds of the Applicable Series as the same become due and payable. **(Section 7.12)**

Action Required Under the Memorandum of Understanding.

In the event of a failure by any Borrower to make its Basic Debt Service Payment, the Corporation shall take all further action required under the Memorandum of Understanding to assure payment of such deficiency to the Trustee. **(Section 7.13)**

Modification and Amendment without Consent.

The Corporation may execute and deliver at any time or from time to time Supplemental Indentures for any one or more of the following purposes:

- (a) To add additional covenants and agreements of the Corporation for the purpose of further securing the payment of the Bonds of an Applicable Series, provided such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of the Corporation contained in the Master Indenture;
- (b) To prescribe further limitations and restrictions upon the issuance of Bonds of an Applicable Series and the incurring of indebtedness by the Corporation which are not contrary to or inconsistent with the limitations and restrictions thereon theretofore in effect;
- (c) To surrender any right, power or privilege reserved to or conferred upon the Corporation by the terms of the Master Indenture, provided that the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Corporation contained in the Master Indenture;
- (d) To confirm, as further assurance, any pledge under the Master Indenture or under the Applicable Series Indenture, and the subjection to any lien, claim or pledge created or to be created by the provisions of the Master Indenture, of the Applicable Revenues, or any pledge of any other moneys, investments thereof or funds;
- (e) To modify any of the provisions of the Master Indenture or of any previously existing Series Indenture or Supplemental Indenture in any other respects, provided that such modifications shall not be effective until after all Bonds of an Applicable Series of Bonds Outstanding as of the date of such Supplemental Indenture shall cease to be Outstanding, and all Bonds of an Applicable Series issued under an Applicable Series Indenture shall contain a specific reference to the modifications contained in such subsequent indentures; or

(f) With the consent of the Trustee, to cure any ambiguity or defect or inconsistent provision in the Master Indenture or to insert such provisions clarifying matters or questions arising under the Master Indenture as are necessary or desirable, provided that any such modifications are not contrary to or inconsistent with the Master Indenture as theretofore in effect, or to modify any of the provisions of the Master Indenture or of any previously executed Applicable Series Indenture or Supplemental Indenture in any other respect, provided that such modification shall not adversely affect the interests of the Bondholders of the Applicable Series in any material respect. **(Section 9.02)**

Supplemental Indentures Effective with Consent of Bondholders.

The provisions of the Master Indenture and of an Applicable Series Indenture may also be modified or amended at any time or from time to time by a Supplemental Indenture, subject to the consent of the Applicable Bondholders in accordance with and subject to the provisions of the Master Indenture. **(Section 9.03)**

General Provisions Relating to Series Indentures and Supplemental Indentures.

The Master Indenture shall not be modified or amended in any respect except in accordance with and subject to the provisions thereof. Nothing contained in the Master Indenture shall affect or limit the rights or obligations of the Corporation to authorize, make, do, execute or deliver any indenture, act or other instrument pursuant to the provisions of the Master Indenture or the right or obligation of the Corporation to execute and deliver to the Trustee or any Paying Agent any instrument elsewhere therein provided or permitted to be delivered to the Trustee or any Paying Agent.

A copy of every Applicable Series Indenture and Supplemental Indenture executed and delivered by the Corporation, when filed with the Trustee, shall be accompanied by an opinion of Bond Counsel stating that such Series Indenture or Supplemental Indenture has been duly and lawfully executed and delivered in accordance with the provisions of the Master Indenture, is authorized or permitted thereby and is valid and binding upon the Corporation and enforceable in accordance with its terms.

The Trustee is authorized to execute and deliver any Series Indenture or Supplemental Indenture permitted or authorized pursuant to the provisions of the Master Indenture and to make all further agreements and stipulations which may be contained therein, and, in taking such action, the Trustee shall be fully protected in relying on the opinion of Bond Counsel that such Series Indenture or Supplemental Indenture is authorized or permitted by the provisions of the Master Indenture.

No Series Indenture or Supplemental Indenture changing, amending or modifying any of the rights or obligations of the Trustee or of any Paying Agent shall become effective without the written consent of the Trustee or Paying Agent affected thereby. **(Section 9.04)**

Powers of Amendment.

Any modification or amendment of the Master Indenture and of the rights and obligations of the Corporation which shall affect an Applicable Series of Bonds and of the Holders of the such Applicable Series of Bonds under the Master Indenture, in any particular, may be made by a Supplemental Indenture, with the written consent given as provided in the Master Indenture, (i) of the Holders of at least a majority in principal amount of the Bonds of such Series Outstanding at the time such consent is given, or (ii) in case the modification or amendment changes the amount or date of any Sinking Fund Installment, of the Holders of at least a majority in principal amount of the Bonds of the Applicable Series, maturity and interest rate entitled to such Sinking Fund Installment, Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series, maturity and tenor remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds described under this heading. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment. A Series shall be deemed to be affected by a modification or amendment of the Master Indenture if the same adversely affects or diminishes the rights of the Holders of Bonds of such Series in any material respect. The Trustee may in its discretion determine

whether or not, in accordance with the foregoing provisions, the Bonds of any particular Series or maturity would be affected by any modification or amendment of the Master Indenture and any such determination shall be binding and conclusive on the Corporation and all Holders of Bonds. The Trustee may receive an opinion of counsel, including an opinion of Bond Counsel, as conclusive evidence as to whether the Bonds of any particular Series or maturity would be so affected by any such modification or amendment of the Master Indenture. **(Section 10.01)**

Consent of Bondholders.

The Corporation may at any time execute and deliver a Supplemental Indenture making a modification or amendment permitted by the provisions of the Master Indenture to take effect when and as provided in the Master Indenture. A copy of such Supplemental Indenture (or brief summary thereof or reference thereto in form approved by the Trustee) together with a request to the Bondholders for their consent thereto in form satisfactory to the Trustee, shall promptly be mailed by the Corporation to the Bondholders (but failure to mail such copy and request to any particular Bondholder shall not affect the validity of the Supplemental Indenture when consented to as provided in the Master Indenture). Such Supplemental Indenture shall not be effective unless and until (i) there shall have been filed with the Trustee (a) the written consent of the Holders of the percentages of Outstanding Bonds specified in the Master Indenture, and (b) an opinion of Bond Counsel stating that such Supplemental Indenture has been duly and lawfully authorized, executed and delivered and filed by the Corporation in accordance with the provisions of the Master Indenture, is authorized or permitted thereby, and is valid and binding upon the Corporation and enforceable in accordance with its terms, and (ii) a notice shall have been mailed as provided in the Master Indenture. Each such consent shall be effective only if accompanied by proof of the holding or owning at the date of such consent of the Bonds with respect to which such consent is given, which proof shall be such as is permitted by the Master Indenture. A certificate or certificates by the Trustee filed with the Trustee that it has examined such proof and that such proof is sufficient in accordance with the Master Indenture shall be conclusive proof that the consents have been given by the Holders of the Bonds described in the certificate or certificates of the Trustee. Any consent given by a Bondholder shall be binding upon the Bondholder giving such consent and, anything in the Master Indenture to the contrary notwithstanding, upon any subsequent Holder of such Bond and of any Bonds issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof); unless such consent is revoked in writing by the Bondholder giving such consent or a subsequent Holder thereof by filing such revocation with the Trustee, prior to the time when the written statement of the Trustee is filed. The fact that a consent has not been revoked may likewise be proved by a certificate of the Trustee filed with the Trustee to the effect that no revocation thereof is on file with the Trustee. At any time after the Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Indenture, the Trustee shall make and file with the Corporation and the Trustee a written statement that such Holders of such required percentages of Bonds have filed such consents. Such written statement shall be conclusive that such consents have been so filed. At any time thereafter notice, stating in substance that the Supplemental Indenture (which may be referred to as a Supplemental Indenture executed and delivered by the Corporation on a stated date, a copy of which is on file with the Trustee) has been consented to by the Holders of the required percentages of Bonds and will be effective as provided in the Master Indenture, shall be given to the Bondholders by the Corporation by mailing such notice to the Bondholders and, at the discretion of the Corporation, by publishing the same at least once not more than ninety (90) days after the Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Indenture and the written statement of the Trustee hereinabove provided for is filed (but failure to publish such notice shall not prevent such Supplemental Indenture from becoming effective and binding as provided in the Master Indenture). The Corporation shall file with the Trustee proof of the mailing of such notices and, if the same shall have been published, of the publication thereof. A transcript, consisting of the papers required or permitted to be filed with the Trustee, shall be proof of the matters therein stated. Such Supplemental Indenture making such amendment or modification shall be deemed conclusively binding upon the Corporation, the Trustee, each Paying Agent and the Holders of all Bonds upon the filing with the Trustee of proof of the mailing of such notice or at the expiration of thirty (30) days after the filing with the Trustee of the proof of the first publication of such last mentioned notice, if such notice is published, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Indenture in a legal action or equitable proceeding for such purpose commenced within such thirty (30) day period; provided, however, that the Corporation, the Trustee and any Paying Agent during such thirty (30) day period and any such further period during which any such action or proceeding may be pending shall be entitled in their reasonable discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Indenture as they may deem expedient.

For the purposes of the Master Indenture, the purchasers of the Bonds of a Series, whether purchasing as underwriters, for resale or otherwise, upon such purchase from the Corporation, may consent to a modification or amendment permitted by the Master Indenture in the manner provided therein, except that no proof of ownership shall

be required, and with the same effect as a consent given by the Holder of such Bonds; provided, however, that, if such consent is given by a purchaser who is purchasing as an underwriter or for resale, the nature of the modification or amendment and the provisions for the purchaser consenting thereto shall be described in the official statement, prospectus, offering memorandum or other offering document prepared in connection with the primary offering of the Bonds of such Series by the Corporation. **(Section 10.02)**

Modifications by Unanimous Consent.

The terms and provisions of the Master Indenture and the rights and obligations of the Corporation and of the Holders of the Bonds of an Applicable Series may be modified or amended in any respect upon the execution, delivery and filing with the Trustee by the Corporation of a copy of a Supplemental Indenture and the consent of the Holders of all of the Applicable Bonds then Outstanding, such consent to be given as provided in the Master Indenture, except that no notice to the Bondholders either by mailing or publication shall be required. **(Section 10.03)**

Consent of Facility Provider.

Whenever by the terms of the Master Indenture the consent of any of the Holders of the Bonds to a modification or amendment of the Master Indenture made by a Series Indenture or Supplemental Indenture is required, such modification or amendment shall not become effective until the written consent of each Applicable Facility Provider has been obtained; provided, however, that the consent of a Facility Provider which has provided a Credit Facility or a Liquidity Facility shall not be required unless the modification or amendment requires the consent of the Holders of any percentage in principal amount of Outstanding Bonds or of the Holders of any percentage in principal amount of the Bonds of the Series in connection with which such Credit Facility or Liquidity Facility was provided. No modification or amendment of the Master Indenture which adversely affects a Facility Provider shall be made without the written consent thereto of the Facility Provider affected thereby. Notice of the execution and delivery of any such Series Indenture or Supplemental Indenture and of the effectiveness of the modification or amendment made thereby shall be given to each Facility Provider by mail at the times and in the manner provided in the Master Indenture with respect to notices thereof required to be given to the Holders of the Bonds. Notice thereof shall also be given to the Rating Agency as soon as practical after execution and delivery of such Supplemental Indenture and of the effectiveness thereof. **(Section 10.04)**

Events of Default.

An event of default shall exist under the Master Indenture and under an Applicable Series Indenture (an “event of default”) if: (a) with respect to an Applicable Series of Bonds, payment of the principal, Sinking Fund Installments or Redemption Price of any such Bond shall not be made by the Corporation when the same shall become due and payable, either at maturity or by proceedings for redemption or otherwise; (b) with respect to an Applicable Series of Bonds, payment of an installment of interest on any such Bond shall not be made by the Corporation when the same shall become due and payable; (c) with respect to an Applicable Series of Bonds, the Corporation shall default in the due and punctual performance of any covenants, if any, contained in the Series Indenture authorizing the issuance thereof to the effect that the Corporation shall comply with the provisions of the Code applicable, to such Bonds necessary to maintain the exclusion of interest thereon from gross income under Section 103 of the Code and shall not take any action which would adversely affect the exclusion of interest on such Bonds from gross income under Section 103 of the Code and, as a result thereof, the interest on the Bonds of such Series shall no longer be excludable from gross income under Section 103 of the Code; (d) with respect to an Applicable Series of Bonds, the Corporation shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Master Indenture or in the Bonds of the Applicable Series or in the Applicable Series Indenture on the part of the Corporation to be performed and such default shall continue for thirty (30) days after written notice specifying such default and requiring same to be remedied shall have been given to the Corporation by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of such Outstanding Bonds, unless, if such default is not capable of being cured within thirty (30) days, the Corporation has commenced to cure such default within said thirty (30) days and diligently prosecutes the cure thereof.

An Event of Default under the Master Indenture in respect of an Applicable Series of Bonds shall not in and of itself be or constitute an Event of Default in respect of any other Applicable Series of Bonds. **(Section 11.02)**

Enforcement of Remedies.

Upon the happening and continuance of any event of default specified in the Master Indenture, then and in every such case, the Trustee may proceed, and upon the written request of the Applicable Facility Provider or the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of the Applicable Series shall proceed (in either case with the written consent of the Facility Provider for such Series) or, in the case of a happening and continuance of an event of default specified in the Master Indenture, upon the written request of the Applicable Facility Provider or the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of the Applicable Series with the written consent of the Facility Provider, for such Series, shall proceed (subject to the provisions of the Master Indenture), to protect and enforce its rights and the rights of the Bondholders or of such Facility Provider under the Master Indenture or under the Applicable Series Indenture or under the laws of the State by such suits, actions or special proceedings in equity or at law, either for the specific performance of any covenant contained under the Master Indenture or under the Applicable Series Indenture or in aid or execution of any power therein granted, or for an accounting against the Corporation as if the Corporation were the trustee of an express trust, or for the enforcement of any proper legal or equitable remedy as the Trustee shall deem most effectual to protect and enforce such rights.

In the enforcement of any remedy under the Master Indenture and under the Applicable Series Indenture the Trustee shall be entitled to sue for, enforce payment of, and receive any and all amounts then, or during any default becoming, and at any time remaining, due from the Corporation for principal or interest or otherwise under any of the provisions of the Master Indenture or of the Applicable Series Indenture or of the Applicable Bonds, with interest on overdue payments of the principal of or interest on the Applicable Bonds at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings under the Master Indenture and under the Applicable Series Indenture and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the Holders of such Bonds, and to recover and enforce judgment or decree against the Corporation but solely as provided in the Master Indenture, in the Applicable Series Indenture and in such Bonds, for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect in any manner provided by law, the moneys adjudged or decreed to be payable. **(Section 11.04)**

Limitation of Rights of Individual Bondholders.

No Holder of any of the Bonds shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust under the Master Indenture, or for any other remedy thereunder unless such Holder previously shall have given to the Trustee written notice of the event of default on account of which such suit, action or proceeding is to be instituted, and unless also the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of the Applicable Series or, in the case of an event of default specified in the Master Indenture, the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of the Applicable Series, shall have made written request to the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted by the Master Indenture or to institute such action, suit or proceeding in its or their name, and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses, and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time. Such notification, request and offer of indemnity are declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts of the Master Indenture or for any other remedy thereunder and in equity or at law. It is understood and intended that no one or more Holders of the Bonds secured by the Master Indenture shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Master Indenture or to enforce any right under the Master Indenture except in the manner provided in the Master Indenture, and that all proceedings at law or in equity shall be instituted and maintained for the benefit of all Holders of the Outstanding Bonds of the Applicable Series. Notwithstanding any other provision of the Master Indenture, the Holder of any Bond shall have the right which is absolute and unconditional to receive payment of the principal of (and premium, if any) and interest on such Bond on the stated maturity expressed in such Bond (or, in the case of redemption, on the redemption date) and to institute suit for the enforcement of any such payment, and such right shall not be impaired without the consent of such Holder. **(Section 11.08)**

Defeasance.

If the Corporation shall pay or cause to be paid to the Holders of Bonds of an Applicable Series the principal Sinking Fund Installments, if any, or Redemption Price of and interest thereon, at the times and in the manner stipulated therein, in the Master Indenture, and in the applicable Series Indenture, then the pledge of the Revenues or other moneys and securities pledged to such Bonds and all other rights granted by the Master Indenture to such Bonds shall be discharged and satisfied. In such event, the Trustee shall, upon the request of the Corporation, execute and deliver such documents to evidence such discharge and satisfaction as may be reasonably required by the Corporation, and all moneys or investments thereof held by it pursuant to the Master Indenture and the Applicable Series Indenture which are not required for the payment or redemption of Bonds of such Series shall be paid or delivered by the Trustee as follows: first, to the Applicable Arbitrage Rebate Fund, the amount required to be deposited therein in accordance with the direction of an Authorized Officer of the Corporation; second, to the Applicable Administrative Fund, the amount certified by an Authorized Officer of the Corporation to be then due or past due pursuant to any Applicable Agreement for fees and expenses of the Corporation or pursuant to any indemnity related to such Applicable Series of Bonds; and, then, the balance thereof to the Applicable Borrowers. Such moneys or investments thereof so paid or delivered shall be released from any trust, pledge, lien, encumbrance or security interest created by the Master Indenture.

Notwithstanding any provision of the Master Indenture to the contrary, if any Borrower shall have prepaid the amounts due under its Agreement and in accordance therewith shall pay or cause to be paid its Allocable Portion of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest on the Bonds or portions thereof applicable to such Agreement at the times and in the manner stipulated therein, in the Master Indenture, and in the Applicable Series Indenture, then the pledge of the Revenues or other moneys and securities pledged with respect to such Agreement or any portion thereof and all other rights granted under such Agreement shall be discharged and satisfied. In such event, the Trustee shall, upon the request of the Corporation, execute and deliver such documents to evidence such discharge and satisfaction as may be reasonably required by the Borrower, and the Corporation, and all moneys or other securities held by it pursuant to the Master Indenture and to a Series Indenture which are not required for the payment or redemption of its Allocable Portion of the Bonds of such Series to be defeased or any portion thereof not theretofore surrendered for such payment or redemption shall be paid or delivered by the Trustee as follows: first, to the Arbitrage Rebate Fund, the amount required to be deposited therein in accordance with the direction of the Corporation; second, to the Applicable Administrative Fund the amount certified by the Corporation to be then due or past due pursuant to the Applicable Agreement to be prepaid for fees and expenses of the Corporation or pursuant to any indemnity; and, then, the balance thereof to the Borrower. Such moneys or investments so paid or delivered shall be released from any trust, pledge, lien, encumbrance or security interest created by the Master Indenture, by a Series Indenture or by such Agreement.

Bonds for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Trustee (through deposit of moneys for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in the Master Indenture. All Outstanding Bonds of any Applicable Series or any maturity within a Series or a portion of a maturity within a Series shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in the Master Indenture if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Corporation shall have given to the Trustee, in form satisfactory to it, irrevocable instructions to give as provided in the Master Indenture notice of redemption on said date of such Bonds, (b) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Defeasance Securities the principal of and interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price; if applicable; and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, (c) the Trustee shall have received the written consent of each Applicable Facility Provider which has given written notice to the Trustee and the Corporation that amounts advanced under an Applicable Credit Facility or Liquidity Facility issued by it or the interest thereon have not been repaid to such Facility Provider, and (d) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Corporation shall have given the Trustee, in form satisfactory to it, irrevocable instructions to give, as soon as practicable, by first class mail, postage prepaid, to the Holders of said Bonds at their last known addresses appearing on the registration books, and, if directed by an Authorized Officer of the Corporation, by publication, at least twice, at an interval of not less than seven (7) days between publications, in an Authorized Newspaper, a notice to the Holders of such Bonds that the deposit required by (b) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with this paragraph and stating such

maturity or redemption date upon which moneys are to be available for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on said Bonds. The Corporation shall give written notice to the Trustee of its selection of the Series and maturity payment of which shall be made in accordance with this paragraph. The Trustee shall select the Bonds of like Series and maturity payment of which shall be made in accordance with this paragraph in the manner provided in the Master Indenture. Neither the Defeasance Securities nor moneys deposited with the Trustee pursuant to this paragraph nor principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on said Bonds; provided, however, that any moneys received from such principal or interest payments on such Defeasance Securities deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Defeasance Securities maturing at times and in amounts sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest to become due on said Bonds on and prior to such redemption date or maturity date thereof, as the case may be. Any income or interest earned by, or increment to, the investment of any such moneys so deposited, shall, to the extent certified by the Trustee to be in excess of the amounts required hereinabove to pay the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds, as realized, be paid by the Trustee as follows: first, to the Applicable Arbitrage Rebate Fund, the amount required to be deposited therein in accordance with the direction of an Authorized Officer of the Corporation; second, to each Facility Provider the payments owed to it which have not been repaid, pro rata, based upon the respective amounts then unpaid to each Facility Provider; third, to the Applicable Administrative Fund the amount certified by an Authorized Officer of the Corporation to be then due or past due pursuant to the Applicable Agreement for fees and expenses of the Corporation or pursuant to any indemnity; and, then, the balance thereof to the Applicable Borrowers. The moneys so paid by the Trustee shall be released of any trust, pledge, lien, encumbrance or security interest created by the Master Indenture. Upon the defeasance of any of the Bonds pursuant to a refunding, the Corporation or the Trustee shall be entitled to rely upon any verification report or opinion of counsel which may be provided. **(Section 12.01)**

No Recourse under Indenture or on the Bonds.

All covenants, stipulations, promises, agreements and obligations of the Corporation contained in the Master Indenture shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Corporation and not of any member, officer or employee of the Corporation in his individual capacity, and no recourse shall be had for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of or interest on the Bonds or for any claims based thereon, on the Master Indenture or on the Series Indenture against any member, officer or employee of the Corporation or any person executing the Bonds, all such liability, if any, being expressly waived and released by every Holder of Bonds by the acceptance of the Bonds. **(Section 14.04)**

Certain Provisions Relating to Capital Appreciation Bonds and Deferred Income Bonds.

For the purposes of (i) receiving payment of the Redemption Price if a Capital Appreciation Bond is redeemed prior to maturity or (ii) computing the principal amount of Bonds held by the registered owner of a Capital Appreciation Bond in giving to the Corporation, the Borrower or the Trustee any notice, consent, request, or demand pursuant to the Master Indenture for any purpose whatsoever, the then current Accreted Value of such Bond shall be deemed to be its principal amount. Notwithstanding any other provision of the Master Indenture, the amount payable at any time with respect to the principal of and interest on any Capital Appreciation Bond shall not exceed the Accreted Value thereof at such time. For purposes of receiving payment of the Redemption Price or principal of a Capital Appreciation Bond called for redemption prior to maturity, the difference between the Accreted Value of such Bond when the Redemption Price or principal thereof is due upon such redemption or declaration and the principal of such Bond on the date the Bonds of the Series of which it is a part were first issued shall be deemed not to be accrued and unpaid interest thereon.

For the purposes of (i) receiving payment of the Redemption Price if a Deferred Income Bond is redeemed or (ii) computing the principal amount of Bonds held by the registered owner of a Deferred Income Bond in giving to the Corporation or the Trustee any notice, consent, request, or demand pursuant to the Master Indenture for any purpose whatsoever, the then current Appreciated Value of such Bond shall be deemed to be its principal amount. Notwithstanding any other provision of the Master Indenture, the amount payable at any time prior to the Interest Commencement Date with respect to the principal of and interest on any Deferred Income Bond shall not exceed the Appreciated Value thereof at such time. For purposes of receiving payment prior to the Interest Commencement Date of the Redemption Price or principal of a Deferred Income Bond called for redemption prior to maturity, the difference

between the Appreciated Value of such Bond when the Redemption Price or principal thereof is due upon such redemption or declaration and the principal of such Bond on the date the Bonds were first issued shall be deemed not to be accrued and unpaid interest thereon. **(Section 14.07)**

APPENDIX F

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION SCHEDULE OF INDEBTEDNESS

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RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION
SCHEDULE OF INDEBTEDNESS
JUNE 30, 2023

<u>HEALTHCARE</u>	<u>PRINCIPAL AMOUNT ISSUED</u>	<u>PRINCIPAL AMOUNT OUTSTANDING</u>
NRI Community Services, Inc., Series 2007 Dated June 19, 2007	\$ 3,200,000	\$ 2,050,000
Thundermist Health Center, Series 2010 A Dated August 2, 2010	4,135,000	1,481,708
The Providence Community Health Centers, Inc., Series 2010 A Dated December 23, 2010	12,115,000	7,725,379
Blackstone Valley Community Health Care, Inc., Series 2011 A Dated August 2, 2011	6,450,000	4,920,322
Steere House, Series 2011 Dated August 31, 2011	5,340,000	3,531,000
Scandinavian Home, Series 2013 Dated April 1, 2013	5,000,000	3,130,402
Newport Hospital, Series 2014 Dated November 5, 2014	20,390,000	10,494,000
Child and Family Services of Newport County, Series 2015 Dated April 30, 2015	9,555,000	5,812,308
South County Hospital Healthcare System, Series 2015 Dated August 12, 2015	45,545,000	27,585,000
Tamarisk, Inc., Series 2015 Dated September 30, 2015	9,360,000	7,230,697
Saint Elizabeth Home - East Greenwich, Series 2015 Dated December 17, 2015	13,900,000	11,613,113
Lifespan Obligated Group, Series 2016 Dated August 11, 2016	265,470,000	167,315,000
Care New England Health System, Series 2016 B Dated September 28, 2016	138,265,000	114,220,000
The Frassati Residence, Series 2016 Dated September 29, 2016	6,717,000	3,536,053
Ocean State Assisted Living, Series 2018 Dated October 2, 2018	8,901,000	6,706,000
South County Hospital Healthcare System, Series 2018 Dated December 27, 2018	10,100,000	6,943,750
HopeHealth Hospice & Palliative Care, Series 2019 Dated November 1, 2019	11,000,000	10,156,345
TOTALS	\$ 575,443,000	\$ 394,451,077

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION
SCHEDULE OF INDEBTEDNESS
JUNE 30, 2023

<u>EDUCATION</u>	<u>PRINCIPAL AMOUNT ISSUED</u>	<u>PRINCIPAL AMOUNT OUTSTANDING</u>
International Institute of RI, Inc., Series 2003 Dated August 22, 2003	\$ 2,600,000	\$ 1,115,000
Brown University, Series 2003 A & B Dated November 13, 2003	91,425,000	37,910,000
Meeting Street Center, Series 2005 Dated May 26, 2005	17,000,000	3,190,000
Brown University, Series 2005 A Dated October 4, 2005	85,500,000	85,500,000
CVS-Highlander Charter School, Series 2007 Dated September 20, 2007	7,000,000	2,695,000
Bryant University, Series 2008 Dated April 24, 2008	50,420,000	38,295,000
Roger Williams University, Series 2008 A Dated July 3, 2008	22,935,000	3,470,000
New England Institute of Technology, Series 2008 Dated July 30, 2008	16,120,000	5,320,000
Roger Williams University, Series 2008 B Dated August 28, 2008	38,000,000	26,865,000
Board of Governors for Higher Education, Series 2008 B Dated November 20, 2008	3,830,000	3,830,000
Board of Governors for Higher Education, Series 2009 B Dated June 30, 2009	18,205,000	8,490,000
Board of Governors for Higher Education, Series 2010 A Dated February 17, 2010	24,005,000	17,540,000
Roger Williams University, Series 2011 Dated June 2, 2011	\$ 26,410,000	\$ 7,346,627
The Compass School, Series 2011 A & C Dated June 28, 2011	2,000,000	580,001
Roger Williams University, Series 2011 B Dated November 8, 2011	12,025,000	5,610,000
Salve Regina University, Series 2011 Dated December 19, 2011	32,980,000	10,885,000
Immaculate Conception Catholic Regional School, Series 2012 Dated March 16, 2012	6,500,000	2,843,750
Rhode Island School of Design, Series 2012 Dated March 28, 2012	28,340,000	815,000
Rhode Island School of Design, Series 2012 B Dated August 29, 2012	51,815,000	4,725,000
Providence College, Series 2012 B Dated November 20, 2012	35,040,000	9,115,000
Board of Education, Series 2013 A, B, C & D Dated June 18, 2103	51,405,000	7,315,000
Roger Williams University, Series 2014 Dated October 24, 2014	15,667,000	10,581,305
Salve Regina University, Series 2015 A, B & C Dated May 7, 2015	27,500,000	21,511,450
Mercymount Country Day School, Series 2015 Dated May 14, 2015	3,560,000	2,142,463

<u>EDUCATION - CONTINUED</u>	<u>PRINCIPAL AMOUNT ISSUED</u>	<u>PRINCIPAL AMOUNT OUTSTANDING</u>
Providence College, Series 2015 Dated July 16, 2015	46,910,000	31,935,000
New England Institute of Technology, Series 2015 Dated August 31, 2015	60,000,000	48,935,852
Saint Philomena School, Series 2015 Dated September 16, 2015	1,884,000	1,252,706
Johnson & Wales University, Series 2015 Dated September 22, 2015	30,000,000	16,431,345
Brown University, Series 2015 Dated October 21, 2015	45,000,000	36,220,000
Moses Brown School, Series 2016 A & B Dated June 15, 2016	27,000,000	17,549,968
Council on Postsecondary Education, Series 2016 A, B & C Dated October 18, 2016	90,800,000	70,720,000
Roger Williams University, Series 2016 A & B Dated October 18, 2016	7,300,000	4,635,275
New England Institute of Technology, Series 2017 Dated March 9, 2017	36,450,000	29,049,371
Providence College, Series 2017 Dated March 29, 2017	46,415,000	46,415,000
Brown University, Series 2017 A Dated July 19, 2017	141,125,000	140,125,000
Council on Postsecondary Education, Series 2017 A, B, C & D Dated October 17, 2017	123,215,000	118,750,000
Meeting Street, Series 2017 A Dated December 22, 2017	15,000,000	14,121,025
Rhode Island School of Design, Series 2018 Dated September 25, 2018	54,950,000	53,960,000
St. Andrew's School, Series 2018 A & B Dated October 31, 2018	20,000,000	18,487,955
Council on Postsecondary Education, Series 2018 A & B Dated December 12, 2018	19,800,000	17,175,000
Meeting Street, Series 2018 Dated December 31, 2018	5,000,000	4,640,730
Blackstone Valley Prep, Series 2019 Dated April 26, 2019	16,000,000	14,831,456
Mount Saint Charles Academy, Series 2019 Dated May 1, 2019	3,700,000	3,314,895
Trinity Academy for the Performing Arts, Series 2019 Dated May 31, 2019	6,500,000	6,188,514
Brown University, Series 2019 A Dated July 18, 2019	54,560,000	54,560,000
Kingston Hill Academy, Series 2019 Dated August 21, 2019	6,200,000	6,008,650
The Compass School, Series 2019 Dated October 4, 2019	3,850,000	3,558,160
Roger Williams University, Series 2019 Dated November 27, 2019	14,518,500	9,132,217
Bryant University, Series 2019 Dated December 6, 2019	17,300,000	12,672,556
Portsmouth Abbey School, Series 2020 A, B, C & D Dated June 1, 2020	17,990,000	15,688,292
Rhode Island School of Design, Series 2020 Dated December 16, 2020	52,905,000	51,870,000
Blackstone Valley Prep, Series 2021 A & B Dated March 5, 2021	15,955,000	15,233,350
Providence College, Series 2021 A Dated August 3, 2021	19,585,000	19,585,000

<u>EDUCATION - CONTINUED</u>	<u>PRINCIPAL AMOUNT ISSUED</u>	<u>PRINCIPAL AMOUNT OUTSTANDING</u>
Providence College, Series 2021 B Dated August 3, 2021	25,265,000	24,495,000
St. George's School, Series 2021 Dated August 24, 2021	44,300,000	44,300,000
Rhode Island School of Design, Series 2021 A & B Dated September 1, 2021	75,030,000	72,288,000
Bryant University, Series 2021 Dated November 30, 2021	45,320,000	42,360,000
Roger Williams University, Series 2022 Dated March 15, 2022	8,700,000	8,700,000
Achievement First Rhode Island, Inc., Series 2022 A, B & C Dated April 7, 2022	70,950,569	53,073,756
Brown University, Series 2022 A Dated July 27, 2022	87,220,000	87,220,000
Blackstone Valley Prep, Series 2022 Dated October 26, 2022	12,760,000	12,668,726
Paul Cuffee School, Series 2022 Dated November 15, 2022	3,100,000	62,000
Providence College, Series 2023 Dated April 26, 2023	112,435,000	112,435,000
The Learning Community Charter School, Series 2023 Dated May 19, 2023	\$ 2,774,000	\$ 2,774,000
University of Rhode Island, Series 2023 Dated June 15, 2023	15,440,000	15,440,000
TOTALS	\$ 2,173,489,069	\$ 1,676,554,395

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION
SCHEDULE OF OUTSTANDING PUBLIC SCHOOLS REVENUE BOND FINANCING PROGRAM REVENUE BONDS
JUNE 30, 2023

<u>Financing/Borrower</u>	Principal Amount Issued		Principal Amount Outstanding	
	Each Borrower	Total Financing	Each Borrower	Total Financing
Public Schools Revenue Bond, Series 2007 A				
Dated May 16, 2007				
Bristol-Warren Regional School District	\$ 8,900,000		\$ -	
Town of Glocester	750,000		140,000	
Foster-Glocester Regional School District	26,000,000		-	
Town of Little Compton	550,000		-	
Town of Portsmouth	2,250,000	\$ 38,450,000	-	\$ 140,000
Public Schools Revenue Bond, Series 2007 B				
Dated August 15, 2007				
Town of Barrington	\$ 735,000.00		\$ -	
City of Central Falls	1,300,000		405,000	
Town of North Kingstown	7,000,000		-	
Town of Tiverton	10,580,000	\$ 19,615,000.00	-	\$ 405,000.00
Public Schools Revenue Bond, Series 2007 D				
Dated December 19, 2007				
City of Pawtucket	\$ 4,760,000	\$ 4,760,000	\$ 1,595,000	\$ 1,595,000
Public Schools Revenue Bond, Series 2008 B				
Dated August 7, 2008				
Exeter-West Greenwich Regional School District	\$ 5,875,000		\$ -	
City of Cranston	7,000,000		-	
Town of Portsmouth	1,800,000		70,000	
Town of Tiverton	10,000,000	\$ 24,675,000	-	\$ 70,000
Providence Public Schools Revenue Bond, Series 2009 A				
Dated December 30, 2009				
Providence Public Buildings Authority	\$ 22,320,000	\$ 22,320,000	\$ 3,040,000	\$ 3,040,000
Public Schools Revenue Bond, Series 2010 A				
Dated June 15, 2010				
Chariho Regional School District	\$ 4,812,000		\$ 4,812,000	
Town of Westerly	3,855,000		3,855,000	
City of Warwick	3,908,000	\$ 12,575,000	3,908,000	\$ 12,575,000
Public Schools Revenue Bond, Series 2010 C				
Dated September 2, 2010				
Town of North Smithfield	\$ 3,550,000	\$ 3,550,000	\$ 1,130,000	\$ 1,130,000
Public Schools Revenue Bond, Series 2010 D				
Dated October 5, 2010				
City of East Providence	\$ 3,955,000	\$ 3,955,000	\$ 624,000	\$ 624,000
Public Schools Revenue Bond, Series 2010 E				
Dated November 3, 2010				
City of East Providence	\$ 7,777,000	\$ 7,777,000	\$ 1,226,000	\$ 1,226,000
Public Schools Revenue Bond, Series 2010 F & G				
Dated December 2, 2010				
Town of East Greenwich	\$ 10,635,000		\$ 10,635,000	
Chariho Regional School District	3,757,000		3,757,000	
Town of Westerly	5,496,000		5,496,000	
City of Warwick	4,212,000	\$ 24,100,000	4,212,000	\$ 24,100,000
Providence Public Schools Revenue Bond, Series 2010 A & B				
Dated December 7, 2010				
Providence Public Buildings Authority	\$ 21,945,000	\$ 21,945,000	\$ 21,945,000	\$ 21,945,000

<u>Financing/Borrower</u>	Principal Amount Issued		Principal Amount Outstanding	
	Each Borrower	Total Financing	Each Borrower	Total Financing
Public Schools Revenue Bond, Series 2012 B Dated October 4, 2012 City of East Providence	\$ 15,000,000	\$ 15,000,000	\$ 8,250,000	\$ 8,250,000
Public Schools Revenue Bond, Series 2013 B Dated April 23, 2013 Town of Coventry	\$ 12,520,000	\$ 12,520,000	\$ 4,450,000	\$ 4,450,000
Public Schools Revenue Bond, Series 2013 D Dated June 20, 2013 City of Warwick	\$ 4,295,000	\$ 4,295,000	\$ 2,145,000	\$ 2,145,000
Public Schools Revenue Bond, Series 2013 E Dated August 28, 2013 Town of Portsmouth	\$ 1,100,000	\$ 1,100,000	\$ 250,000	\$ 250,000
Providence Public Schools Revenue Bond, Series 2013 A Dated November 19, 2013 Providence Public Buildings Authority	\$ 69,705,000	\$ 69,705,000	\$ 4,255,000	\$ 4,255,000
Public Schools Revenue Bond, Series 2013 H Dated December 10, 2013 Town of Little Compton	\$ 11,310,000	\$ 11,310,000	\$ 7,365,000	\$ 7,365,000
Public Schools Revenue Bond, Series 2013 I Dated December 19, 2013 Town of North Providence	\$ 9,635,000	\$ 9,635,000	\$ 1,170,000	\$ 1,170,000
Public Schools Revenue Bond, Series 2014 A Dated July 10, 2014 Town of West Warwick	\$ 9,780,000	\$ 9,780,000	\$ 2,635,000	\$ 2,635,000
Public Schools Revenue Bond, Series 2014 B Dated August 6, 2014 City of Warwick	\$ 3,370,000	\$ 3,370,000	\$ 2,095,000	\$ 2,095,000
Public Schools Revenue Bond, Series 2014 C Dated November 19, 2014 City of Pawtucket	\$ 8,000,000	\$ 8,000,000	\$ 5,110,000	\$ 5,110,000
Providence Public Schools Revenue Bond, Series 2015 A Dated May 14, 2015 Providence Public Buildings Authority	\$ 146,325,000	\$ 146,325,000	\$ 70,310,000	\$ 70,310,000
Public Schools Revenue Bond, Series 2015 B Dated September 10, 2015 City of Cranston	\$ 4,565,000	\$ 4,565,000	\$ 3,315,000	\$ 3,315,000
Providence Public Schools Revenue Bond, Series 2015 B Dated December 16, 2015 Providence Public Buildings Authority	\$ 10,000,000	\$ 10,000,000	\$ 7,060,000	\$ 7,060,000
Public Schools Revenue Bond, Series 2015 C & D Dated December 22, 2015				
Town of Burrillville	\$ 3,380,000		\$ 990,000	
Town of Portsmouth	1,575,000		465,000	
Town of Portsmouth	605,000		-	
Town of North Kingstown	4,030,000		1,840,000	
Town of Smithfield	4,375,000		3,900,000	
Town of Tiverton	8,025,000	\$ 21,990,000	3,295,000	\$ 10,490,000

<u>Financing/Borrower</u>	Principal Amount Issued		Principal Amount Outstanding	
	Each Borrower	Total Financing	Each Borrower	Total Financing
Public Schools Revenue Bond, Series 2016 A Dated August 10, 2016				
Bristol-Warren Regional School District	\$ 12,540,000		\$ 6,230,000	
City of Cranston	4,335,000		2,595,000	
Town of Cumberland	17,230,000		9,515,000	
Exeter-West Greenwich Regional School District	3,200,000		1,690,000	
Foster-Glocester Regional School District	26,305,000		13,545,000	
Town of North Smithfield	17,115,000		9,435,000	
Town of Tiverton	5,705,000	\$ 86,430,000	3,170,000	\$ 46,180,000
Public Schools Revenue Bond, Series 2016 B & C Dated August 17, 2016				
City of Warwick	\$ 4,755,000		\$ 3,490,000	
City of Newport	2,865,000	\$ 7,620,000	1,000,000	\$ 4,490,000
Public Schools Revenue Bond, Series 2017 A Dated March 21, 2017				
City of Woonsocket	\$ 58,965,000	\$ 58,965,000	\$ 46,130,000	\$ 46,130,000
Public Schools Revenue Bond, Series 2017 B Dated April 11, 2017				
Town of Narragansett	\$ 12,029,000		\$ 7,820,000	
Town of Scituate	2,346,000	\$ 14,375,000	1,525,000	\$ 9,345,000
Public Schools Revenue Bond, Series 2017 C Dated April 20, 2017				
Town of Barrington	\$ 63,480,000	\$ 63,480,000	\$ 54,045,000	\$ 54,045,000
Public Schools Revenue Bond, Series 2017 D Dated May 16, 2017				
Town of Middletown	\$ 9,750,000	\$ 9,750,000	\$ 7,430,000	\$ 7,430,000
Public Schools Revenue Bond, Series 2017 E Dated June 13, 2017				
City of Pawtucket	\$ 23,615,000	\$ 23,615,000	\$ 16,980,000	\$ 16,980,000
Public Schools Revenue Bond, Series 2017 F Dated June 22, 2017				
Town of Tiverton	\$ 19,835,000	\$ 19,835,000	\$ 15,265,000	\$ 15,265,000
Public Schools Revenue Bond, Series 2017 G Dated August 3, 2017				
Town of North Providence	\$ 36,655,000	\$ 36,655,000	\$ 29,420,000	\$ 29,420,000
Public Schools Revenue Bond, Series 2017 H Dated August 10, 2017				
City of Cranston	\$ 5,000,000	\$ 5,000,000	\$ 4,140,000	\$ 4,140,000
Public Schools Revenue Bond, Series 2017 I & J Dated November 16, 2017				
City of Warwick	\$ 4,460,000		\$ 3,040,000	
Chariho Regional School District	4,975,000		2,480,000	
Chariho Regional School District	6,345,000	\$ 15,780,000	5,300,000	\$ 10,820,000
Public Schools Revenue Bond, Series 2018 A Dated May 30, 2018				
Town of Scituate	\$ 4,740,000	\$ 4,740,000	\$ 3,885,000	\$ 3,885,000
Public Schools Revenue Bond, Series 2018 B Dated June 13, 2018				
City of Pawtucket	\$ 18,690,000	\$ 18,690,000	\$ 15,915,000	\$ 15,915,000

<u>Financing/Borrower</u>	Principal Amount Issued		Principal Amount Outstanding	
	Each Borrower	Total Financing	Each Borrower	Total Financing
Public Schools Revenue Bond, Series 2019 A Dated April 11, 2019				
City of Cranston	\$ 11,335,000		\$ 10,250,000	
Town of North Providence	30,045,000	\$ 41,380,000	27,240,000	\$ 37,490,000
Public Schools Revenue Bond, Series 2019 B Dated June 11, 2019				
City of Pawtucket	\$ 17,975,000	\$ 17,975,000	\$ 16,020,000	\$ 16,020,000
Providence Public Schools Revenue Bond, Series 2019 A Dated June 27, 2019				
Providence Public Buildings Authority	\$ 20,000,000	\$ 20,000,000	\$ 17,255,000	\$ 17,255,000
Public Schools Revenue Bond, Series 2019 C Dated September 17, 2019				
Town of Jamestown	\$ 5,070,000	\$ 5,070,000	\$ 4,560,000	\$ 4,560,000
Public Schools Revenue Bond, Series 2019 D Dated September 24, 2019				
City of Warwick	\$ 5,445,000	\$ 5,445,000	\$ 5,020,000	\$ 5,020,000
Public Schools Revenue Bond, Series 2020 A Dated May 12, 2020				
Town of South Kingstown	\$ 3,875,000	\$ 3,875,000	\$ 3,295,000	\$ 3,295,000
Public Schools Revenue Bond, Series 2020 B Dated June 17, 2020				
Town of Lincoln	\$ 57,450,000	\$ 57,450,000	\$ 53,390,000	\$ 53,390,000
Public Schools Revenue Bond, Series 2020 C Dated August 4, 2020				
City of Warwick	\$ 6,400,000	\$ 6,400,000	\$ 5,915,000	\$ 5,915,000
Public Schools Revenue Bond, Series 2020 D Dated October 22, 2020				
Town of East Greenwich	\$ 29,655,000	\$ 29,655,000	\$ 25,665,000	\$ 25,665,000
Public Schools Revenue Bond, Series 2021 A & B Dated March 22, 2021				
Town of North Kingstown	\$ 8,340,000		\$ 7,920,000	
Town of North Kingstown	4,500,000	\$ 12,840,000	3,980,000	\$ 11,900,000
Public Schools Revenue Bond, Series 2021 C Dated May 12, 2021				
City of Newport	\$ 17,920,000	\$ 17,920,000	\$ 16,065,000	\$ 16,065,000
Public Schools Revenue Bond, Series 2021 D Dated May 27, 2021				
City of Providence	\$ 100,690,000	\$ 100,690,000	\$ 100,690,000	\$ 100,690,000
Public Schools Revenue Bond, Series 2021 F Dated June 16, 2021				
City of East Providence	\$ 124,470,000	\$ 124,470,000	\$ 120,055,000	\$ 120,055,000
Public Schools Revenue Bond, Series 2021 E Dated June 22, 2021				
Town of Westerly	\$ 11,205,000	\$ 11,205,000	\$ 8,865,000	\$ 8,865,000
Public Schools Revenue Bond, Series 2021 G Dated August 10, 2021				
Exeter-West Greenwich Regional School District	\$ 8,980,000	\$ 8,980,000	\$ 8,980,000	\$ 8,980,000

<u>Financing/Borrower</u>	Principal Amount Issued		Principal Amount Outstanding	
	Each Borrower	Total Financing	Each Borrower	Total Financing
Public Schools Revenue Bond, Series 2021 H Dated September 30, 2021 Town of Smithfield	\$ 35,985,000	\$ 35,985,000	\$ 34,835,000	\$ 34,835,000
Public Schools Revenue Bond, Series 2022 A Dated January 7, 2022 City of Pawtucket	\$ 30,235,000	\$ 30,235,000	\$ 30,235,000	\$ 30,235,000
Public Schools Revenue Bond, Series 2022 B Dated March 9, 2022 City of Warwick	\$ 23,830,000	\$ 23,830,000	\$ 23,195,000	\$ 23,195,000
Public Schools Revenue Bond, Series 2022 C Dated March 25, 2022 City of Newport	\$ 98,500,000	\$ 98,500,000	\$ 98,500,000	\$ 98,500,000
Public Schools Revenue Bond, Series 2022 D Dated June 15, 2022 Town of Burrillville	\$ 5,950,000	\$ 5,950,000	\$ 5,950,000	\$ 5,950,000
Public Schools Revenue Bond, Series 2022 E Dated June 28, 2022 Town of Portsmouth	\$ 19,510,000	\$ 19,510,000	\$ 19,510,000	\$ 19,510,000
Public Schools Revenue Bonds, Series 2022 F Dated September 29, 2022 Town of Johnston	<u>\$ 85,000,000</u>	\$ 85,000,000	<u>\$ 85,000,000</u>	\$ 85,000,000
TOTALS	\$ 1,638,617,000		\$ 1,192,185,000	

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APPENDIX G

FORM OF APPROVING OPINION OF BOND COUNSEL

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[Date of Delivery]

Rhode Island Health and Educational
Building Corporation
33 Broad Street, Suite 200
Providence, Rhode Island 02903

Re: \$84,640,000 Rhode Island Health and Educational Building Corporation
Public Schools Revenue Bond Financing Program Revenue Bonds,
Series 2024 F (Town of Middletown Issue)

We have acted as bond counsel to the Rhode Island Health and Educational Building Corporation (the “Corporation”) in connection with the issuance by the Corporation of the above-referenced bonds (the “Series 2024 F Bonds”). In such capacity, we have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion, including the Master Trust Indenture dated June 17, 2020 (the “Master Indenture”), as further amended by that certain Series Indenture dated the date hereof (the “Series Indenture” and together with the Master Trust Indenture, the “Indenture”), between the Corporation and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

As to questions of fact material to our opinion, we have relied upon representations and covenants of the Corporation contained in the Indenture and in the certified proceedings and other certifications of public officials furnished to us, and certifications of officials of the Borrower and others, without undertaking to verify the same by independent investigation.

The Series 2024 F Bonds are issued under and pursuant to the Rhode Island Health and Educational Building Corporation Act, being Chapter 38.1 of Title 45 of the General Laws of Rhode Island, 1956, as amended (the “Act”) and the Indenture. With respect to the Series 2024 F Bonds, the Corporation has entered into a Financing Agreement dated August 19, 2024 (the “Financing Agreement”), with the Town of Middletown, Rhode Island (the “Borrower”) providing, among other things, for a loan to the Borrower for the purposes permitted thereby and by the Master Trust Indenture and the Series Indenture. Pursuant to the Financing Agreement, the Borrower is required to make payments scheduled to be sufficient to pay the principal, sinking fund installments and redemption price of and interest on the Series 2024 F Bonds as the same become due, which payments have been pledged by the Corporation to the Trustee for the benefit of the holders of the Series 2024 F Bonds. The Series 2024 F Bonds are payable solely from funds to be provided under the Financing Agreement by the Borrower pursuant to the Indenture. Under the Financing Agreement, the Borrower has agreed to make payments sufficient to pay when due the principal (including sinking fund installments) and redemption price of and interest on the Series 2024 F Bonds. Such payments and other moneys payable to the Trustee under the Indenture, including proceeds derived from any security provided thereunder (collectively, the “Revenues”),

and the rights of the Corporation under the Indenture to receive the same (excluding, however, certain administrative fees, indemnification, and reimbursements), are pledged and assigned by the Corporation as security for the Series 2024 F Bonds. The Series 2024 F Bonds are payable from the Revenues.

We express no opinion herein with respect to compliance by the Borrower with applicable legal requirements in connection with the construction or operation of the Project (as defined in the Indenture) being financed by the Series 2024 F Bonds.

In such connection, we have reviewed the Indenture, the Financing Agreement, the Tax Certificate of the Corporation dated the date hereof (the "Corporation Tax Certificate"), the Tax Certificate of the Borrower dated the date hereof (the "Borrower Tax Certificate"), the bond of the Borrower delivered to the Corporation to secure the obligations of the Borrower under the Financing Agreement, opinions of counsel to the Corporation, the Trustee and the Borrower, certificates of the Corporation, the Trustee, the Borrower and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

Based on our examination, we are of the opinion, under existing law, as follows:

- (1) The Corporation is a duly created and validly existing body corporate and politic and a public instrumentality of the State of Rhode Island with the power to enter into and perform the Indenture and the Financing Agreement and to issue the Series 2024 F Bonds.
- (2) The Indenture and the Financing Agreement have been duly authorized, executed and delivered by the Corporation and, assuming due authorization, execution and delivery by the other respective parties thereto, are valid and binding obligations of the Corporation enforceable against the Corporation. As provided in the Act, the Indenture creates a valid lien on the Revenues, the other funds pledged by the Indenture as security for the Series 2024 F Bonds, and on the rights of the Corporation or the Trustee on behalf of the Corporation to receive Revenues under the Indenture (subject to certain rights with respect to indemnification, reimbursements and fees).
- (3) The Series 2024 F Bonds have been duly authorized, executed and delivered by the Corporation and are valid and binding special obligations of the Corporation, enforceable in accordance with their terms, payable solely from the Revenues and other funds provided therefor in the Indenture.
- (4) Interest on the Series 2024 F Bonds is excluded from the gross income of the owners of the Series 2024 F Bonds for federal income tax purposes. In addition, interest on the Series 2024 F Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. For

tax years beginning after December 31, 2022, however, interest on the Series 2024 F Bonds will be included in the adjusted financial statement income of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. In rendering the opinions set forth in this paragraph, we have assumed compliance by the Corporation and the Borrower with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2024 F Bonds in order that interest thereon be, and continue to be, excluded from gross income for federal income tax purposes. The Borrower has covenanted in the Financing Agreement and, to the extent necessary, the Corporation has covenanted in the Indenture to comply with all such requirements. Failure by the Corporation or the Borrower to comply with certain of such requirements may cause interest on the Series 2024 F Bonds to become included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2024 F Bonds. We express no opinion regarding any other federal tax consequences arising with respect to the Series 2024 F Bonds.

- (5) Income from the Series 2024 F Bonds is free from taxation by the State of Rhode Island or any political subdivision or other instrumentality of the State although the income therefrom may be included in the measure of Rhode Island estate taxes and certain Rhode Island corporate and business taxes. We express no opinion regarding any other Rhode Island tax consequences arising with respect to the Series 2024 F Bonds or any tax consequences arising with respect to the Series 2024 F Bonds under the laws of any state other than Rhode Island.

This opinion is expressed as of the date hereof, and we neither assume nor undertake any obligation to update, revise, supplement or restate this opinion to reflect any action taken or omitted, or any facts or circumstances or changes in law or in the interpretation thereof, that may hereafter arise or occur, or for any other reason.

The rights of the holders of the Series 2024 F Bonds and the enforceability of the Series 2024 F Bonds and the Indenture may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Very truly yours,

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APPENDIX H

FORM OF CONTINUING DISCLOSURE CERTIFICATE

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FORM OF CONTINUING DISCLOSURE CERTIFICATE

THIS CERTIFICATE, dated ____, 2024 (the “Certificate”), is executed and delivered by the Borrower, as defined below in Section 1.

In order to permit the Underwriter to comply with the provisions of Rule 15c2-12 in connection with the public offering of the Bonds (defined below), the Borrower hereby agrees for the sole and exclusive benefit of the Holders as follows:

Section 1. Definitions. Capitalized terms used but not defined herein as follows shall have the meaning ascribed to them in the Indenture.

“Annual Information” shall mean the information specified in Section 3 hereof.

“Bonds” shall mean the Rhode Island Health and Educational Building Corporation Public Schools Revenue Bond Financing Program Revenue Bonds, Series 2024 F (Town of Middletown Issue).

“Borrower” shall mean the Town of Middletown, Rhode Island.

“Certificate” shall mean this Certificate as the same from time to time may be amended and supplemented in accordance with the terms hereof.

“Corporation” shall mean the Rhode Island Health and Educational Building Corporation, a public body corporate and agency of the State of Rhode Island and the issuer of the Bonds, and any successor thereto.

“Dissemination Agent” shall mean initially, the Finance Director of the Borrower, as Dissemination Agent or any successor Dissemination Agent designed in writing by the Borrower and which has filed with the Borrower, the Trustee and the Corporation written acceptance of such designation. In the absence of a third-party Dissemination Agent, the Borrower shall serve as Dissemination Agent

“DTC” shall mean The Depository Trust Company, New York, New York, which is acting as the Depository for the Bonds within the meaning of the Indenture.

“GAAP” shall mean generally accepted accounting principles as in effect from time to time in the United States.

“GAAS” shall mean generally accepted auditing standards as in effect from time to time in the United States.

“Holder” shall mean any registered owner of the Bonds and for the purpose of Section 5 of this Certificate only, if registered in the name of DTC (or a nominee thereof) or in the name of any other entity (or a nominee thereof) that acts as a “clearing corporation” within the meaning of the Rhode Island Uniform Commercial Code and is a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended, any beneficial owner of Bonds.

“Indenture” shall mean the Corporation's Master Public Schools Financing Program Revenue Bond Indenture dated June 17, 2020, together with the Series Indenture executed and delivered thereunder authorizing the issuance of the Bonds, each by and between the Corporation and the Trustee.

“MSRB” shall mean the Municipal Securities Rulemaking Board established in accordance with the provisions of Section 15B(b)(1) of the Securities Exchange Act of 1934, as amended, or any successor thereto or to the functions, the MSRB contemplated by this Certificate. Filing information relating to the MSRB is set forth in the Exhibit A attached hereto.

“Outstanding” shall mean Outstanding within the meaning of the Indenture.

“Rating Agency” shall mean S&P, Moody's, Fitch or any other nationally recognized rating service which has assigned a rating to the Bonds.

“Rule 15c2-12” shall mean Rule 15c2-12 under the Securities Exchange Act of 1934, as amended through the date of this Certificate.

“Trustee” shall mean The Bank of New York Mellon Trust Company, N.A., a national banking association organized and existing under the laws of the United States.

“Underwriter” shall mean the underwriter or underwriters that have contracted to purchase the Bonds from the Corporation upon initial issuance.

Section 2. Obligations to Provide Continuing Disclosure

(a) The Borrower hereby undertakes, for the benefit of the Holders, to file, or cause to be filed through the Dissemination Agent no later than nine (9) months after the end of each of its fiscal years, commencing with the fiscal year ending June 30, 2024 with the MSRB, the Annual Information relating to such fiscal year, together with audited financial statements of the Borrower for such fiscal year provided, however, that if audited financial statements are not then available, unaudited financial statements shall be provided and such audited financial statements shall be filed with the MSRB, when they become available. In addition, the Borrower shall immediately notify in writing the Corporation, of the occurrence of any of the sixteen events listed in Section 2(b) hereof upon gaining actual knowledge of the occurrence of any such event.

(b) The Borrower hereby undertakes, for the benefit of Holders, to file or cause to be filed through the Dissemination Agent, with the MSRB, in a timely manner not in excess of ten (10) business days after the occurrence thereof, notice of any of the following events with respect to the Bonds:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;

- (5) a substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions or the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
- (7) modification to rights of Holders of the Bonds, if material;
- (8) bond calls, if material and tender offers;
- (9) defeasances;
- (10) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the Borrower¹;
- (13) the consummation of a merger, consolidation, or acquisition involving the Borrower or the sale of all or substantially all of the assets of the Borrower, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (15) incurrence of a financial obligation of the Borrower, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Borrower, any of which affect the Holders of the Bonds, if material;[†] and
- (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Borrower, any of which reflect financial difficulties.[†]

¹ As noted in Rule 15c2-12, this event is considered to occur when any of the following occur: (i) the appointment of a receiver, fiscal agent or similar officer for the Borrower in a proceeding under the U.S. Bankruptcy Code or in any proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Borrower, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or (ii) the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Borrower.

[†] For purposes of event numbers 15 and 16 in Section 2(b) of this Disclosure Certificate, the term “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “financial obligation” excludes municipal securities for which a final official statement has been provided to the MSRB consistent with Rule 15c2-12.

(c) The Borrower hereby undertakes, for the benefit of Holders, to file or cause to be filed through the Dissemination Agent, with the MSRB, in a timely manner, notice of a failure by the Borrower to comply with Section 2(a) hereof.

(d) Termination of Disclosure Obligation. The obligations of the Borrower pursuant to Sections 2(a) and 2(b) hereof may be terminated during any such time that the Borrower is not an “obligated person” as defined in Rule 15c2-12. Upon any such termination, the Borrower shall provide notice thereof to the MSRB.

(e) Other Information. Nothing herein shall be deemed to prevent the Borrower from disseminating any other information in addition to that required hereby in the manner set forth herein or in any other manner. If the Borrower should disseminate any such additional information, the Borrower shall have no obligation to update such information or include it in any future materials disseminated hereunder.

(f) Transmission of Information and Notices. Unless otherwise required by law, all notices, documents and information provided to the MSRB shall be provided in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

Section 3. Annual Information.

(a) Specified Information. The Annual Information shall consist of the following: operating data and financial information relating to the Borrower of the type included in Appendix A to the Official Statement (only to the extent that this information is not included in the audited financial statements of the Borrower); together with a narrative explanation, if necessary to avoid misunderstanding and to assist the reader in understanding the presentation of financial and operating data concerning the Borrower and in judging the financial and operating condition of the Borrower.

(b) Cross Reference. All or any portion of the Annual Information may be incorporated in the Annual Information by cross reference to any other documents which have been filed with the MSRB. If the document included by reference is a final official statement, it must be available from the MSRB. The Borrower shall clearly identify each such other document so incorporated by reference.

(c) Informational Categories. The requirements contained in this Certificate under Section 3(a) are intended to set forth a general description of the type of financial information and operating data to be provided; such descriptions are not intended to state more than general categories of financial information and operating data; and where the provisions of Section 3(a) call for information that no longer can be generated or is no longer relevant because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be provided.

Section 4. Financial Statements.

The Borrower's annual financial statements for each fiscal year shall be prepared in accordance with GAAP unless applicable accounting principles are otherwise disclosed in the Official Statement and audited by an independent accounting firm in accordance with GAAS.

Section 5. Remedies.

The sole and exclusive remedy for breach of this Certificate shall be an action to compel specific performance of the obligations of the parties hereunder. No person or entity shall be entitled to recover any monetary damages hereunder under any circumstances. The Borrower may be compelled to comply with its obligations under this Certificate: (i) in the case of enforcement of its obligations to provide information required hereunder by any Holder or by the Trustee on behalf of the Holders, or (ii) in the case of challenges to the adequacy of the information provided, by the Trustee on behalf of the Holders. However, the Trustee shall not be required to take any enforcement action except at the direction of the Holders of not less than 25% in aggregate principal amount of Bonds at the time Outstanding.

Failure by any party to perform its obligations hereunder shall not constitute an Event of Default under the Indenture or an event of default under any other agreement executed and delivered in connection with the issuance of the Bonds including, but not limited to, the Financing Agreement.

Section 6. Parties in Interest.

This Certificate is executed and delivered solely for the benefit of the Holders. No other person (other than the Trustee on behalf of the Holders) shall have any right to enforce the provisions hereof or any other rights hereunder, except that the Corporation shall have the right to enforce the provisions hereof and to assert the rights hereunder.

Section 7. Amendments.

Without the consent of any Holders, the Borrower at any time and from time to time may enter into amendments or changes to this Certificate for any of the following purposes:

(a) to comply with or conform to any changes in Rule 15c2-12 or any formal authoritative interpretations thereof by the Securities and Exchange Commission or its staff (whether required or optional);

(b) to add or change a dissemination agent for the information required to be provided hereby and to make any necessary or desirable provisions with respect thereto;

(c) to evidence the succession of another person to the Borrower or the Dissemination Agent and the assumption by any such successor of the covenants of the Borrower or the Dissemination Agent hereunder;

(d) to add to the covenants of the Borrower or the Dissemination Agent for the benefit of the Holders, or to surrender any right or power herein conferred upon the Borrower;

(e) for any purpose for which, and subject to the conditions pursuant to which, amendments may be made under Rule 15c2-12, as amended or modified from time to time, or any formal authoritative interpretations thereof by the Securities and Exchange Commission, or its staff; or

(f) for any other purpose, if (a) the amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Borrower or any type of business or affairs conducted by it; (b) the undertakings set forth herein, as amended, would have complied with the requirements of Rule 15c2-12 at the time of the primary offering of the Bonds, after taking into account any amendments or formal authoritative interpretations by the Securities and Exchange Commission of Rule 15c2-12, as well as any change in circumstances; and (c) the amendment does not materially impair the interests of the Holders, as determined by nationally recognized bond counsel.

(In determining whether or not there is such an adverse effect, a Dissemination Agent, if any, may rely upon an opinion of nationally recognized bond counsel).

Annual Information for any fiscal year containing any amended operating data or financial information for such fiscal year shall explain, in narrative form, the reasons for such amendment and the impact of the change on the type of operating data or financial information in the Annual Information being provided for such fiscal year.

If a change in accounting principles is included in any such amendment, such Annual Information shall present a comparison between the financial statements or information prepared on the basis of the amended accounting principles and those prepared on the basis of the former accounting principles for the fiscal year in which such change is made. The comparison should include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the Borrower to meet its obligations. To the extent reasonably feasible, the comparison also should be quantitative. A notice of the change in accounting principles shall be filed with the MSRB.

Section 8. Termination.

This Certificate shall remain in full force and effect until such time as all principal, redemption premiums, if any, and interest on the Bonds shall have been paid in full or the Bonds shall have otherwise been paid or defeased pursuant to the Indenture.

Section 9. Dissemination Agent.

(a) This Section 9 shall apply in the event that the Borrower designates a third-party Dissemination Agent.

(b) Except as specifically set forth herein, this Certificate shall not create any obligation or duty on the part of the Dissemination Agent and the Dissemination Agent shall not be subject to any liability hereunder for acting or failing to act as the case may be.

(c) To the extent permitted by law, the Dissemination Agent shall be indemnified and held harmless in connection with this Certificate, to the same extent provided in the Indenture for matters arising thereunder. The Borrower shall pay or reimburse the Dissemination Agent for its fees and expenses for the Dissemination Agent's services rendered in accordance with this Agreement. In addition to any and all rights of the Dissemination Agent for reimbursement, indemnification and other rights pursuant to Rule 15c2-12 or under law or equity, the Borrower shall indemnify and hold harmless the Dissemination Agent and its respective officers, directors, employees and agents from and against any and all claims, damages, losses, liabilities, reasonable costs and expenses whatsoever (including attorney fees) which such indemnified party may incur by reason of or in connection with the Dissemination Agent's performance under this Agreement; provided that the Borrower shall not be required to indemnify the Dissemination Agent for any claims, damages, losses, liabilities, costs or expenses to the extent, but only to the extent, caused by the willful misconduct or gross negligence of the Dissemination Agent in such disclosure of information hereunder. The obligations of the Borrower under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the Borrower, the Bondholder or any other party. The fact that the Dissemination Agent or any affiliate thereof may have any fiduciary or banking relationship with the Borrower, apart from the relationship created by Rule 15c2-12 shall not be construed to mean that the Dissemination Agent has actual knowledge of any event or condition except as may be provided by written notice from the Borrower.

Section 10. Governing Law.

THIS CERTIFICATE SHALL BE GOVERNED BY THE LAWS OF THE STATE OF RHODE ISLAND DETERMINED WITHOUT REGARD TO PRINCIPLES OF CONFLICT OF LAW.

Section 11. The obligations of the Borrower under this Certificate are subject to annual appropriation.

[Signature appears on the following page]

IN WITNESS WHEREOF, the undersigned have duly authorized, executed and delivered this Certificate.

TOWN OF MIDDLETOWN, RHODE ISLAND

By:_____

Name:

Title:

EXHIBIT A

Filing information relating to the Municipal Securities Rulemaking Board is as follows:

Municipal Securities Rulemaking Board
<http://emma.msrb.org>

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**RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION
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