

**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

TOWN OF MIDDLETOWN  
HENRY COUNTY, INDIANA

January 1, 2014 to December 31, 2014



**FILED**  
01/29/2016



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Drew Cooper	01-01-12 to 12-31-15
President of the Town Council	Betty Riley	01-01-14 to 12-31-15



## INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE TOWN OF MIDDLETOWN, HENRY COUNTY, INDIANA

### **Report on the Financial Statement**

We have audited the accompanying financial statement of the Town of Middletown (Town), which comprises the financial position and results of operations for the year ended December 31, 2014, and the related notes to the financial statement as listed in the Table of Contents.

### ***Management's Responsibility for the Financial Statement***

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town's preparation and fair presentation of the financial statement 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's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

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

INDEPENDENT AUDITOR'S REPORT  
(Continued)

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As discussed in Note 1 of the financial statement, the Town prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the Town for the year ended December 31, 2014.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the Town for the year ended December 31, 2014, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

***Other Matters***

*Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the Town's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statement. 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 financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

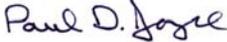
*Other Information*

Our audit was conducted for the purpose of forming an opinion on the Town's financial statement. The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis, Schedule of Payables and Receivables, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated October 21, 2015, on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the 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's internal control over financial reporting and compliance.

  
Paul D. Joyce, CPA  
State Examiner

October 21, 2015



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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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 THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

TO: THE OFFICIALS OF THE TOWN OF MIDDLETOWN, HENRY COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the Town of Middletown (Town), which comprises the financial position and results of operations for the year ended December 31, 2014, and the related notes to the financial statement, and have issued our report thereon dated October 21, 2015, wherein we noted the Town followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statement, 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 statement, 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.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2014-001 and 2014-002 to be material weaknesses.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*  
(Continued)

**Compliance and Other Matters**

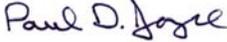
As part of obtaining reasonable assurance about whether the Town's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2014-001 and 2014-002.

**Town of Middletown's Response to Findings**

The Town's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
Paul D. Joyce, CPA  
State Examiner

October 21, 2015

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## FINANCIAL STATEMENT AND ACCOMPANYING NOTES

The financial statement and accompanying notes were approved by management of the Town. The financial statement and notes are presented as intended by the Town.

TOWN OF MIDDLETOWN  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Year Ended December 31, 2014

Fund	Cash and Investments 01-01-14	Receipts	Disbursements	Cash and Investments 12-31-14
General	\$ 115,203	\$ 629,621	\$ 640,326	\$ 104,498
Motor Vehicle Highway	32,835	82,021	80,089	34,767
Local Road & Street	27,760	34,780	25,502	37,038
Law Enforcement Continuing Education	8,793	2,219	3,022	7,990
Park & Recreation	21,911	141,632	142,307	21,236
Rainy Day	14,500	-	6,961	7,539
Police Reserves	374	150	-	524
Levy Excess	-	210	-	210
Cumulative Capital Improvement	26,879	6,142	3,270	29,751
Cumulative Capital Development	27,681	17,215	8,997	35,899
CCFFE	21,209	3,038	6,116	18,131
Lease Rental	53,550	96,106	98,007	51,649
Tax Increment Finance	72,975	100,938	-	173,913
Property Maintenance	6,983	-	-	6,983
Riverboat	14,576	13,756	10,000	18,332
Park Donations	1,395	255	1,124	526
Park Flowing Well Fund	-	2,500	2,265	235
Civic Center	3,488	2,465	5,499	454
Civic Center F&B Grant Match	-	150	-	150
Police K-9	2,393	-	127	2,266
Police Donations	1,855	150	-	2,005
Golf Carts	102	40	-	142
Sidewalk	-	4,903	2,800	2,103
Payroll Clearing	-	690,542	690,542	-
Medical Insurance	9,494	88,697	90,820	7,371
Dental Insurance	275	10,518	10,413	380
Vision Insurance	79	2,759	2,832	6
Employee Paid Aflac Insurance	166	3,309	3,308	167
Non-Dd Employee	-	47,091	47,091	-
Non-Dd Officials	-	3,946	3,946	-
Electric Operating	188,610	2,150,595	2,031,389	307,816
Electric Meter Deposit	95,400	28,150	26,749	96,801
Electric Capital	50,000	62,000	-	112,000
Impa Energy Efficiency	1,809	708	-	2,517
Utility Application Fees	489	950	1,429	10
Bad Debt Collected	7,151	4,425	11,576	-
Ricoh Rebate	-	-	920	(920)
Electric Cash Reserve	12,000	112,000	4,800	119,200
Stormwater FMB	7,934	152,145	130,782	29,297
Bond 2 Stormwater Debt Reserve	-	160,000	30,712	129,288
Stormwater Ameriana	49,773	8	49,781	-
5Th St Stormwater Project	206,408	148,592	355,000	-
Locust Sidewalks	-	34,323	34,323	-
SRF Principal & Interest	-	50,100	1,918	48,182
SRF Bond Reserve	-	30,712	-	30,712
Stormwater Cash Reserve	12,000	12,000	-	24,000
Sewage Operating	58,980	515,436	482,705	91,711
Sewage Meter Deposits	28,475	5,775	5,175	29,075
Sewage Capital	40,000	12,000	-	52,000
Sewage Cash Reserve Fund	12,000	12,000	-	24,000
Water Operating	63,925	419,237	462,156	21,006
Water Meter Deposit	20,881	4,925	3,880	21,926
Water Capital	30,000	12,000	-	42,000
Water Fire Hydrant	4,343	64,000	31,649	36,694
Water Cash Reserve	12,000	12,000	-	24,000
SRF Construction	-	2,395,161	2,395,161	-
Investments Clearing Fund	-	600,000	600,000	-
<b>Totals</b>	<b>\$ 1,366,654</b>	<b>\$ 8,984,395</b>	<b>\$ 8,545,469</b>	<b>\$ 1,805,580</b>

The notes to the financial statement are an integral part of this statement.

TOWN OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENT

**Note 1. Summary of Significant Accounting Policies**

*A. Reporting Entity*

The Town was established under the laws of the State of Indiana. The Town operates under a Town Council form of government and provides some or all of the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, electric, gas, storm water, trash, aviation, and urban redevelopment and housing.

The accompanying financial statement presents the financial information for the Town.

*B. Basis of Accounting*

The financial statement is reported on a regulatory basis of accounting prescribed by the Indiana State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America, in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

*C. Cash and Investments*

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

*D. Receipts*

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts may include the following sources:

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the Town.

Licenses and permits which include amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include: peddler licenses, dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

TOWN OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENT  
(Continued)

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state, local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits which include receipts derived from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

Utility fees which are comprised mostly of charges for current services and penalties which include fees received for late payments.

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution, or court order; internal service receipts; and fiduciary receipts.

*E. Disbursements*

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements may include the following uses:

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service principal and interest which include fixed obligations resulting from financial transactions previously entered into by the Town. It includes all expenditures for the reduction of the principal and interest of the Town's general obligation indebtedness.

TOWN OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENT  
(Continued)

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order. Also utility operating expenses which include all outflows for operating the utilities.

*F. Interfund Transfers*

The Town may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

*G. Fund Accounting*

Separate funds are established, maintained, and reported by the Town. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the Town. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the Town in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

**Note 2. Budgets**

The operating budget is initially prepared and approved at the local level. The fiscal officer of the Town submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

**Note 3. Property Taxes**

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the Town in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

TOWN OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 4. *Deposits and Investments***

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statutes authorize the Town to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

**Note 5. *Risk Management***

The Town may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the Town to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

**Note 6. *Pension Plan***

*Public Employees' Retirement Fund*

*Plan Description*

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and give the Town authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

TOWN OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENT  
(Continued)

INPRS administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Indiana Public Retirement System  
One North Capitol, Suite 001  
Indianapolis, IN 46204  
Ph. (888) 526-1687

*Funding Policy and Annual Pension Cost*

The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS.

**Note 7. Cash Balance Deficit**

The financial statement contains a fund with a deficit in cash. This was a result of a rebate being offered to the Town. The Town agreed to accept the rebate and paid off the copy machine lease from the Ricoh Rebate fund, expecting to receive the rebate in 2014; however, the rebate to the Town was delayed until 2015.

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#### OTHER INFORMATION - UNAUDITED

The Town's Annual Financial Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Annual Financial Report of the Town which is referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The other information presented was approved by management of the Town. It is presented as intended by the Town.

TOWN OF MIDDLETOWN  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2014

	General	Motor Vehicle Highway	Local Road & Street	Law Enforcement Continuing Education	Park & Recreation	Rainy Day	Police Reserves
Cash and investments - beginning	\$ 115,203	\$ 32,835	\$ 27,760	\$ 8,793	\$ 21,911	\$ 14,500	\$ 374
Receipts:							
Taxes	273,476	-	-	-	98,352	-	-
Licenses and permits	15,559	-	-	-	-	-	-
Intergovernmental	202,632	82,021	34,780	-	14,511	-	-
Charges for services	95,510	-	-	-	28,769	-	-
Fines and forfeits	88	-	-	2,219	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	42,356	-	-	-	-	-	150
Total receipts	<u>629,621</u>	<u>82,021</u>	<u>34,780</u>	<u>2,219</u>	<u>141,632</u>	<u>-</u>	<u>150</u>
Disbursements:							
Personal services	347,002	62,878	-	3,022	87,275	-	-
Supplies	17,711	-	-	-	25,415	6,961	-
Other services and charges	257,561	17,211	-	-	26,372	-	-
Capital outlay	17,595	-	25,502	-	3,094	-	-
Other disbursements	457	-	-	-	151	-	-
Total disbursements	<u>640,326</u>	<u>80,089</u>	<u>25,502</u>	<u>3,022</u>	<u>142,307</u>	<u>6,961</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(10,705)</u>	<u>1,932</u>	<u>9,278</u>	<u>(803)</u>	<u>(675)</u>	<u>(6,961)</u>	<u>150</u>
Cash and investments - ending	<u>\$ 104,498</u>	<u>\$ 34,767</u>	<u>\$ 37,038</u>	<u>\$ 7,990</u>	<u>\$ 21,236</u>	<u>\$ 7,539</u>	<u>\$ 524</u>

TOWN OF MIDDLETOWN  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2014  
 (Continued)

	Levy Excess	Cumulative Capital Improvement	Cumulative Capital Development	CCFFE	Lease Rental	Tax Increment Finance	Property Maintenance
Cash and investments - beginning	\$ -	\$ 26,879	\$ 27,681	\$ 21,209	\$ 53,550	\$ 72,975	\$ 6,983
Receipts:							
Taxes	210	-	15,159	2,675	50,058	100,938	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	6,142	2,056	363	6,048	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	-	-	40,000	-	-
Total receipts	<u>210</u>	<u>6,142</u>	<u>17,215</u>	<u>3,038</u>	<u>96,106</u>	<u>100,938</u>	<u>-</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	6,116	-	-	-
Other services and charges	-	-	8,997	-	98,007	-	-
Capital outlay	-	-	-	-	-	-	-
Other disbursements	-	3,270	-	-	-	-	-
Total disbursements	<u>-</u>	<u>3,270</u>	<u>8,997</u>	<u>6,116</u>	<u>98,007</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>210</u>	<u>2,872</u>	<u>8,218</u>	<u>(3,078)</u>	<u>(1,901)</u>	<u>100,938</u>	<u>-</u>
Cash and investments - ending	<u>\$ 210</u>	<u>\$ 29,751</u>	<u>\$ 35,899</u>	<u>\$ 18,131</u>	<u>\$ 51,649</u>	<u>\$ 173,913</u>	<u>\$ 6,983</u>

TOWN OF MIDDLETOWN  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2014  
 (Continued)

	Riverboat	Park Donations	Park Flowing Well Fund	Civic Center	Civic Center F&B Grant Match	Police K-9	Police Donations
Cash and investments - beginning	\$ 14,576	\$ 1,395	\$ -	\$ 3,488	\$ -	\$ 2,393	\$ 1,855
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	255	2,500	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	13,756	-	-	2,465	150	-	150
Total receipts	13,756	255	2,500	2,465	150	-	150
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	1,124	2,265	-	-	127	-
Other services and charges	10,000	-	-	4,616	-	-	-
Capital outlay	-	-	-	-	-	-	-
Other disbursements	-	-	-	883	-	-	-
Total disbursements	10,000	1,124	2,265	5,499	-	127	-
Excess (deficiency) of receipts over disbursements	3,756	(869)	235	(3,034)	150	(127)	150
Cash and investments - ending	\$ 18,332	\$ 526	\$ 235	\$ 454	\$ 150	\$ 2,266	\$ 2,005

TOWN OF MIDDLETOWN  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2014  
 (Continued)

	Golf Carts	Sidewalk	Payroll Clearing	Medical Insurance	Dental Insurance	Vision Insurance	Employee Paid Aflac Insurance
Cash and investments - beginning	\$ 102	\$ -	\$ -	\$ 9,494	\$ 275	\$ 79	\$ 166
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	40	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	4,903	690,542	88,697	10,518	2,759	3,309
Total receipts	40	4,903	690,542	88,697	10,518	2,759	3,309
Disbursements:							
Personal services	-	-	656,480	-	-	-	-
Supplies	-	2,800	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Other disbursements	-	-	34,062	90,820	10,413	2,832	3,308
Total disbursements	-	2,800	690,542	90,820	10,413	2,832	3,308
Excess (deficiency) of receipts over disbursements	40	2,103	-	(2,123)	105	(73)	1
Cash and investments - ending	\$ 142	\$ 2,103	\$ -	\$ 7,371	\$ 380	\$ 6	\$ 167

TOWN OF MIDDLETOWN  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2014  
 (Continued)

	Non-Dd Employee	Non-Dd Officials	Electric Operating	Electric Meter Deposit	Electric Capital	Impa Energy Efficiency	Utility Application Fees
Cash and investments - beginning	\$ -	\$ -	\$ 188,610	\$ 95,400	\$ 50,000	\$ 1,809	\$ 489
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	2,143,298	-	-	-	-
Other receipts	47,091	3,946	7,297	28,150	62,000	708	950
Total receipts	47,091	3,946	2,150,595	28,150	62,000	708	950
Disbursements:							
Personal services	47,091	3,946	107,130	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Other disbursements	-	-	1,924,259	26,749	-	-	1,429
Total disbursements	47,091	3,946	2,031,389	26,749	-	-	1,429
Excess (deficiency) of receipts over disbursements	-	-	119,206	1,401	62,000	708	(479)
Cash and investments - ending	\$ -	\$ -	\$ 307,816	\$ 96,801	\$ 112,000	\$ 2,517	\$ 10

TOWN OF MIDDLETOWN  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2014  
 (Continued)

	Bad Debt Collected	RicoH Rebate	Electric Cash Reserve	Stormwater FMB	Bond 2 Stormwater Debt Reserve	Stormwater Ameriana	5Th St Stormwater Project
Cash and investments - beginning	\$ 7,151	\$ -	\$ 12,000	\$ 7,934	\$ -	\$ 49,773	\$ 206,408
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	99,202	-	-	-
Other receipts	4,425	-	112,000	52,943	160,000	8	148,592
Total receipts	4,425	-	112,000	152,145	160,000	8	148,592
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Other disbursements	11,576	920	4,800	130,782	30,712	49,781	355,000
Total disbursements	11,576	920	4,800	130,782	30,712	49,781	355,000
Excess (deficiency) of receipts over disbursements	(7,151)	(920)	107,200	21,363	129,288	(49,773)	(206,408)
Cash and investments - ending	\$ -	\$ (920)	\$ 119,200	\$ 29,297	\$ 129,288	\$ -	\$ -

TOWN OF MIDDLETOWN  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2014  
 (Continued)

	Locust Sidewalks	SRF Principal & Interest	SRF Bond Reserve	Stormwater Cash Reserve	Sewage Operating	Sewage Meter Deposits	Sewage Capital
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ 12,000	\$ 58,980	\$ 28,475	\$ 40,000
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	442,492	-	-
Other receipts	34,323	50,100	30,712	12,000	72,944	5,775	12,000
Total receipts	<u>34,323</u>	<u>50,100</u>	<u>30,712</u>	<u>12,000</u>	<u>515,436</u>	<u>5,775</u>	<u>12,000</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Other disbursements	34,323	1,918	-	-	482,705	5,175	-
Total disbursements	<u>34,323</u>	<u>1,918</u>	<u>-</u>	<u>-</u>	<u>482,705</u>	<u>5,175</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>48,182</u>	<u>30,712</u>	<u>12,000</u>	<u>32,731</u>	<u>600</u>	<u>12,000</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 48,182</u>	<u>\$ 30,712</u>	<u>\$ 24,000</u>	<u>\$ 91,711</u>	<u>\$ 29,075</u>	<u>\$ 52,000</u>

TOWN OF MIDDLETOWN  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2014  
 (Continued)

	Sewage Cash Reserve Fund	Water Operating	Water Meter Deposit	Water Capital	Water Fire Hydrant
Cash and investments - beginning	\$ 12,000	\$ 63,925	\$ 20,881	\$ 30,000	\$ 4,343
Receipts:					
Taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	329,575	-	-	-
Other receipts	12,000	89,662	4,925	12,000	64,000
Total receipts	<u>12,000</u>	<u>419,237</u>	<u>4,925</u>	<u>12,000</u>	<u>64,000</u>
Disbursements:					
Personal services	-	-	-	-	-
Supplies	-	-	-	-	-
Other services and charges	-	-	-	-	-
Capital outlay	-	-	-	-	-
Other disbursements	-	462,156	3,880	-	31,649
Total disbursements	<u>-</u>	<u>462,156</u>	<u>3,880</u>	<u>-</u>	<u>31,649</u>
Excess (deficiency) of receipts over disbursements	<u>12,000</u>	<u>(42,919)</u>	<u>1,045</u>	<u>12,000</u>	<u>32,351</u>
Cash and investments - ending	<u>\$ 24,000</u>	<u>\$ 21,006</u>	<u>\$ 21,926</u>	<u>\$ 42,000</u>	<u>\$ 36,694</u>

TOWN OF MIDDLETOWN  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2014  
 (Continued)

	Water Cash Reserve	SRF Construction	Investments Clearing Fund	Totals
Cash and investments - beginning	\$ 12,000	\$ -	\$ -	\$ 1,366,654
Receipts:				
Taxes	-	-	-	540,868
Licenses and permits	-	-	-	15,559
Intergovernmental	-	-	-	348,553
Charges for services	-	-	-	127,074
Fines and forfeits	-	-	-	2,307
Utility fees	-	-	-	3,014,567
Other receipts	12,000	2,395,161	600,000	4,935,467
Total receipts	<u>12,000</u>	<u>2,395,161</u>	<u>600,000</u>	<u>8,984,395</u>
Disbursements:				
Personal services	-	-	-	1,314,824
Supplies	-	-	-	62,519
Other services and charges	-	-	-	422,764
Capital outlay	-	-	-	46,191
Other disbursements	-	2,395,161	600,000	6,699,171
Total disbursements	<u>-</u>	<u>2,395,161</u>	<u>600,000</u>	<u>8,545,469</u>
Excess (deficiency) of receipts over disbursements	<u>12,000</u>	<u>-</u>	<u>-</u>	<u>438,926</u>
Cash and investments - ending	<u>\$ 24,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,805,580</u>

TOWN OF MIDDLETOWN  
 SCHEDULE OF PAYABLES AND RECEIVABLES  
 December 31, 2014

Government or Enterprise	Accounts Payable	Accounts Receivable
Electric	\$ -	\$ 246,516
Storm Water	-	9,502
Wastewater	-	69,585
Water	-	161,062
Governmental activities	<u>174,869</u>	-
Totals	<u>\$ 174,869</u>	<u>\$ 486,665</u>

TOWN OF MIDDLETOWN  
SCHEDULE OF LEASES AND DEBT  
December 31, 2014

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities: Town of Middletown	Municipal Building	\$ 96,000	12/30/2006	12/30/2029
Total of annual lease payments		<u>\$ 96,000</u>		

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Storm Water:	SRF - 5th Street Project	\$ 2,294,793	\$ 167,240
Totals		<u>\$ 2,294,793</u>	<u>\$ 167,240</u>

TOWN OF MIDDLETOWN  
SCHEDULE OF CAPITAL ASSETS  
December 31, 2014

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

	Ending Balance
Governmental activities:	
Land	\$ 143,100
Infrastructure	427,220
Buildings	2,902,462
Improvements other than buildings	292,818
Machinery, equipment, and vehicles	1,753,012
Total governmental activities	5,518,612
Electric:	
Infrastructure	518,179
Buildings	272,108
Machinery, equipment, and vehicles	193,008
Total Electric	983,295
Storm Water:	
Infrastructure	792,513
Machinery, equipment, and vehicles	23,000
Construction in progress	2,395,161
Total Storm Water	3,210,674
Wastewater:	
Land	132,700
Infrastructure	2,635,984
Buildings	145,000
Improvements other than buildings	50,000
Machinery, equipment, and vehicles	85,551
Total Wastewater	3,049,235
Water:	
Land	3,800
Infrastructure	2,634,376
Buildings	161,855
Machinery, equipment, and vehicles	94,540
Total Water	2,894,571
Total capital assets	\$ 15,656,387

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
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INDIANAPOLIS, INDIANA 46204-2769

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Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

TO: THE OFFICIALS OF THE TOWN OF MIDDLETOWN, HENRY COUNTY, INDIANA

**Report on Compliance for the Major Federal Program**

We have audited the Town of Middletown's (Town) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2014. The Town's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the Town's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Town's compliance.

***Opinion on the Major Federal Program***

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2014.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
(Continued)

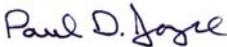
**Report on Internal Control Over Compliance**

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

  
Paul D. Joyce, CPA  
State Examiner

October 21, 2015

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTE

The Schedule of Expenditures of Federal Awards and accompanying note presented were approved by management of the Town. The schedule and note are presented as intended by the Town.

TOWN OF MIDDLETOWN  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Year Ended December 31, 2014

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 12-31-14
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>				
Capitalization Grants for Clean Water State Revolving Funds 5th Street Sewer Improvements	Indiana Finance Authority	66.458	WW 14 02 33 01	\$ <u>786,425</u>
Total for federal grantor agency				<u>786,425</u>
Total federal awards expended				<u>\$ <u>786,425</u></u>

The accompanying note is an integral part of the Schedule of Expenditures of Federal Awards.

TOWN OF MIDDLETOWN  
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

***Basis of Presentation***

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

TOWN OF MIDDLETOWN  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Section I - Summary of Auditor's Results**

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	no

Identification of Major Program:

CFDA Number	Name of Federal Program or Cluster
66.458	Capitalization Grants for Clean Water State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? no

**Section II - Financial Statement Findings**

**FINDING 2014-001 - PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

The Schedule of Expenditures of Federal Awards (SEFA) is required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, for entities receiving federal funds in excess of \$500,000 to summarize the use of federal monies received. The Town did not have proper procedures in place to ensure that the SEFA was accurate.

TOWN OF MIDDLETOWN  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

Effective internal control over preparation of the SEFA involves the identification and analysis of the risks of material misstatement to the Town's audited SEFA and then determining how those identified risks should be managed. The Town has not identified risks to the preparation of a SEFA and, as a result, has failed to design effective controls over the preparation of the SEFA.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section .310."

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

TOWN OF MIDDLETOWN  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

***FINDING 2014-002 - FINANCIAL TRANSACTIONS AND REPORTING***

We noted several deficiencies in the internal control system of the Town related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

1. Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the Town to reduce risks to the achievement of financial reporting objectives. The Town has not separated incompatible activities related to receipts, disbursements, payroll and related liabilities, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to remain undetected.
2. Monitoring of Controls: Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the Town's audited financial statement and then determining how those identified risks should be managed. The Town has not identified risks to the preparation of a reliable financial statement and, as a result, has failed to design effective controls over the preparation of the financial statements to prevent or detect material misstatements. The financial statement did not include the financial activity of the SRF Construction fund. The SRF Construction fund accounts for the financial activity of the Town's stormwater/wastewater capitalization loan used to separate the Town's stormwater and wastewater. The monies from the loan are maintained by an outside Trustee in bank accounts in the name of the Town. Although held outside the physical custody of the Town, the activity in the bank accounts held by the Trustee is part of the financial activity of the Town and should be reflected on the Town's financial statement.

The SRF Construction fund's financial activity was determined from the bank account statements presented for audit. Audit adjustments were proposed, accepted by the Town, and made to the financial statement presented in this report.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

***Section III - Federal Award Findings and Questioned Costs***

No matters are reportable.

AUDITEE PREPARED DOCUMENT

The subsequent document was provided by management of the Town. The document is presented as intended by the Town.



**Town of Middletown**  
653 Locust Street  
Middletown, IN 47356  
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## CORRECTIVE ACTION PLAN

### Finding 2014-001

**Contact Person Responsible for Corrective Action:** Drew Cooper, Clerk-Treasurer  
**Contact Phone Number:** (765) 354-2268

**Description of Corrective Action Plan:**

I have prepared a file to maintain documentation on federal programs, so that I will have the information available to prepare the SEFA in the future.

### Finding 2014-002

**Contact Person Responsible for Corrective Action:** Drew Cooper, Clerk-Treasurer  
**Contact Phone Number:** (765) 354-2268

**Description of Corrective Action Plan:**

I will set up a fund for any future Federal Projects and will maintain accounting information the same as we would any other fund.

**Anticipated Completion Date:** 12/31/2015

  
\_\_\_\_\_  
Drew Cooper, Middletown Clerk-Treasurer

October 19, 2015

#### OTHER REPORTS

In addition to this report, other reports may have been issued for the Town. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.